Introduction

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THE STORY BEHIND THIS BOOK

In September 2003, an international conference on ‘Trust and entrepreneurial behaviour in East and West European economies’ took place at the University of Bremen, jointly organised by the Research Centre for East European Studies, Bremen, (Forschungsstelle Osteuropa an der Universität Bremen) and the Rhine-Westphalia Institute of Economic Research (Rheinisch-Westfälisches Institut für Wirtschaftsforschung), Essen. Over two days, some 40 scholars from around the world discussed trust-related project results and shared ideas on how to conceptualise trust and how to measure it. This conference was the final highlight of a collaborative research project, which had set out from 2001 until 2003 to research trust in entrepreneurial behaviour in Western and Eastern Europe. The research group consisted of Urve Venesaar from Estonia, Gabi Dei Ottati from Italy, Alexander Chepurenko from Russia, David Smallbone and Fergus Lyon from the UK, and working from Germany – besides the two editors of this book – Teemu Kautonen, Bernhard Lageman and Elena Malieva. Our idea was to investigate entrepreneurial behaviour of small firms in differing cultural and institutional settings across Europe, assuming that trust has a decisive impact on entrepreneurship, as it determines ways into, and forms of, entrepreneurship as well as entrepreneurial behaviour.

This book presents papers from the conference and from the research project, illustrating a truly international and pan-European collaboration. Whilst the project team assembled 10 researchers from five different European countries, the 23 contributors to this book come from 11 countries around the world.

There are three main themes running through the book, illustrating the broad facets of trust.

CONCEPTS, DEFINITIONS AND MEASUREMENTS

Trust has been studied by several disciplines including, for example, psychology, sociology, cultural anthropology, philosophy, political science,

economics and business administration, and there exist manifold definitions. Here, Höhmann and Malieva set out to discuss definitions, forms of trust and its sources. Welter asks whether trust is a sector-based phenomenon or a feature inherent in different (regional and/or national) cultures. Key topics include questions of how to explain the role of trust in business relationships, and the cultural and sectoral factors determining trust and differing trust levels.

Chapters 3 and 4 add a comparative perspective to our conceptual puzzle. Tonoyan deals with the ‘dark side of trust’ through analysing the linkages between corruption and entrepreneurship in emerging and mature market economies, while Svendsen applies the concept of social capital to problems of transition. Little is known so far about the emergence of trust and how it is embedded from a societal perspective, which topic is picked up by Lageman in his contribution.

How to handle trust in empirical research? How to ask for trust? How to measure it? This is one of the most challenging topics in any project attempting to analyse the trust-based foundations of individual behaviour and entrepreneurship. Considering the diversity of definitions for trust in the literature, it is hardly surprising that a variety of different measures and methods have been used in empirical trust research. Also a variety of methodological approaches have been used ranging from laboratory experiments to surveys and different qualitative methods, all of which have their pros and cons depending on the specific research issue. In this volume, Leland, Houser and Shachat discuss questions around measurement of trust, employing a game-theoretical approach.

TRUST AND ENTREPRENEURIAL BEHAVIOUR IN DIFFERENT ENVIRONMENTS: COMPARING TRANSITION AND MARKET ECONOMIES

Low levels of trust often constrain market entry, enterprise growth and competition whilst encouraging unproductive forms of entrepreneurship. In those countries where the institutional environment functions well, such as in Germany and in most mature market economies, institutional trust abounds and personal trust mainly plays a complementary and second-best role for entrepreneurs, whilst in environments with a weakly developed formal institutional frame personal trust substitutes for some of the institutional deficiencies, thus explaining distinctive forms of entrepreneurship and entrepreneurial strategies. Researching the impact of trust on enterprise behaviour assists us in understanding East European transformation processes as well as differences

in the economic performance between enterprises, industries and economies in a reunited and enlarged Europe.

How do low levels of trust affect small firms? In which ways does a lack of trust shape relations between firms, within enterprises and between firms and authorities? What triggers trust to evolve in business relationships, and how does this differ across countries? These are some of the questions tackled by the contributions in Parts Two and Three.

With respect to *transition economies*, van Ees and Bachmann set out to construct a model of trust-building in different stages of systemic transition. The chapters by Radaev, Chepureenko and Malieva are based on empirical studies from Russia. They describe how in an environment where institutional trust is lacking and norms are unstable, individuals use social contacts and individual networks dominated by mutual trust in order to pursue business, but their results also demonstrate how this has changed (for the better and the worse) over the past decade. Changes in trust-related business behaviour in Estonia is the topic of Venesaar's contribution, while Akimova and Schwödiauer investigate how institutional trust can contribute to a better performance of Ukrainian small and medium-sized enterprises (SMEs). Nuissl and Schwarz add empirical results from more advanced transition economies, comparing entrepreneurs in the ICT sector in East Germany and Poland.

In *mature market economies* the trust framework is more developed. It usually allows a better allocation of resources and lower transaction costs compared with transition economies. However, this distinction at country level neglects that trust levels could differ both across regions (that is, within countries) and sectors. For example, although both East and West Germany share the same formal institutional framework of a mature market economy, there appear to be differences in the informal institutional framework – trust culture – between these regions, which is analysed in more detail in the contribution of Kautonen and Welter, focusing on small-firm networks and the role of trust. Networks and trust also play an important role in the next chapter, written by Smallbone, Lyon and Li. They focus on the immigrant Chinese community in the UK, illustrating how even in a mature market economy different trust environments may exist for different social groups. Italy is the topic of the final two chapters. Dei Ottati presents an in-depth study of the industrial district of Prato in Italy, where trust-based local codes of conduct govern entrepreneurial behaviour, while Burroni analyses a territorial pact for employment, using this as an example to show how trust has risen among local public/private administrations and organisations, and the effects on local economic development.

Overall, the results of our joint collaborative research project as well as the contributions within this book demonstrate that, especially in periods of rapid

economic and societal changes, entrepreneurial behaviour cannot be understood without taking into account the phenomenon of trust. However, the contributions also illustrate the conceptual and empirical difficulties in researching a complex and multi-level phenomenon such as trust. With this volume, the editors hope to present interim analytical and empirical results, which answer conceptual questions and invite further research.