



**STUDIA OBSZARÓW WIEJSKICH**  
2015, volume 39, pp. 103–128  
<http://dx.doi.org/10.7163/SOW.39.7>



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## ENTREPRENEURSHIP AS A POTENTIAL DRIVING FORCE FOR THE FURTHER DEVELOPMENT OF RURAL AREAS – GOOD EXAMPLES FROM VISEGRAD COUNTRIES

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**Abstract:** Entrepreneurial human capital and entrepreneurship are crucial elements for the further development of rural areas. In order to understand the role of rural enterprises it is essential to learn the characteristics of successful companies in local economies. The main aim of this paper is to demonstrate through the introduction of the activity, everyday practice and production procedure how non-agricultural and non-tourism enterprises can foster the development of rural and peripheral areas in the Visegrad countries. Nine local enterprises of different size, profile and development pathway were examined in order to highlight main experiences and lessons being vital for and adaptable in other disadvantaged areas. The results and company descriptions provided in the article are based on in-depth interviews, online data collection and statistical analyses.

**Key-words:** rural entrepreneurship, rural economy, rural periphery, microenterprises and SMEs, local products.

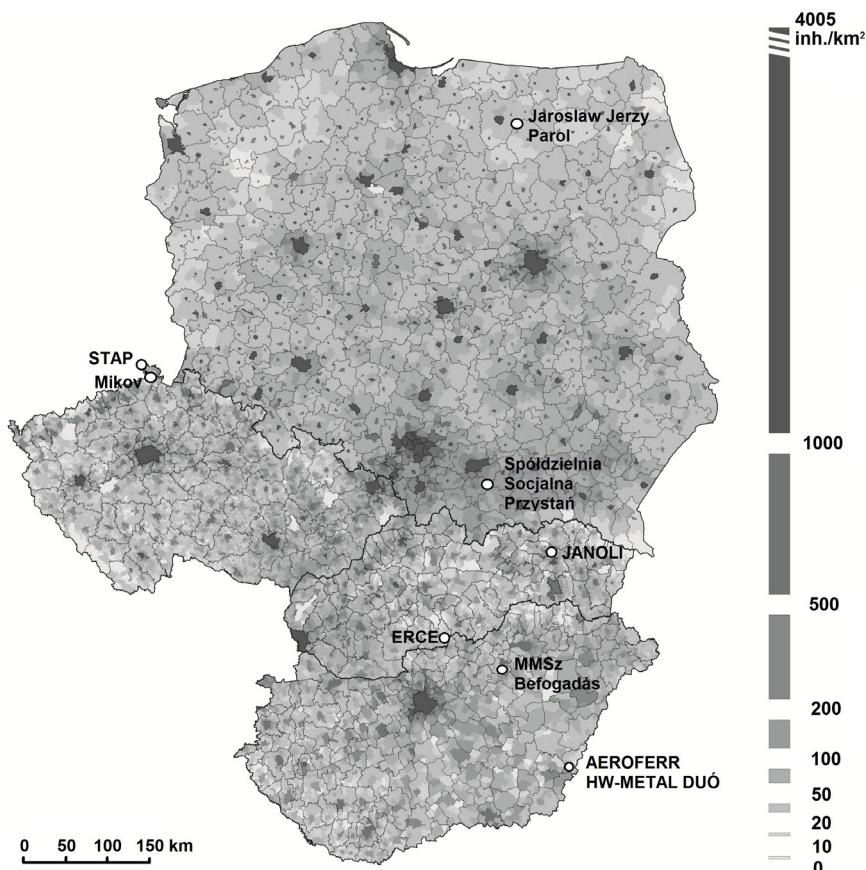
The presence of entrepreneurial human capital is vital for rural development. Entrepreneurship using local resources can encourage sustainable rural development and can be seen as the main tool to exploit rural capital (Statopoulos et al. 2004; Van Leeuwen and Nijkamp 2006). To understand the actual role of enterprises in the development of the rural periphery it is essential to know the characteristics of rural entrepreneurship. The organisational characteristics of enterprises like firm size, ownership and age, fundamen-

tally influence their impact on the local economy on the one hand and the degree of their local economic integration on the other. With regard to the size of firms we can point out that smaller and less productive firms tend to source more supplies locally and they sell more locally as well. Thus they exhibit stronger ties to their locality compared to larger companies (Curran and Blackburn 1994; Courtney and Errington 2000). Considering the role of ownership Courtney and Errington (2000) pointed out that independent enterprises source a higher proportion of their supplies locally and are therefore more strongly linked to the local economy than bigger national and multinational ventures. The characteristics of the owner can fundamentally influence the spatial behaviour of rural firms, because there is clearly a negative relationship between the distance from the owner's previous residence and the degree of local sourcing (Mills 2002). Owners and managers living in the area for many years generally tend to source and sell goods and materials locally. This is strongly related, of course, to their embeddedness into local networks. Regarding the age of the company North and Smallbone (1996) found that rural SMEs turn to the local market predominantly in the initial and early stages of operation. More productive and dynamic enterprises show weaker levels of local integration because they have access to wider markets and they are better embedded into global economic processes. Although these firms spend a greater proportion of their revenues on intermediate goods and raw materials, they generally have a limited local supply base. Actually, higher intensity in intermediate goods reduces the degree of local upstream integration. International experience shows that the greater the gap between the local supply and the demand for intermediate goods, the stronger the non-local economic behaviour of firms. However, these enterprises may source locally to reduce their transaction costs or to stay loyal to local suppliers and networks to the detriment of purchasing costs. Courtney et al. (2008) found that the more traditional the firm is (ie. smaller, older, lower labour productivity) the more strongly integrated into the local economy. Mitchell et al. (2005) also found that firms located in remote rural peripheries exhibit stronger linkages to locality in terms of employment, sales and purchases.

According to Courtney et al. (2008) the sectorial profile of the enterprise is decisive for its spatial behaviour. While firms belonging to construction or producer service sectors show strong connectivity to local (input) markets, manufacturing firms are more often linked to the wider economy, their partners come frequently from the regional markets and they often sell their products in the regional or international economy. Consumer services have stronger direct upstream linkages than all other sectors and business services source more locally than manufacturing (Williams 1994). There is a certain relation between the size and sector of the enterprise: many empirical studies (eg. Kasimis and Papadopoulos 1997; Anderson 2000) suggest that there is a negative relationship between the size of holding and the incidence of entrepreneurial ventures outside agriculture. Bigger firms with higher labour productivity and a higher level of intermediate goods are more likely to perform non-local business behaviour. Therefore the largest and most productive companies have the least potential to stimulate rural development.

Taking into consideration the impact of different entrepreneurship characteristics we can conclude that small businesses can especially foster the rural economy. In the article below we introduce nine small and medium sized enterprises representing best practices for rural non-agricultural and non-tourism entrepreneurship in Visegrad countries (Fig. 1). During the selection procedure we took into consideration all the diffe-

rent definitions and criteria on rural and peripheral areas introduced by Novotný et al. (2015). In this respect less the type of settlement (village or town), but much more the characteristics of the broader localisation (rural/peripheral or not) was pivotal for the selection of practices. According to the objectives of the project efforts were made during the selection procedure to avoid and exclude economic activities related to agriculture, forestry and fishing, mining and quarrying, accommodation and food service activities, arts, entertainment and recreation and activities financed by the public sector like public administration and defence, compulsory social security, education and human health activities. Enterprises operating in other economic branches were welcome for selection. Case study descriptions focus on the one hand on basic information on the enterprises (eg. location, economic branch, number of employees, establishment and financing of the enterprise, classification of the enterprise as successors of socialist enterprises, new start-ups, social enterprise etc.), on the other hand on characteristics of the procedure and description of the practice (eg. everyday activity, products of the enterprise, pre-conditions and main obstacles to carry out such a practice, future perspectives of the enterprise etc.).



**Fig. 1.** Location of case studies in relation to population density of LAU 2 units  
Source: designed by M. Mazur.

### Traditional old knife-factory with regional certification

Full name	Mikov Limited Liability Company
Production	knives and office supplies
Location	Mikulášovice, Czechia
Website	<a href="http://www.mikov.cz">www.mikov.cz</a> , <a href="http://www.regionální-znacky.cz">www.regionální-znacky.cz</a>
Established in	1955 (privatized and transformed after 1989)
Manpower	55

Mikov Ltd. is located in the region called Šluknov Foreland. It is a geometrically delimited outer periphery (Havlíček et al. 2008), close to Czech-German border. From the beginning of the industrial revolution till the first decades of the 20th century the Šluknov region was one of the principal industrial areas in Czechia. It became known particularly for its textile and light consumer industry (Kárníková 1965). During the communist regime (1948–1989) several branches of state companies were placed there. Nevertheless, in the 20th century the Šluknov region changed into a typical peripheral rural area – also in regard to the impermeable state border – and has been seeking its future development up until the present day.

Mikov Ltd. is an experienced, world-renowned manufacturer of knives and office supplies and produces various pressing tools and precise cutting of metals, various forms for plastics moulding and zinc casting dies as well. It is particularly well known for its range of products directed towards a broad spectrum of customers. It produces butcher's knives, kitchen knives, craftsman's knives, gardening knives, hunting knives, fishing knives, army knives, sports knives, folding knives, spring knives and other specialized knives. Luxury knives with Damask steel blades, and collector's knives (e.g. knives with a handle made from stone, pearl-shell) are available as well. As for office products, Mikov is a traditional manufacturer of scissors, staplers, punches, sharpeners and pins. It also manufactures wall-mounted rack/shelving systems and grounding clips for welding. Thanks to its own completely equipped tool shop, Mikov is a fully self-supporting business in providing tools and moulds for its own production. The remaining capacity of the tool shop is offered to external customers.

The settlement, where the enterprise has its quarters – Mikulášovice – was already famous throughout the wider region in the 18th century for its knife and scissor manufacturers. At the end of the 19th century, as a result of many factories producing cutlery, Mikulášovice was referred to as "Czech Solingen". In 1948 with the beginning of the communist regime state enterprises were established here and in 1955, the corporation Mikulášovice Metal Industry, with the Mikov trade name started its production. The production particularly included cutlery and office supplies. Thanks to centralization of production and modernization, the company witnessed rapid growth. A new method of heat treatment was applied according to the Czechoslovak patent Martforst deep freezing of knife blades after hardening. The products were successfully exported to 120 countries and territories worldwide, through foreign trade organizations. After the change of regime in 1989 Mikov retained its major production programme for the manufacture of knives Mikov and office supplies KIN. In 2005, Mikov purchased Adler Mes-

ser knife manufacturing technology from Adler Messer GmbH, including the rights to use its logo.

The continuation of traditional production is a priority for the company, which is declared and promoted. The foundation of the Museum of Cutlery Production in the quarters of Mikov is an example. The company feels "at home" in the Šluknov region precisely for the tradition. Fishlet, a traditional folding pocket knife produced by Mikov (Fig. 2), has acquired regional product of Czech-Saxon Switzerland certification ([www.regionální-znaky.cz/ceskosaske-svycarsko](http://www.regionální-znaky.cz/ceskosaske-svycarsko)).



**Fig. 2.** Fishlet, a traditional folding pocket knife produced by Mikov  
Source: Photo by R. Svobodová (2013).

In the last few years the company has experienced a high level of support from local government. The Cutlery Festival was initiated in the Mikov premises and it was certified as "a regional experience" of Czech Switzerland. Specialists who use the knives produced by Mikov (e.g. firemen, army tutors for close combat, mushroom-pickers etc.) perform during the festival.

Nevertheless, the director of the company does not see potential in the local or close borderland market. Most often, the company sells its products to merchants. The share of distribution to the final consumer is minimal, mostly e-shops appear among the partners of the company. The company's representatives take part in specialized exhibitions aimed at knives, outdoor, hunting, in Czechia as well as abroad. The rest of its promotion is addressed directly to potential clients. Mikov delivers its products to shops not only in Czechia but also throughout Europe (mainly Slovakia, Germany, France, Poland and Russia), the USA and Asia as well (Israel, Taiwan and Mongolia).

The main threat to future development, the director believes, is bad traffic and technical infrastructure in an extremely peripheral area (e.g. repeated power cuts once or twice per month). On the other hand, the key opportunities for the firm, the director believes, is the continuity of traditional production and in maintaining a highly qualified workforce. Thanks to this, Mikov is able to react flexibly to clients' needs, even though it is focused on mass production.

### On the way to becoming a market leader in narrow fabrics

Full name	STAP Incorporation
Production	narrow fabrics
Location	Vilémov, Czechia
Website, e-mail	<a href="http://www.stap.cz">www.stap.cz</a> , <a href="http://www.narrow-fabrics-stap.com">www.narrow-fabrics-stap.com</a> , <a href="http://www.smart-strap.cz">www.smart-strap.cz</a>
Established in	1948 (privatized and transformed after 1989)
Manpower	280 (in two plants – Vilémov and Velký Šenov)

The STAP company is located in the same region as the previous case in Šluknov Foreland. STAP is a big business producing straps, ribbons and zips. It is one of the biggest narrow fabrics manufacturers in Central Europe. The company intends to emulate the most progressive manufacturers in Germany. It produces chain zips, hook fasteners, webbing and straps, woven labels, gift wrapping and decorative ribbons (Fig. 3), strings shoe laces and tapes. It also produces other composites, non-woven textiles polypropylene and glass fibres delivered especially to the automotive industry and for the production of interiors of luggage compartments. A new group of the company's product range is internationally patented tapes, trade named smart STRAP, with woven-in optic fibres (smart textile), which was developed in co-operation with the Technical University of Liberec. This group of materials is called "active" safety elements, because in contrast to most reflective materials used up to now (e.g. tape with reflective materials) they do not need to be lit up (e.g. by car headlights), in order for the pedestrian or cyclist to be seen in time.

STAP has two subsidiaries, one in Vilémov, where the headquarters were located, and another one near Velký Šenov. In one of the manufacturing areas, the production of narrow fabrics dates back to 1803. In 1948 the Stap company came into existence by the merger of several independent entities. After 1989 the firm continued as a private company. Stap also feels "at home" in the Šluknov region precisely for the tradition. The director is interested in the history of narrow fabrics manufacturing in the Šluknov region and has even written the manuscript for a book (not published), called "The History of Contemporary Narrow Fabrics Products in Šluknov Foreland". Nevertheless, the company does not feel strong support from local government, except the possibilities of public transport time-tables that are consistent with the working hours of the employees. General positive assets in the peripheral area are the low cost of inputs (energy, wages etc.). As a way of publicity, Stap supports local sport clubs through its products as well.

The company perceives the potential of the foreign German market closeby, where the majority of its production is directed. In general, more than 80% of the production



**Fig. 3.** Folk costume and decorative ribbons produced by Stap  
Source: [www.stap.cz/krojove-a-zdobici-stuhy](http://www.stap.cz/krojove-a-zdobici-stuhy)

is exported to the European Union. Further partners are the USA, South-American countries, Japan and Russia.

In spite of the company keeping a permanent amount of its basic items in stock, it produces articles mostly as custom-made. The company tries to impress the clients not only through quality and price, but especially through speed of production. Stap does not have its own e-shop, the majority of production is sold to merchants and to business partners: to other manufacturers, such as producers of mattresses, footwear, companies from the automotive industry and electrotechnics. The dominant role of the company is rather as a subcontractor. Only the production of active safety elements SMART STRAP is addressed to the final consumer.

Stap considers trade fairs to be the best way to promote its products. Techtextil, which is held in Frankfurt am Main every two years, is the most important. Others are the automobile fair in Stuttgart and the army fair IDET.

The highest threat to company development, the director believes, is the quality of human capital. The company demands qualified labour which is technically skilled and is able to flexibly react to customer requests. However, the director feels a lack of tradition in textile and industrial schools in the region. On the other hand, he sees opportunities in deepening co-operation with partners in the automotive industry and professional services (e.g. Armed Forces). There is a huge potential in new innovations such as new types of mixed fabrics.

## Exploitation of former socialist production experiences as a private company

Full name	AEROFERR Air Technology and Metals Limited Liability Company
Production	ventilation equipment units
Location	Sarkad, Hungary
Website	<a href="http://web.axelero.hu/aeroferr">web.axelero.hu/aeroferr</a>
Established in	1991
Manpower	14

The company is located in the rural periphery of Békés county in the Southern Great Plain, in a small town near to the Romanian border called Sarkad. Békés county is one of the most deprived and underprivileged counties in Hungary and the micro-region of Sarkad is a typical rural area at the very periphery of the country (population density of the micro-region is around 44/km<sup>2</sup>). The only small town in the rural micro-region is Sarkad with a decreasing population of 10,009 residents in 2013. In this respect Sarkad fits very well into our definition and concept of rural areas.

The site of the company was originally built in 1948 as an agricultural machine station. Such stations were typical sites of socialist reorganization of agriculture after World War II. Later in 1975 the site became a plant of the state-owned Hungarian Ventilation Works in Budapest, since then the manufacture of ventilation equipment has existed here.

Aeroferr Air Technology and Metals Ltd. were founded after the change of regime on 9 December 1991, in place of the ceased factory of the Budapest-based ventilation company. The main goal was to retain existing professional, financial and social capital and not let it go to waste. The enterprise was jointly established by 10 individuals and the Ventilation Works itself. Since the former ventilation factory was one of the owners, there was no obstacle in taking over its intellectual property and product range and inheriting the market relations as well. In the early 1990s, the ventilation works in Budapest were also privatized and became independent. The Aeroferr company was then acquired by the founding individuals, but they are still suppliers to the ventilation works. The original profile of the company has not changed and still ventilation equipment units are manufactured. The product range predominantly consists of upgraded ventilation equipment developed and manufactured by the former state-owned company. First of all fans, roof fans, precipitators, silencers, pipes and fan components are manufactured and sold by the company (Fig. 4). In addition they assume general metalworking tasks as well (sheet cutting, bending, stamping, general machining, metal work and welding, dynamic balancing). Their activities also cover the production of ventilation systems for drying and stock-yard buildings in agriculture, industrial production halls and even high-rise buildings. Only one aspect prevails exclusively: the work must be done. The industrial plant of the company is well-equipped and they employ excellent skilled workmen such as metal fabricators, welders, mechanics and cutting specialists. The firm undertakes any kind of work for local agricultural entrepreneurs that they are unable to do on their own. Besides this they also perform public service activities. Thus the firm is basically a manufacturer, but at the same time also a services company.



**Fig. 4.** General manager of the company with ventilation products

Source: Photo by B. Ignácz

Sales are also supported by dealers contracted on long-term agreements. National business relationships have been built up over the past 22 years, primarily with those dealers, developers and investors buying and selling their industrial ventilation equipment. The firm focuses on the domestic market, because the enterprise is too small to compete with Western European companies, however their products are presented in the offer of foreign property development agencies, construction firms and dealers. Suppliers of the company are mostly located in Békés county, but electric engines are purchased in Budapest. The company has reliable business partners, the well-established relations of the firm are largely based on personal acquaintance and trust. In this way they can eliminate uncertainties in the market, and ethical problems and deficiencies characterising the post-socialist economic environment. So there are no worries of revenue realization. Currently there are 14 full-time employees working for the firm. The company is managed by two natural persons, by means of two part-time employed administrators. Areas of responsibility are allocated and flexibly handled between the two managers. The firm regularly employs students who study in an industrial vocational school in the county town of Békéscsaba. There is a good relationship with the school and they actually supply their own labour incubator. Until 2010 when consequences of the economic crisis were first realized by the company they had regular orders and work. Revenues of the company obviously grew before the crisis in 2007, when compared to the previous year it could be increased by 50%. This increase could be traced back to the contract with Pioneer, who they produced special fans for. Due to the high-quality work performed earlier, Pioneer is now one of the company's regular customers. The problem of circular debt has barely touched the company, because no dubious deals have been concluded and financing of work processes and contracts has received special attention. They give regular social

benefits to the employees. Meal vouchers, medical aid funds, private pension funds support, enrolment assistance, accident and life insurance are also provided for the workforce. "Marginality" is perceived by the enterprise as a long-lasting and obvious feature of the region. The main reason for this marginalized position is the location of the area – bordering Romania, a peripheral location on the eastern edge of the country with poor transport infrastructure. The economic marginalization is manifested in the lack of investments (implicitly: an absence of foreign investors), on the other hand, in the persistence of lower incomes and wages compared to Budapest and Western Transdanubia.

Among resources in the area the local workforce could be mentioned – who have good work experience, practical knowledge and discipline – so there are proper social conditions provided for the local students. Labour supply (although the quality varies) can also be provided locally. The management has good contacts with the local vocational training institutions. Thus, local/regional institutional and personal relationships and social capital can be considered as local resources. In addition, the regional/county supplier and business relationships, networks and relational capital on the market help the company to operate.

### **Launching from scratch by using earlier personal experiences**

Full name	HW-METAL DUÓ Metallurgical and Service Limited Liability Company
Production	metallurgical products
Location	Sarkad, Hungary
Website	–
Established in	2009
Manpower	25

The company is located in a disadvantaged area of Békés county in the Southern Great Plain, in a small town called Sarkad (characteristics of the micro-region; see the previously presented example). Both owners previously worked for a local foundry in technical, responsible positions (for 15 and 25 years), but because of permanent professional dis-sidence with the management they were dismissed (this company later went bankrupt). Since they did not want to destroy the long-lasting working relationships with colleagues who stayed on in the former company a new product range was developed and through their existing personal networks a new clientele was built up. In 2009, the business was virtually launched from scratch. The founders of the firm found very favourable and fair conditions on the local industrial estate and they rented a cheap site and factory unit there of appropriate size and infrastructure. This site was suitable to employ 8–10 workers. Labour shortage was partly resolved by attracting colleagues from the former company.

After three months of starting the venture they had already started working for the German market. The most costly step in launching the company was to purchase mechanical equipment. They endeavoured to buy only the most essential equipment as new (eg. a foundry furnace), more equipment was designed and built by them or bought second-hand in other areas of the country. In this way they were able to save millions of Hunga-

rian forints when starting the business. The starting process was providential in the sense that due to the new customers they could achieve quality needs necessary for the further development of the firm. In the early stage the company accepted many short-term and risky orders for individual metal pieces requiring a high level of technology. Initially the lack of disposable liquid capital was a problem, but learning from their experience, it is no longer possible for the company not to have enough liquid resources to pay suppliers, or to prepare itself for the financing of the next offer (see the problem of circular debt).

Building up good quality business relations was one of the cornerstones in the successful financing of the company. The company's philosophy is built around deference for their profession, commitment, quality of production, professionalism and customer satisfaction. The correct service for every customer without regard to the volume or size of the order. Their principle is not to deal with mass- and series production, they have become known in the foundry industry as a producer of high-quality small series products and they do not intend to change this. In many cases, the firm could provide more competitive offerings than well-known, older and larger successful companies. During the crisis in 2009–2010 unfortunately orders requiring a high degree of professional challenge with short deadlines and low price levels prevailed. At this time the enterprise came into contact with Knorr-Bremse, the first multinational company among its customers. It was possible to retain this cooperation as the enterprise is one of the suppliers to the local subsidiary of Knorr-Bremse in Hungary. Thanks to the personal acquaintance among strategic partners of the firm the Emerson oil company can be mentioned and they also maintain good relations with local foundries.

According to the owners, one of the pillars of a successful, profitable business operation is cost-effectiveness. Administration is kept to a minimum: accounting and controlling is managed by the family, working contracts include additional tasks (eg. cleaning, so they do not have to pay for cleaning staff), private vehicles are used for the transport of goods and materials, also the owners themselves do manual labour. Between 2009 and 2014 money has not yet been spent on advertising, the company's website and leaflets containing references to the past five years are now planned to prepare. Employment services are outsourced to an external company.

At the beginning of 2012 the former workplace of the owners went bankrupt, so many previous colleagues found a new job in this company. Due to the expansion of the firm it became necessary to move to a new production unit. The management found a bigger unit on the local industrial estate and the internal reconstruction began in 2014. Additional equipment and machines were bought in liquidation processes and clearance sales. As part of the expansion new industrial premises were purchased in 2013 in the neighbouring city Gyula, which is already suitable for employing 50 employees. According to the owners this new site will be one of the cornerstones of the further development of the company. Due to capacity problems many orderings had to be cancelled earlier, but in the new hall the moulding capacity can be doubled, and cutting capacity can be multiplied as well. The company has been profitable from the very beginning. Due to continuous expansion the company is currently the fifth largest employer on the labour market of Sarkad and pays the third highest business tax. Revenues steadily increased between 2009 and 2012, stagnated in 2013, while the first half-year prognosis for 2014 rather forecasts a moderate decline. Currently 25 people work for the company, but continuous development and recruitment are foreseen. It has been possible to carry out

continuous wage increases in recent years. The company basically produces for export, 90% of production directly or indirectly goes to the European market. The share of the German market in the portfolio is around 70%. The most important domestic partner of the enterprise is IGM Robotic Systems Ltd. in Győr (West Hungary). Actually, in this case orders for the Austrian parent company are also fulfilled. The role of the regional (local) markets is currently zero.

Raw materials are sourced from various parts of the country: foundry sand (300–400 tons per year) is transported from Kiskőrös and Lake Balaton, because there is adequate quality. Aluminium blocks for casting come from Budapest and Tatabánya, because block producing factories are located there. The amount of annual purchases is around 150 million HUF ( $\approx$ 500,000 EUR), but only a smaller part of this is spent locally. Thus the operation of the company only has an indirect effect on the local economy: on the one hand employees go shopping in the local stores, on the other hand chemicals, iron material and gas are purchased locally. Since the company always pays cash, it helps local retail stay afloat.

Many orders have been lost due to the very poor condition of the regional road network. The poor quality of infrastructure is clearly hindering the further development of the company. According to the owners of the company instead of 're-nationalization' of ventures cleaning up the black market and improving the efficiency of public services would be much more important for regional policy.

### **Catching up of deprived areas in extreme poverty - the inclusive village programme and the e-waste dismantling plant in Tarnabod**

Full name	MMSz "Befogadás" Non-profit Limited liability Company
Services	Dismantling of E-waste
Location	Tarnabod, Hungary
Website	-
Established in	2006
Manpower	30

Tarnabod is located in North Hungary in the southern part of Heves County and long ago it was an affluent village. The high-quality soil provided peasant families. Tarnabod was among the first settlements in the surroundings where the infrastructure was built. In 1974 the area was hit by a flood and the Gypsy colony of the neighbouring village was swept away. About 60 to 70 Roma families were resettled in Tarnabod and the newcomers changed the image of the village. Due to the different social and cultural backgrounds permanent tensions characterised the everyday life of the village. An entire generation moved out of Tarnabod and by 2013 the village had a population of 740 people.

After the change of regime the social and economic situation in the village deteriorated further. Actually, with the abolition of the local collective farm all workplaces disappeared. Nearly 100 per cent unemployment with disastrous transport infrastructure characterised the village. Only two buses travelled a day, commuting was practically im-

possible. A lack of own resources made participation in national and regional proposals impossible.

The history of the inclusive village programme and the e-waste dismantling factory started when a family moved back from the capital city to the village. During the transition lots of homeless, unemployed families moved to Budapest for a brighter future and a better livelihood. However, their situation has not improved significantly and the social services office often threatened these families with taking their children into care. A large family moved back to its former place of residence in Tarnabod and the original purpose of the Hungarian Charity Service of the Order of Malta as coordinator was to help this family. The village was in a difficult situation anyway, but the local mayor recognised the potential of the programme and started housing homeless people coming from the capital city. The Charity Service and the village jointly developed the concept of Inclusive Village: they help those homeless families with rural roots and not being averse to farming and a rural existence to settle in rural villages. Those who do not have drug or alcohol problems, who are mentally healthy can be enrolled in the programme, however because of the complete lack of financial means and housing facilities their families are threatened with placing their children under guardianship. Therefore, the initiative of the Hungarian Maltese Charity Service offers worthy homeless families a second chance to start again. The Charity Service buys property in selected villages, families formally undertake to maintain the house and its surroundings, they cultivate lands around the house, keep animals, regularly send their children to school and – last but not least – they live by the rules of the local community. In this way all families taking part in the programme get a chance to stand on their own feet. An important element in the project was buying properties in different parts of the village to avoid segregation. The programme was also included as a pilot project in the government's National Concept on Homelessness. The disadvantaged families began settling in 2004. A prudent selection process carried out by sociologists and psychologists ensured that only those families who would benefit could be enrolled in the programme.

State-funded public work programmes have been launched in work-deprived areas, from new housing, public works, and education programmes and these have benefited the locals. The former collective farm offices (even earlier, the manor house) have been converted into a nursery school, computer devices await the children in the school. A former pub has been converted into a play centre and day-care centre. At the same time childcare training has been organized for local unemployed people. According to current plans, a new village centre will be created to attract new companies into the village.

Tarnabod's success pierced with a moral barrier, now has other disadvantaged municipalities queuing up to take them into the programme. Last but not least the concept of an inclusive village is a much cheaper and better solution than social assistance programmes currently existing for deprived and homeless people.

A dismantling factory for electrical and electronic e-waste run by a non-profit limited company provides the economic pillar of the social and employment model programme. The primary goal of the company was to provide jobs for the unemployed living in extreme poverty. The enterprise is part of a broader social programme, the inclusive village programme. After purchasing the building of the former collective farm a new e-waste dismantling plant was established. The company started as a non-profit corporation in 2006 and was supported by the National Employment Foundation. The firm is operated

and owned by the Hungarian Maltese Charity Service, which has been struggling since 2004 to create acceptable conditions in a village where no job opportunities have existed for decades.

In the plant office devices, consumer electronics, household devices, industrial and all kinds of electronic waste are processed. The company's annual capacity is 600 tons, storage sites are in Budapest and Tarnabod, but they also collect e-waste personally from partners, free of charge if necessary. Storage, transport and processing capacity meets the requirements of the market. For demolition works they act as a private agent on the market and contact private companies, offices and public institutions for collecting the waste. Every 20 tons of e-waste allows the employment of somebody and the creation of a new job. The e-waste dismantling plant in Tarnabod provides 30 full-time jobs for needy and disadvantaged people (Fig. 5).



**Fig. 5.** Disadvantaged people working for the dismantling plant  
Source: Photo by M. Kállai.

### Family-run new start-up supplying the local market

Full name	Jarosław Jerzy Parol – Tradycyjna Wędzarnia Warmińska (The Traditional Warmian Smokehouse)
Production	Fish products
Location	Purda, Poland
Website, e-mail	<a href="http://www.parolryby.pl">www.parolryby.pl</a>
Established in	2007
Manpower	4

The enterprise is a private, family-owned initiative. Fish breeding for their own, small-scale consumption was commenced by the Parol family in the 1970s. This successful activity attracted the owners to further fish processing – as they were already acquainted with fish smoking, the idea of establishing a smokehouse was instinctive, but only using the traditional, local Warmian method of smoking fish passed on for generations. Smokehouse's owner grew up in one of the ecologically cleanest regions of Poland, close to the unchanged nature of Warmia Lakeland and spent his youth fishing and sailing. Therefore, Mr. Parol has become emotionally attached to fresh, traditional and regional food based on local natural resources. The Warmia region is known for high quality freshwater fish being a significant part of its rich culture.

The smokehouse has been present on the market since 2007, and is therefore a new start-up enterprise, however business activity is a continuation of a long-term family experience as well as regional/local tradition. When establishing the smokehouse no external funds were obtained as there was no such need.

The traditional Warmian Smokehouse offers products from the furnace fired with an original mix of broad-leaved hardwood. Fish smoked in this manner takes on the colour of dark gold and gains a particular smell and taste, which is only enhanced by salt, no other additives are used in the whole process of preparing the smoked fish (Fig. 6).

The smokehouse offers smoked fish – trout, eel, whitefish, catfish, carp, sturgeon and others. On top of that, the smokehouse also produces traditional marinated fish as well as jellied fish manufactured according to the recipe of the owner's grandmother.



**Fig. 6.** Owner and products of the Traditional Warmian Smokehouse  
Source: [www.parolryby.pl](http://www.parolryby.pl)

Evidence of success:

- 2007 – The enterprise has become a member of The European Network of Regional Culinary Heritage,
- 2008 – The traditional Warmian Smokehouse was recognized for the consistently high quality of its products with the label of Best Product and Service of Warmia and Mazury,
- 2008 – "Smoked eel" received the first prize in the contest "Our Culinary Heritage" in the city of Lidzbark,
- 2009 – the enterprise received the "Pearl" award at Polagra Fair in Poznań,
- 2010 – Gold Medal at the International NATURE FOOD Fair in Łódź,
- 2012 – Reportage presenting the smokehouse as an example of good practice on TVR (Polish Television dedicated to farmers and the rural population in general),
- The enterprise has been mentioned in the regional press numerous times (*Dziennik Elbląski, Gazeta Olsztyńska*).

The continuation of the family tradition is definitely a strength of the practice. In addition, the enterprise offers products that are a part of local cultural heritage. In Poland there has been a constantly rising demand for regional food products, that are prepared using traditional methods with no artificial ingredients added. The idea of the smokehouse goes along with the Slow Food concept, which is becoming more popular as the number of consumers being aware of food content and food processing increases. This enterprise by benefiting from local natural resources takes advantage of the endogenous potential of the region. This is especially important for the local economy as the region presents one of the highest unemployment rates in Poland and the GDP per capita is below the country's average. The smokehouse's activity provides evidence that non-agricultural and non-tourism activity is profitable in areas of undifferentiated economic market.

The major weakness is that in the region the cooperation network between wholesalers and distributors is not well developed, which hinders the search for consumers.

The smokehouse's owner has met the pre-condition, which in this case was primarily a long-term family tradition and knowledge concerning methods of smoking and recipes passed over from generations. Another crucial pre-condition was definitely the natural assets of the village the smokehouse is located in as well as regional tradition. On the other hand, the main obstacle is to find a sufficient number of customers due to the fact that the smokehouse is located in a peripheral area with low population density. Because of the small number of local distributors and wholesalers it remains challenging to be recognized on the market.

The most desired future of the practice is to put emphasis on a more intense promotion of products and becoming recognizable to a higher number of consumers. The owner does not intend to compete with mass food production, he aims at consumers appreciating traditionally made high quality products.

## Social Cooperative Haven in Raciechowice providing services for the locals

Full name	Spółdzielnia Socjalna Przystań (Social Cooperative Haven)
Services	catering and maintenance/housekeeping services
Location	Raciechowice, Poland
Website, e-mail	<a href="http://www.przystan.spoldzielnie.org">www.przystan.spoldzielnie.org</a>
Established in	2012
Manpower	-

The Social Cooperative Haven offers a range of services in the County of Myślenice (673,3 km<sup>2</sup>, population ca. 123,000), a rural area in Małopolska Voivodeship (Southern Poland). The Cooperative's main tasks are daily preparation and catering as well as the provision of maintenance/housekeeping services in three local schools in Raciechowice Municipality (61 km<sup>2</sup>, population ca. 6,000). Other activities include catering services for ordinary residents of the municipality and the people working in local companies, as well as catering services for meetings, conferences and events organized in the area of the County and also in the whole region. More than 400 meals are prepared daily. This practice is a public-private initiative. The founding members are two legal entities: Raciechowice Municipality (public authority) and the Association of the Volunteer Fire Brigade in Kwapinka village (non-governmental organization). Various fund programmes were used to support the idea, national and European (i.e. "INES project- Infrastructure of Social Economy in Małopolska Region", "Equipping the work-standing for the unemployed person" project, ESIF's European Social Fund "RESTART").

This case can be classified as a social enterprise and new start-up. In 2011 the Municipality faced a problem in continuing to finance the work of several kitchens in local schools from 2012. It meant that 18 people would lose their job in the following couple of months. Those people (mainly cooks) are only skilled in that field, they have been working in the same position for many years and in some cases they are the sole breadwinners. For a municipality of ca. 6,000 inhabitants, it meant a huge problem. An additional unemployed person also brings extra costs for the Municipality and a decrease in the number of the population paying local taxes. According to the national legal framework, municipalities cannot carry out any sort of commercial activity. Instead of outsourcing catering services after public procurement (which would have been an easier solution), the Municipality authorities decided to establish a social cooperative. The volunteer Fire Brigade from Kwapinka village joined the idea of the Municipal authorities and both entities created a social cooperative which was not only able to maintain work places but even to create new jobs.

According to the findings of the CESR project (<http://cesr-project.eu>) the Social Cooperative Haven is a great example of the cooperation between local community, non-governmental organization and municipality self-government. This good practice demonstrates that the creation of a social cooperative can:

- provide direct benefits for a spectrum of local community's members (production and delivery of reasonable priced traditional meals),
- result in creating additional jobs in rural areas (additional 6 people are employed on job contracts),

- reintegrate unemployed people into society and create relationships,
- help local tradition to survive (cultural activities of the cooperative),
- increase economic activity in the local area,
- become a new source of income for non-governmental organizations.

There is a lot of evidence of success, from the number of ordered meals which is stable and even has a tendency to increase, to the number of events organized and catered for by the Cooperation, both witnessing the satisfaction of the consumers with the food quality and price policy. A great interest in the transfer of the knowledge – organized study visits, are also witnessing the success of the Cooperation.

The creation of a social cooperative model by the public authority and an NGO, in order to save jobs and even create new ones in the rural periphery, where people with such skills would probably become unemployed, is probably the most important strength of this practice. Those people are thankful for retaining their job, which reflects in their performance. The product (catering of traditional food – Fig. 7) is a benefit to all consumers and local people are more interested in supporting the work of the cooperative by buying their products or organizing events using the cooperative's catering services. Unfortunately, the low prices of services can sometimes have a negative foretoken: some potential clients see the catering prices as an indicator of quality. Other potential clients will dislike the type and the name of the organization from which they could buy services, since "social cooperation" reminds them of a non-professional service and low quality products.



**Fig. 7.** Cooperative's catering products  
Source: <http://spoldzielnia-przystan.pl/>

The future of this practice can be: to expand services, to look for new markets, to create additional full-time jobs, to establish closer cooperation with other cooperatives and to buy new equipment, mostly for a kitchen in order to prepare food faster.

There are several conditions for the transfer of this practice: national and local laws should be adjusted to the creation of social cooperatives. Moreover, the support of the local government is crucial, as well as human capital- engaged people treating the cooperative as their own company. Local inhabitants should also treat the cooperative as their own, to avoid huge competitiveness, to gain cooperation and to use the services offered by a cooperative. Besides, the funds of different agencies are very helpful, especially during start period of the organization and considering the infrastructure facilities (building/ renovation/ equipping). If catering for the local school is already organized, there are numerous fields where this kind of cooperation can be introduced. Networking with other cooperatives is important (sharing experiences, management and even employees). Because of different policies, attitude, the stage of tourism development, customs or practices, it may be difficult to create a social cooperative in another European country; mainly because it creates competition. The cooperative model could be recommended to Visegrad countries which still have a shortage of cooperation models: it is a good example of how to connect the activities and how to connect different entities.

### From a family-run micro-enterprise to a medium-sized well-established company

Full name	ERCE, Limited liability Company
Production	Food products (pasta)
Location	Bušince, Slovakia
Website, e-mail	<a href="http://www.erce.sk">www.erce.sk</a>
Established in	1993
Manpower	70

The village of Bušince is located in the south of Central Slovakia. The village lies on the Ipeľ River that flows through the Ipeľská Kotlina Basin and creates the state border between Slovakia and Hungary. As the crow flies it is located 10 km from Veľký Krtíš – the district (LAU1) town and about 70 km from Banská Bystrica – the county (NUTS III) town, but there are no major or regional routes connecting it to these towns. The unemployment rate reaches almost 40% (38.5% in 2011) in the community.

The ERCE company was founded by husband Pavel Oravec and wife Erika Oravcová in 1993. The variety of pasta available in Slovak retail in the early 1990s was very limited which encouraged this couple to start producing home-made egg pasta using special technology instead of pasta pressing commonly used in large-scale production. They were also inspired by small home-workshops that started production during that period. When starting the business the owners followed the motto: "*None of the major developed economies is based on giant enterprises but on small and medium-sized family businesses.*" With eight employees in leased premises, the company started its story in 1993, producing eight-egg pasta noodles with minimal mechanical equipment. When starting the

business, the company did not obtain any state or European financial support. Success of the company is highlighted by the prestigious Outstanding Businesswoman of Slovakia Award that Mrs. Oravcová won in 2001.

Nowadays, the company produces a much wider variety of pasta in two basic versions maintaining high quality of production in both of them. The versions differ in the technology used and are to be distinguished by the colour of the packaging.

Pasta in red packaging is produced by modern pasta-pressing equipment while pasta in blue packaging is produced traditionally like manually home-made pasta with only minimal use of machines. Precise processing is supposed to keep the satisfaction and interest of business partners and customers. Unusual but practical small packages have gained popularity among customers as well as businesses as it saves storage space.

In recent years, the company has been producing about 1,200 tons of pasta annually (about 100,000 kg monthly). The main raw-materials in pasta production are flour and egg powder. The flour is imported from Mlyn Pohronský Ruskov mills in Eastern Slovakia and the egg powder from Velkopavlovické drůbežářské závody poultry plants in the south-east of Czechia.

In a region where unemployment rate fluctuates at around 30%, ERCE is an important company also in terms of employment. The company started with eight employees in 1993 but it expanded quite quickly and became well-established in the food market in Slovakia. This enabled it to increase the number of employees to the current 70.

Pasta from Bušince is sold in the whole of Slovakia including large retail chains such as Tesco, Billa, Kaufland, Metro Cash & Carry, Terno, Coop Jednota, CBA, Libex and others. Some retail chains sell it also in Czechia.

In 2014, the company received almost €264,000 from the European Regional Development Fund for the project: Reconstruction and modernization in the centre for rolling technology in pasta production. To increase efficiency, quality and to modernize production, the company will move to new premises in the nearby town of Veľký Krtiš. The new, modern premises will be equipped with advanced technologies and fully adopted to specific and stringent quality requirements with regard to produced goods. Although ERCE plans to move away from Bušince, its success story has inspired other locals and in 2005 another company (Monti+ Ltd.) started pasta production there.

Strengths of the enterprise: A social program asserted by the company owner; Sufficient availability of a relatively cheap labour force mainly in blue-collar occupations; A strong position in the market; An extensive network of customers.

Weaknesses of the enterprise: Bad connections to the higher level traffic infrastructure; Worsening age-structure of the population (ageing); Loss of work-habits in the long-term unemployed; Insufficient support for entrepreneurs in the region.

## Expansion of an enterprise despite decreasing trends in the clothing industry

Full name	JANOLI Limited Liability Company
Production	medical clothing
Location	Uzovce, Slovakia
Website, e-mail	<a href="http://www.janoli.sk">www.janoli.sk</a>
Established in	2006
Manpower	35

The village of Uzovce with 520 inhabitants (2013) is located in the north-eastern part of Slovakia, in the south of the Spišsko-šarišské Medzihorie Depression. As the crow flies, it is located only 14 km from Prešov – the county (NUTS III) town and 7 km from Sabinov – the district (LAU1) town, but there are no major or regional routes connecting it to these towns. The unemployment rate reached 13% in 2011.

Janoli, Ltd. was founded in 2006 but its history goes back to 1992 when its owner Ján Čech started his own business as a sole trader. At its beginning the company focused its production on ready-made clothing in response to the lack of these kinds of goods on the Slovak market after the fall of the socialist regime. The idea of starting a business in clothing production reflected the tradition of its production in the region as well as a sharp decrease in the number of employees in formerly state owned clothing producing companies in Prešov (OZKN) and another nearby town Lipany (ODEVA). In response to the low availability of clothing for hospital staff and later also for security forces in Slovakia, the company changed its focus to the production of emergency, medical and high visibility clothing.

Currently, Janoli mainly produces special clothing for emergency and health care services. The company has its own design and development of products, and logistics. Its main products include jackets, sweatshirts, shirts, vests, surgical garments and even medical shoes (Fig. 8). The products are intended not only for rescue workers, medics, policemen, security forces and army but also for other workers such as sawyers. Production and the product range tends to be expanding. The company currently produces 100 garments and annual turnover is about 1.3 million EUR.

The fabrics – the company used to buy supplies from Slovak companies such as TE-XICOM in Ružomberok. Nowadays, after a sharp decline in the production of fabrics in Slovakia, supplies are sourced mainly in Czechia and other western-European countries, but also in Asian countries (India and China).

The enterprise also significantly influences employment in the Uzovce village. The registered unemployment rate is only around 13% here, while in the Sabinov district (LAU1) into which the village belongs it fluctuates around 24%. When it started the company only had one employee, but that number has been rising progressively to the current 35. The occupational structure is dominated by women from Uzovce and neighbouring communities (30). The number of men employed there is 5. The company provides a sheltered workshop so among the employees there are also workers from "disadvantaged backgrounds", particularly the disabled. Thanks to ongoing reconstruction of the production facilities, the company plans to expand production and, consequently, to increase the number of employees to 50 or even 55.



**Fig. 8.** Production of medical clothing in the premises of the Janoli company  
Source: [www.janoli.sk](http://www.janoli.sk)

Janoli products are primarily intended for the Slovak market, but the Czech market is also very important. In the past, the second largest share of production was directed to the Netherlands, which currently ranks third. Since the beginning of production the majority of medical and rescue workers garments were produced for a Dutch company that later moved production to Tunisia so Janoli lost this customer.

Production in Janoli has never been funded by any Slovak or European grants or funds. When starting production, the company obtained an interest-free loan. Nowadays, the enterprise receives a financial contribution only in respect to the employment of disabled people.

The company-owner Ján Čech sees the strengths of the company in the tradition of garment manufacturing in the region which is reflected in a sufficient amount of skilled labour. He sees the advantage of production in the rural area as it is a place where living and employment costs are lower in comparison with cities and bigger towns. Ján Čech also feels positively towards the transportation infrastructure. Although it is relatively low quality, it is sufficient for the demands of the company. In logistics, Janoli also cooperates with locally embedded transportation companies.

### Main lessons learnt from the case studies

- The production of enterprises based on local and/or regional traditions and interconnected with other economic branches can positively influence the potential of future development and success of the rural periphery.

- Just-in-time production and flexibility, looking for new innovation, following brand-new trends of the branch, monitoring and fulfilling specific customer requests are characteristic features of dynamic rural enterprises.
- Small serial numbers, unique, high-quality products and good self-positioning on the market can contribute to the successful operation of rural enterprises in the long run.
- Careful selection of business partners and suppliers can ensure the safe operation of rural SMEs.
- Efficiency and cost-effectiveness should be of highest priority for early stage rural enterprises (eg. acquisition of second-hand machinery and equipment, solving required tasks on their own by increased expectations of employees etc.)
- The role of personal relationships and networks in business and labour development is crucial for companies acting in rural peripheries.
- A positive impact of rural entrepreneurship on the labour market is obvious. Relationships to local schools can contribute to the successful suppression of youth unemployment.
- Social responsibility of the company can reinforce the local community.
- Key people living in local communities can strengthen local businesses and entrepreneurship.
- Rural entrepreneurship can benefit from state or European funds but it is not necessarily needed for start-up and operation.

## Conclusions

In rural areas the majority of the population is still employed in low productivity, traditional segments of agriculture while employment opportunities in other sectors of economic activity are extremely limited. As a result, a significant part of the population cannot afford to initiate any business assuming risks related to entrepreneurial activity. The case studies however, have shown that successful entrepreneurial activities can be carried out in deprived rural areas as well. A positive and pro-active entrepreneurial attitude, local embeddedness and existing personal networks are key factors for the further development of such enterprises.

Carter (1997) argues that larger agriculturists venture into non-agricultural enterprise on account of easy access to finance. The presence of a positive relationship between the availability of capital and entrepreneurship could be proven by our outcomes as well. But surprisingly, it was rather typical that enterprises did not benefit from external (state or European) support. Thus the success of enterprises located in the rural periphery is not necessarily dependant on the amount of state funds invested.

Our results demonstrated that local economies are strongly influenced by the characteristics of enterprises. Smaller, independent, less dynamic enterprises have stronger links to the local network and markets. Actually, the economic profile of the company should also be taken into consideration while assessing its local impacts.

Non-agricultural enterprises undoubtedly have a positive impact on the local labour market because they are particularly beneficial for local job creation. However, the need to generate employment for oneself and one's family is still the main driving force for local

entrepreneurs to remain in rural areas and start up a business there (Akgün et al. 2011). Our findings confirm the earlier results of North, Smallbone (1996) that entrepreneurs in remote rural firms generally adopt more labour intensive forms of expansion than their urban counterparts. This was the case not only because of the lower cost of labour but also because of a number of qualitative advantages of the rural workforce such as its reliability, adaptability and relatively low turnover rates.

The number of micro and small non-agricultural enterprises producing local products is obviously growing. The impact of firms producing 'local' products appears to be positive in the development of rural peripheries, as it implies the existence of well-established links to the local economy. In this context, such activities strengthen the local economy and implicitly encourage pluriactivity.

One of the main obstacles for the further development of enterprises and simultaneously the main reason for the depopulation of the countryside is the poor physical and social infrastructure of rural settlements. Therefore, policies must be developed to secure sufficient levels of infrastructure (physical and social) provision.

The demographic profile of rural entrepreneurs differs to that of the local inhabitants. Entrepreneurs appear to be younger than the local population, and there is a lower incidence of females among entrepreneurs. The level of educational qualification is higher among entrepreneurs: a greater share of university graduates could be detected among the managers interviewed. Another common characteristic of rural entrepreneurs is the positive influence of parental entrepreneurship. Parental involvement in business enterprise is more widely reported among entrepreneurs than the rest of the population. Last but not least, previous experience of running a business are also quite common among managers.

*The preparation of this article was supported by a grant from the Hungarian Scientific Research Fund (OTKA) Grant Agreement no. K 105534 and the Student Grant Competition of the Jan Evangelista Purkyně University in Ústí nad Labem (project "Perception of re-structuralized territories in the context of various ways of commodification").*

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