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PRIORITY 7

CITIZENS AND GOVERNANCE IN A KNOWLEDGE BASED
SOCIETY

Project: Challenges and Prospects of Cross-border Co-operation in the Context of EU
Enlargement

(Workpackage 3, Partner 7)

Identity, Perception and Entrepreneurial behaviour:
Empirical data and analysis

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1 Introduction

In this paper we assess the effect of border changes on the perceptions of entrepreneurs and other institutional actors, with respect to factors relating to 'identity' and its implications for cross-border co-operation in the context of EU enlargement.

Taking 'identity' as a key category of analysis we assume that identity is both an individual and a collective phenomenon denoting some form of consequential similarity among members who belong or are ascribed as belonging to a group. The process of *identification* invokes certain salient features such as *gender, age, nationality, ethnicity or religion* according to which 'identity' is operationalised in empirical social science research. Hand in hand with this operationalisation comes the acknowledgement of levels and perceptions of identity factors used both as 'categories of analysis' and as 'categories of practice'. As 'categories of practice' identity claims are, in Bourdieu's terminology (1991) used by *lay actors*, to denote ways by which people use the above factors in order to make sense of everyday life situations, conceptualise and talk about their own activities, distinguish and identify themselves and others, whom they see as similar or different[1]. In this respect, *categories of practice* are the empirical data used and interpreted in the context of social interaction between cross-border entrepreneurs who *act on* the basis of what they perceive to be their own and others' salient attributes. In this, they act in terms of their *habitus*, which in Bourdieu's terminology refers to 'a system of durable, transposable dispositions' (1980) which predispose the participant to act, think and behave in particular ways, thus constitutes a central construct which aligns closely with identity.

Geographically, the focus of the analysis is on Central, Eastern and South-eastern Europe since this is the main area of EU enlargement during the last decade. In order to conceptualise the effect of border changes on the identities of entrepreneurs involved in cross-border activities we discuss the main determinants of the identity

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[1] For a comprehensive discussion on the problematisation of 'identity' in social science discourses and its political potential in different social fields, including those amenable to different *cultural entrepreneurs* see Brubaker and Cooper, 2000.

formation process among entrepreneurs both on the level of households and on the enterprise levels. Thus, 'identity' is understood as the site of interplay between structure and agency, discourse and practices, ideology and subjectivity. The identities of individual actors are manifested in their practices (including their discursive practices of representation), when they act strategically in order to achieve particular practical outcomes. As it will become evident in later parts of this paper (see section 4) the factors determining identity formation refer to the wider socio-political milieu, to the structural limitations imposed upon entrepreneurial behaviour and to the local aspects of the socio-economic framework shaping entrepreneurial behaviour.

In doing so, we took into account the classification of border regions as proposed in the literature review (see Deliverable 7). This classification was based on a number of dimensions, namely: the hard vs. soft border distinction, the levels of economic development, accessibility, human resources, economic activity, governance structure, the levels of institutional and personal trust, policy environment for entrepreneurship and cross-border partnership, historical and cultural factors, modes of entrepreneurship and innovative activity, knowledge-related infrastructure, physical infrastructure and officially designated and/or functional region.

2   Aims and purpose of deliverable structure

2.1 Aims of the project

In order to assess the effects of enlargement on entrepreneurial identity and entrepreneurial behaviour in a cross-border setting we empirically investigated the following issues:

(i) The relationships between entrepreneurial behaviour in across-border context and common language, shared history, kinship ties and ethnicity.

(ii) Entrepreneurial narratives as a way of understanding the motives for getting involved in entrepreneurial activities, the evolution of entrepreneurial identity through time, and the adoption of multiple identities in varying circumstances.

(iii) Enterprise culture in border regions as influenced by historical factors; training and education for entrepreneurship; institutional awareness and involvement in supporting entrepreneurship and in encouraging/facilitating a culture of entrepreneurship.

(iv) Effects of regional identity on entrepreneurship through an evaluation of the local cultural (including language) and historical conditions.

(v) Regional symbols and institutional infrastructure that can act as *resource pools* for the creation of a common cross-border regional identity.

2.2 Research aims, methodology applied and data collected

The methodology applied in this paper is a combination of secondary source material with qualitative research approaches. The empirical material consists of data provided by case-studies of entrepreneurs, households and individuals engaged in cross-border co-operation (CBC) in the case study regions (CSR) examined in this project (i.e. Biala Podlaska, Florina, Goerlitz, Hochfranken, Ida Viru, Kyustendil, Petrich, Serres, South East Estonia, South Karelia, Tornio and Zgorzelec). These case studies were located by using snow-ball techniques and the interviews were conducted on the basis of a semi-structured interview guide. Researchers repeatedly visited the entrepreneurs and the household traders at their own sites, in order to gather the data through face-to-face interviews. In addition, they spent extended periods in the regions acquiring a wider understanding of the local conditions.

The semi-structured interview guide included a number of topics related to the effect of border changes on the perception of both formal and informal entrepreneurs with respect to identities. In the case of enterprises these topics refer to the cultural problems arisen in CBC, initial motives for selecting partners, integration in foreign society and economy, regulation of cross-border co-operation, relevance of staff background in CBC, age of initial engagement in CBC, initial motive for engaging in CBC, links to the other side. In the case of households, these topics refer to the age of initial engagement in CBC, initial motive for engaging in CBC, cultural and social barriers in CBC communication.

In reality, perceptions on identities and identity politics became evident in most case studies when people talked about their everyday experiences in CBC, about the history of the region, trust, communication difficulties and about the personnel involved in CBC. The data collected were analysed by using the NVIVO software, a tool specialising on qualitative data processing.

It is important to note the following methodological **caveats** which relate both to methodological considerations (sample biases) and regional specificities. These caveats should be kept in mind while reading the following text.

1. Concerning the sample biases relating to entrepreneurial and household data, we should mention:

- 236 enterprises participated in the fieldwork that was conducted in the 12 CSR
- 100 households participated in the fieldwork that was conducted in the eight CSR.

This over-representation of the enterprises relates to the data collection activity, which privileged the more *visible* unit of the enterprise at the detriment of households that were mainly found and used in the East.

2. A second caveat concerns Greece as a case study, which is fundamentally ambiguous in terms of its membership in the two broad categories 'East'/'West' and state socialist/capitalist economies. Specifically, in terms of EU enlargement, Greece is an old EU member-state. Yet from the standpoint of EU regional geography, Greece remains at the South-eastern end of the EU. Nevertheless, using the distinction between internal and external EU borders (see Deliverable 12), Greece has recently become an internal EU state following the accession of Bulgaria. In this sense, it is possible that some of the cross-border particularities reflected in the two Greek CSR are a feature of this ambiguous sense of the European border, which is itself shifting.

3. A third caveat refers to the collection and interpretation of our data, which are mainly interviews during the research period. There was no explicit questionnaire section on identity and thus, we used the existing data to *infer* people's uses of identity idioms during their presentation of self. It is noteworthy that the most salient features of identity were disclosed during discussions on interpersonal and institutional trust. Identities are both manifest and concealed. In the case of entrepreneurial behaviour, we have noted a number of concealing strategies which are deployed in the case of cross-border entrepreneurial behaviour. One possible interpretation for the use of these strategies relates to the *nature* of the enterprise. Given the often times informal and illicit nature of cross-border exchanges, one would expect that these concealing strategies constitute part of an enterprise's competitive advantage its members are not willing to disclose fully.

2.3 The structure of the paper

This paper is divided in six chapters. The following chapters of the paper provide a short summary based on a comprehensive literature review conducted in an earlier stage of our project, an analysis of the empirical material with specific examples taken from the various interviews and a concluding discussion. The concluding chapter of the article attempts to summarise the key findings but also to offer some policy suggestions related to identity formation in cross-border co-operation.

3 The literature review outcomes

In order to conceptualise the effect of border changes on the identities of entrepreneurs involved in cross-border activities we will discuss the main determinants of the identity formation process among entrepreneurs. This enables us to offer propositions upon which our empirical analysis is based. In the specific context of our study these determinants refer to the wider socio-political milieu ('postsocialism', 'postcommunism'), to the structural limitations imposed upon entrepreneurial behaviour and to the local aspects of the socio-economic framework shaping entrepreneurial behaviour. Identity is understood as a process determined both by internal and external to the individual factors.

3.1 The legacies of the past

In the last ten years following the collapse of the Berlin Wall, social science debates have focused on different issues concerning the 'before' and 'after' phases. Understanding the 'before' phase is crucial in order to recognize the factors leading to the 'after' phase. However, the 'before' phase has also to be divided in two distinctive periods; the pre-WWII years and the period of 'existing socialism'.
Starting from the accounts of the more distant past, one recognises the dominance of an explanation which K. Verdery calls the 'deep freeze theory', alternatively known as 'the heavy lid theory'. Briefly speaking, this popular model of explanation claims that from the moment socialist regimes collapsed, previously existing socio-economic relationships and structures were taken 'out of the deep freeze' and were free to develop. According to the 'deep freeze' theory, the roots of present day social processes including the development of cross-border entrepreneurial activities are to be sought primarily in social, cultural and ethnic relations of the past (Verdery, 1993:

184). The popular works of A. Brzezinski (1997), G. Kennan (1993) and R. Kaplan (1994) can be classified as supporting such a model. As pointed out by Pearson, this model is totally ahistorical (Pearson, 1995: 76). What such an explanation presupposes is the possibility of a break in history which amounts to a gap that lasted forty-five years. The discourse of the 'deep freeze' theory is based on a mentality similar to the one of Balkanism in M. Todorova's terms (Todorova, 1997). Empirical research questions the fundamental assumptions of 'deep freeze' approaches (Hann and Hann's 1992, Kostantinov et al. 1991 & 1998, Kennedy and Gianoplus 1994, Sword 1999, Sik 1997, Agelopoulos 2004, Zhurzehenko 2004). These studies suggest that those involved in cross-border enterprises did nothing more than to make use of whatever cultural mechanisms were available to them in order to cope with present day needs. Thus they often claimed a 'revival' of pre-WWII social and economic networks in order to secure and justify their present day activities. Our analysis in section 4.1.3. indicates the multiple ways of the past – present relation with respect to entrepreneurial identities.

The situation becomes more complicated due to the postsocialist transition. Two main approaches defined the spectrum of theoretical models proposed to account for this 'transition': a) from state socialism to '*cowboy capitalism*' and b) from state socialism to *neofeudalism* (Burawoy and Krotov, 1992; Burawoy, 2000; Clarke, 1992, Verdery, 1996; Humphrey, 2001; Verdery and Humphrey, 2004). These two opposing interpretations are future directed and aim at situating the concept of change within a broader eschatological perspective. Within this spectrum there are a variety of positions which allow for a less committal interpretation of the 'here' and 'now' and the 'there' and 'then'. One major way out of this conceptual impasse is the examination of managerial and entrepreneurial capacity that emerges as a result of continuous interaction between the East - West borders. One important determinant of postsocialism is precisely the trespassing or the continuous trespassing of borders. The new conceptualisations of the concept of the 'border' from the antecedent notion of 'wall' and 'barrier' to the notion of 'road' and 'venue' allows for an interpretation of elasticity of rights and social practices that spill over antecedent boundaries (see Beller-Hann and Hann, 2003).

3.2 Entrepreneurial identities and their influence on entrepreneurial behaviour

The research on entrepreneurial identities was until recently neglected as peripheral to the mainstream projects on entrepreneurial activities. Since the 1990s the literature on entrepreneurial identity building developed taking into account epistemological paradigms from sociology, organisational studies and social anthropology (for example: Down and Reveley, 2004; Hytti, 2003; Rae, 2000; Vesalainen and Pihkala, 2000; Warren, 2004). Two main theoretical trends exist in the study of entrepreneurial identity. The first trend, is looking for *distinguishable characteristics defining entrepreneurial identity* (Hytti, 2003: 285; Hendry, 2004: 55; Carr and Beaver, 2002: 107–108; Down and Reveley, 2004: 235–236). This is a form of *essentialism* which, in order to exist, needs to discover 'the enterprise culture'. The *enterprise culture* is understood as having both conceptual and normative elements (Down and Reveley 2004). Various authors stress different dominant patterns of this culture among such as 'innovation', 'risk taking' and the 'freedom of action'. The quest for a well defined typical entrepreneurial identity and a distinguishable entrepreneurial culture has been heavily criticized. Carr and Beaver argue that "the term enterprise culture emerged in political and academic discussion during the 1970s in both the UK and the USA […] is a slippery concept that many writers have great difficulty in defining with any common precision" (2002: 105). The second trend is influenced by the work of the British sociologist A. Giddens (2002) and construes identity as a narrative that emerges in the context social interaction within a temporal frame that is not synchronic (here and now) but requires a conceptualisation of identity concerns over time. This approach is thus more relevant to our research project in that it allows for an inclusion of the agents' behaviour through time, as well as the inclusion of the subjects' own self assessments of earlier successes and failures, understood as *lessons learnt*. Further to this, the *dynamic approach* inclusive of the developmental dimension of identity remains critical of essentialist understandings of entrepreneurial identity.

Conceptually and contextually, the starting point of this dynamic narrative approach to identity that will be used in this paper is that "no typical entrepreneur exists" (Johansson, 2004: 274; Hytti, 2003: 275; Vesalainen and Pihkala 2000). A second key assumption of the narrative approach is the existence of individuals (i.e. not persons)

living in societies of 'late modernity', in Giddens' terms. Researchers working on this direction, apply research methods such as narratives, life-histories, ethnography, in-depth discussions.

Most of the studies on entrepreneurial identities focus on men doing business in modern western capitalist industrial societies (Johansson 2004: 279).[2] As a result there is a lack of studies examining the roles and identity building processes in other social and geographical contexts, including Eastern Europe.[3] Among the most important accounts on entrepreneurial behaviour written by economists working on Eastern Europe it is worth mentioning Aidis (2003), Aidis and van Praag (2004), Dallago (2000), Scase (2000), Smallbone and Welter (2001). On the other hand social scientist working on social transformation in Eastern Europe address issues of entrepreneurial identity building (Chevalier 2001, Creed 1998, Giordano and Kostova 2002, Kaneff 2002 and, Hann 1994, 2002 and 2003, Humphrey 2001) although others focused on cross-border petty-trade and identity politics (Agelopoulos 2004, Hann and Hann 1992, Kennedy and Gianoplus 1994, Konstantinov et al. 1991 and 1998, Morawska 1999, Voutira 1991, Thuen 1999, Sword 1999).

In our view, the study on entrepreneurial activities in East Europe can not be based on looking for the 'typical entrepreneur' of the first theoretical trend existing in the study of entrepreneurial identity. This is so because an entrepreneurial culture of a capitalist mode of production did not exist until very recently in these societies. Thus, we share the approach used by those sociologists and economists working on entrepreneurial behaviour in these countries, who have turned their attention to the narrative metaphor of identities (Aidis, 2003; Aidis and van Praag, 2004; Scase, 2000). In sections 4.2 and 4.3 we will present the dominant narrative (success vs. failures) of entrepreneurial behaviour in the regions of our study. Some of the former socialist countries, such as Poland and Hungary, allowed the existence of forms of entrepreneurship during the period of state socialism (Pine 1998; Kaneff 2002). On the other hand, informal market activities were an everyday experience even in the USSR (Smallbone &

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[2] The gender and ethnic prejudices of this literature are criticised by scholars focusing on women entrepreneurs or/and ethnic business networks (for example: Hytti 2003, Carr and Beaver 2002, Rae 2000, Sik 1997, Warren 2004).

[3] See Aidis critical remarks on this point (2003:9). Aidis also offers an extensive review of the relevant literature (2003).

Welter 2001). The post-1989 context required an adjustment of these activities both to a different socio-political context and a different market mentality.

It is interesting to note that the literature written by both social scientists and economists recognises some dominant patterns in relation to cross-border identities and entrepreneurial behaviour. It is argued that cross-border entrepreneurial activity in this context is mainly characterised by *informality*. Informal ties based on kinship, locality and ethnicity constitute a defence mechanism applied in small-scale cross-border trading. Finally, it is argued that entrepreneurial behaviour and identities in these societies are focused both on capital accumulation and new elite's consumption patterns.[4]

3.3 Regional identities

The stress on informality implies the need to focus on regional and local factors influencing the identity building process. In this context, regional identity is the identification of a group of people with the social system of a region, its culture, history, traditions and landscape. Regional identity has been described as the process through which a region becomes institutionalised by the production of discourses, practices, rituals that draw on boundaries, symbols and institutional practices. This represents a social constructivist view of regions, according to which regions are not visible and tangible, but are rather social constructs created in political, economical, cultural and administrative practices and discourses.

In some cases, regional identity may act as a stabilising, changing and constructive factor in a region, whilst in others, it may have destructive effects, particularly when national and regional identities clash. Anderson and O'Dowd (1999) consider cross-border regions to exist, either as a result of a unifying culture across-borders, where identity could be a variable of interest; or to exploit the border that divides regions, in terms of exploiting funding opportunities or differentials in wages, prices and institutional norms in either side of the border.

Paasi (1986) has identified four key influences, shaping regional identity formation:

1. *The constitution of territorial shape:* based on the distinction of the region as a territorial unit with specific boundaries;

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[4] See Thuen (1999). Smallbone and Welter (2003) offer a more critical understanding of this complex.

2. *The symbolic shape:* where a region is associated with a system of visible symbols (e.g. name; flag, traditional actions or lifestyle) that can create a shared feeling between its inhabitants.

3. *The institutional shape*: comprising the system of formal institutions, such as administrative bodies; but also informal institutions, such as ways of behaving that evolve around regional symbols, contributing to the creation of a common regional identity.

4. *The emerging socio spatial consciousness of the inhabitants or their identification with the region:* where inhabitants identify with institutional practices, discourses and symbolisms that become institutionalised in the form of the region.

The significance of regional identities is illustrated in section 4.2 of our analysis.

In conclusion, historical and cultural factors, border changes and the enlargement of EU play a more crucial role in the identities of entrepreneurs involved in cross-border exchanges. Entrepreneurs face continuous challenges regarding their identities and their behaviour. As Donnan and Wilson argue, "border crossings lead to a radical transformation of value and meaning for those involved" (1999: 107). In order to understand these transformations we need to overcome popular beliefs claiming the simplistic revival of past identities. Entrepreneurial cross-border activities are to a great extent based on informal networks which aim at long-term capital accumulation but also include symbolic and material consumption needs of the individuals who struggle to create their identity as entrepreneurs. This trend is more evident in the case of households. Identity is built on the border, it is not based on pre-existing characteristics or markers. Interactions between border regions are influenced by perceptions formed previously in the respective countries, as well as by the languages spoken on the two sides of the border. Language is considered to be one of the most important conditions for the origins of national, regional and cultural identities, since it plays a complex symbolic role in uniting or separating people across-borderlines.

4   Main Empirical Findings

4.1 Entrepreneurial behaviour on the basis of practice

As already explained, identities are not based on the acquisition of characteristics or elements of behaviour but rather they are the product of transaction between unequal

actors. From their point of view (i.e. emic, phenomenological) actors pay particular attention to the results of these transactions as manifested in everyday discourses. Based both on the literature and our research findings, we conclude that language, culture, sense of the past, kinship and ethnic networks, governance structures and regional formations are the main domains where entrepreneurs recognise the results of cross-border transactions.

4.1.1 Language issues

Language is an important aspect of identity building. Communication is a phenomenon which involves the sharing of a language but also the sharing of embodied experiences, the confirmation of intimacy and trust and the reinforcement of common elements. The role of language in the process of identity building has been well documented by several researchers in the past. According to Paasi (1986), language issues are involved in the second shape of regional identity building, namely the 'symbolic shape', where local language (dialects) is of crucial importance on a territorial basis. Language is the typical example of a factor that can constitute both an enabling and a hindering factor during the efforts of establishing CBC, as it was clearly mentioned by several interviewees:

> *"Regional identity affects positively CBC and according to the entrepreneur the strongest factor is the lack of language difficulties, which aids easy and non-intermediated communication"* (Kyustendil E16).

> or:

> *"Difficulties in communication which are due to the language barrier hinder the building of confidence between the partners"* (Goerlitz E04).

Language becomes an enabling factor in cases where border regions are inhabited by populations which share at least some common cultural and linguistic elements. This is mostly evident in Eastern Europe owning to historical reasons (changes in state borders, non linguistically homogenous populations, exchanges of populations). The common language background was not seriously affected by the hard borders regime which existed in some areas such as the Greek-Bulgarian or the Finnish-USSR frontiers. Although there are cases where the post-WWII population exchanges had a serious effect in the languages spoken in border regions, the shared language elements did not disappear. In cases like Greece where rigid language policies were introduced aiming at the hellenisation of territories, the identification of different linguistic

elements acquires a significant cultural capital component as it allows for people to exercise political pressure while using linguistic skills as 'idioms of belonging' (Cowan 1997) at a regional level. These linguistic practices are also political in that they stand in opposition to the official central government language practices.

People living in areas where shared language elements survive have been able to capitalise upon the use of both local languages and dialects to secure communication. Households engaged in petty-trade across the borders and local entrepreneurs who expanded their activities just across the border (local delocalisation) are among those who took most advantage of such communication networks (Kalogeresis and Labrianidis 2008 and forthcoming; Labrianidis 2007). Therefore, language as an enabling factor can take three different forms:

a) knowledge of the dominant language of the other side, since speaking in native languages increases intimacy and trust among partners engaged in cross-border transactions:

> *"The language can be an issue for some – but there are many people in Sweden especially in the area close to the border who speak Finnish, so the lacking language skills may not be a problem at least in the Haaparanta area"* (Tornio E17).

b) the use of a local dialect/idiom:

> *"Communication with them was easy for us, since we used the local Slavic idiom, which my parents know well"* (Florina E12).

c) switching to English:

> *"The working languages are Greek, Bulgarian and English. I personally learnt their language through the work and this is also the case for them. When we fail to communicate in Bulgarian or Greek, we switch to English so there is no problem"* (Serres E13).

Language becomes a hindering factor when none of the abovementioned forms are available. During the fieldwork, this 'communication break down' was often underlined as one of the main obstacles that entrepreneurs involved in CBC had to overcome. Their efforts could be grouped as follows:

a) employing the services of interpreters, who acted as intermediaries. This can be considered as a temporary solution, since the interviewees often appeared quite sceptical and reserved towards this alternative. The main reason is that it poses a

major threat for trust-building between partners, while at the same time it constitutes a source of additional financial cost.

b) hiring staff with knowledge of the partner's language. In some cases, these employees had some type of links to the other side and were familiar with the general situation at the other side of the borders as well:

c) learning the language of their partners through courses offered by the enterprise itself or the local institutions. This language learning procedure is further facilitated/accelerated by the constant communication between partners.

In order to assess the role of language during the CBC efforts, an analysis was performed in order to test whether and where it constitutes a problem in CBC communication. Language was mentioned as a cultural barrier only in 36 out of 236 interviews (15.2 per cent), which shows it can not constitute a significantly hindering factor in terms of CBC development (see Figure 1, Appendix[5]). It is worth mentioning that a cross-regional analysis revealed that language was mostly reported as a cultural barrier in the two German regions (Goerlitz and Hochfranken-co-operation with Poland and Czech Republic respectively), as well as in South Karelia (co-operation with Russia):

> *"Difficulties in communication which are due to the language barrier hinder the building of confidence between the partners"* (Goerlitz E04).

An overall assessment of the empirical findings reveals that identity formation and entrepreneurial behaviour do not depend as much as one would expect on language, since linguistic skills vary across different age groups. Therefore, age is the key factor assigning an enabling or hindering dimension to language: the youngest the generation is, the more likely it is to know English as a foreign language. On the contrary, older generations appear to be more attached to the neighbouring country's language. This could be partly attributed to the previous regime, where in the education systems of most of the former socialist states, students learnt Russian as a second language. In addition, the surviving pre-WWI Eastern European bourgeoisie ignored English as a medium of communication since it used to learn French. Although the knowledge of English spread rapidly after 1989 − 1990, most middle-aged people are still unable to communicate properly in English. Fluency in the English language seems to be a privilege of the younger generation, especially in

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[5] All Tables and Figures can be found at the Appendix

Eastern Europe, which might explain the higher CBC rates in favour of younger entrepreneurs in countries like Estonia, Bulgaria and Poland (see following section):

> *"The language is always an issue – it is not a very popular subject to study in this region not a language people really want to use. As for the older generation tourists from Russia – only few on them speak English (only the privileged ones, who were allowed to study English in schools – it was a policy that I believe Russian officials had adopted deliberately to keep the regular people ignorant of what was going on outside the CCCP). The younger people do speak English and often times we have families coming here where the parent do not speak English, but they have a child with them who has learnt English at school and s/he translates things when necessary"* (South Karelia E09).

This argument was confirmed by analysing the linguistic skills of the interviewees according to their age. The results (see Figure 2) show that the great majority of people aged more than 50 years old (approximately 82 per cent) is able to communicate in the dominant language of the neighbouring region (i.e. a Greek entrepreneur who can understand and speak Bulgarian), while only 13.8 can use other languages (English included). On the contrary, the respective figure for entrepreneurs between 18 and 35 years old amounts to 43.8 per cent, which is significantly higher than that of the older generation.

The above analysis is similar in the case of households (see Figure 3), however some particularities do exist with regard to language and identity practices. Household petty-traders perceive the knowledge of a foreign language as an important form of social capital, while the lack of knowledge becomes one of the most important hindering factors for their cross-border activities. Hiring a translator is usually not an option due to the related costs; in some cases they rely upon 'friends of friends', personal contacts or members of the family in order to ensure some kind of translation. As one Polish household trader explained:

> *"At first there was a language barrier, now it is better, besides that there are no other barriers. At the beginning I did not understand what Germans were saying to me, so they were bringing me cards with pictures of cakes and information written in Polish. Then my son wrote the most important German words for me, so that I could communicate easier and it is better now"* (Zgorzelec H11).

4.1.2 Age structure of the firms' owners (East/West)

Apart from the linguistic skills, age appears to influence entrepreneurship rates in the examined regions. An analysis was performed aiming at identifying potential differences between the age of the entrepreneurs located at countries with state socialist regimes (1st group: Bulgaria, Poland and Estonia) and at Western European countries (2nd group: Germany, Finland and Greece). Given the fact that the wider socio-political milieu is one of the most important determinants of the entrepreneurial behaviour and identity, our sample included only the owners or owners/managers of the participating firms, excluding employees.

The results (see Table 2) demonstrate that almost 71 per cent of the entrepreneurs engaged in CBC coming from the post-socialist countries are between 18 and 50 years old, while the respective figure in the second group of CSR (Western European countries) is 58.5 per cent. Adding on that, entrepreneurs who have established CBC and are over 51 years old are more likely to originate from Western European countries than from the Eastern ones (41.5 per cent and 29.4 per cent respectively). The above findings indicate that firm owners with established CBC in the 12 CSR are younger in the case of Eastern European countries than in Western Europe.

These findings could be attributed to the collapse of the previous regime in the first group of countries. At that point, entrepreneurs of the second age group (more than 50 years old today) were at their late thirties, consequently it could be argued that they find it more difficult to cope with the 'new' conditions of the market economy and are less prepared to undertake the risk of establishing a cross-border partnership (language and mentality issues). On the contrary, younger entrepreneurs have possibly participated in the new educational system and having lived mainly under the new regime are thus more capable of adapting to the globalised economy.

The distribution of the informal entrepreneurs in the two age groups is similar to the abovementioned in Eastern European countries only. In Western Europe, a difference is observed between entrepreneurs and household traders. Specifically, the vast majority of informal entrepreneurs belongs in the 18-50 group (88.6 per cent), compared to 58.5 per cent in the case of the formal ones, while the respective figures for Eastern European countries are 64.7 per cent and 70.6 per cent (see Table 3). Therefore, it could be argued that formal entrepreneurs are 'younger' and household traders are 'older' in Eastern compared to Western European countries.

4.1.3 Dealing with the past

History holds a significant part in the formation of national and regional identity and dealing with the past (including symbols, names, historical events) is likely to constitute a major determinant in the relations between cross-border populations. In order to bring out the role of history in the context of identity formation and entrepreneurial behaviour, an effort was made to assess its significance, both in terms of hindering CBC attempts, as well as in cases where history is perceived to act as a common element enabling cross-border transactions. This *dual role* was evident in several quotes among the interviews conducted during the project:

> *"Moreover, the historical background also affects these efforts, since there was a rivalry between the two nations owning to the mass kidnapping of children during the Second World War. Consequently, a certain tension in the two countries' relations was evident, augmenting the suspiciousness and the cautiousness in the entrepreneurial activities"* (Florina E15).

> or:

> *"Common roots have also very big influence on the exchange, make communication easier. This is particularly visible in contacts with customers from Baranowicze (Belarus) – people of Polish origin live there. This helps to build trust"* (Biala Podlaska E04).

As explained in chapter 3, cross-border entrepreneurial activities in regions of EU enlargement refer to two different legacies of the past: the pre-WWII years and the period of 'existing socialism'. The data collected from all regions suggest that the pre-WWII past is perceived as less important compared to the socialist period. The importance of the socialist past is always related to a work ethic, while the importance of the pre-WWI past is, in most cases, related to national differences (see Deliverable 15).

It is interesting to note that there is a consensus regarding the influence of the socialist past on peoples' identities and behaviour. Entrepreneurs coming from Western Europe argue that the socialist regimes influenced the working ethos in East European societies. This work ethos is considered as conflicting with capitalist market oriented practices, since:

> *"The previous regime has passed them a 'sitting back and relaxing' mentality. Adding on this, there were certain opportunities created there and they tried hard to take advantage of them in the worst way"* (Florina E16).

The pre-WWII past is perceived as offering multiple challenges. The perception of the past differs according to the specific local context, the background of the person interviewed and their future plans. Examining the role of history in cases where it was reported to act as a cultural barrier in CBC, we were able to see that there were only nine interviews pointing out the hindering role of history in general. Although most entrepreneurs state that the historical background is in general important, they argue that most of the times, this has nothing to do with business:

> *"Lack of language barrier, the sense of common identity and cultural ties support CBC and create preconditions for establishing trust between partners. We should point out that historical burden and prejudices have negative effect in general but they are not very important in business relations"* (Kyustendil E05).

Adding on that, there is clear evidence that history is relatively more significant for older entrepreneurs, since younger generations do not seem to focus on historical events, especially when mutual profit derives from CBC. Young entrepreneurs tend to focus on the current situation and 'forget about the past', while at the same time identifying potential common elements between the two sides allows them to take advantage of the opportunities arising in the neighbouring regions. As one interviewee explicitly mentioned the problem of identity is only:

> *"...anchored in the minds of the older people in the border region, as the Czechs currently living in the today Czech regions originally did not come from there and lived in fear of the Germans coming back"* (Hochfranken E10).

In most cases, entrepreneurs hold a pragmatic attitude towards the identity legacies of the past and stress the generational differences (see Deliverable 15). The following example is revealing:

> *"The new generation does not think about these issues. History belongs in the past and as time goes by, it tends to be left behind"* (Serres E09).

The cases where common elements between the two sides were identified by the interviewees were further analysed in order to test this hypothesis. Common elements were reported by 31 entrepreneurs (out of a total number of 236), mostly belonging to the age group 36-50 (59 per cent). The corresponding figure for the '18-35' and the

'51-65' age groups amounted to 19 per cent, while for the 'over 65' group to a mere 3 per cent (see Figure 4).

These findings do not confirm the afore mentioned hypothesis on how the perception of history's role varies among different generations, since those who highlight the common elements between the two sides are between 36 to 50 years old. A possible explanation could be that the specific age group is the most active in enterprise-based CBC and, thus, they are the ones who mostly gain the deriving benefits from this type of co-operation. Therefore, these entrepreneurs are also most likely to identify existing common elements, including shared history, and view them positively:

> *"'When business is successful you notice common roots, past, history in during further"* (Biala Podlaska, E05).

4.1.4 Dealing with national problems and representations

The past becomes even more significant in cases where cross-border co-operation takes place in a context of national disputes over territories, populations, symbols and identities. It is interesting to note that in such areas, where relations between the neighbouring countries are tensed, conflicting identities can act as a barrier in the efforts to establish enterprise-based CBC. Data collected through the interviews conducted at the CSR indicate that entrepreneurial behaviour is affected by decisions made on national level affecting bilateral political relations between the two countries. It is worth mentioning that such type of cultural barriers are mostly reported in four regions, namely Florina, Kyustendil, Southeast Estonia and Ida Viru (see Figure 5).

> *"The main problems have to do with political relations between Estonia and Russia, due to which Russian clients come to Estonia less than before"* (Ida Viru E05).

> *"The problems which arose are political: the fair 'Days of Bulgaria' in Macedonia has been perceived as 'heretical'; anti-Bulgarian campaign [...]. The visas are major hindrance so the problem with '50 km non-visa zone' have to be solved. Otherwise the Western region will become depopulated"* (Kyuestendil E14).

> *"The contacts with Russians have ended at the moment and there are no reasons other than the events in April in Tallinn. Although the excuse on the Russian side is the renovation of the October railroad, the reality is that it's a political decision not to supply wagons. It harms the Russian partners who*

continued cutting down the wood after April events and who have long-established relationships with Estonian firms and have therefore difficulties to sell it to someone else" (South East Estonia E17).

When importing products from the other side of the borders, we usually come across two major problems. Our partner is forced by the domestic legislation to mention on the invoices the constitutional name of the country, in other words 'Macedonia'. But Greece doesn't recognise this name, so it's as if this country doesn't exist. Hence, you can't really establish any co-operation with an inexistent country" (Florina E06).

In a limited number of cases, such problems lead to strong negative stereotypes towards their cross-border partners:

"You never know when they attack. You cannot trust them. Once I treated one of them (Belorussian) as a brother. Finally, he cheated me. They have it in their blood" (Biała Podlaska E03).

"These prejudices and attitudes are handed down from genereation to generation, and in a small locality such as Imatra or Joutseno, people are expected to share these feelings. Even the local authorities are very much subject to the pressure created by the public, including the police" (South Karelia E03).

However, such statements should not be taken at face value. In general, entrepreneurs from the 12 CSR seem to be able to overcome the national/political related barriers, since they are more flexible than the institutions and take advantage of the business opportunities arising at the border regions. Most of the times, they are based on what could be called 'implicit agreements' between the two sides, namely a mutual consent not to touch on the 'hot subjects' and overlook the issues that separate the two countries or/and the two regions on a national level.

"...the diversity of existing prejudices and historical disputes between the partner states creates a realistic danger of a conflict or a problem linked to these issues. He estimates that especially the Macedonian partners are very interested in discussing such 'hot' topics and endangers the good trust and smooth relations with them. This is why the entrepreneur instructed his employees (especially those of them who contact directly the partners) not to discuss this topic and the entrepreneurs himself respects this rule very much" (Kyustendil E16).

These strategies are reflected on the entrepreneurs' 'identity talk', which appears to be waived in favour of profit, as discussed in the following section. However, in other cases such as in Ida Viru and South East Estonia, local entrepreneurs feel that they are not capable of overcoming this type of barriers, since they state that these problems have to be resolved on a higher (national, political) level and not on the entrepreneurial one:

> *"Unfortunately it seems to me that the opinion of entrepreneurs doesn't influence the situation, everything depends on politics. Finland is using its position in relation to Russia much better than Estonia"* (Ida Viru E08).

This 'waiving' strategy seems to be valid inside a socially sealed business environment and was particularly evident in the case of household informal entrepreneurs as well, where business and other social activities are more difficult to be distinguished.

Some household petty traders engaged in cross-border activities claimed that they experience two different 'worlds'; one consisting of the market, located where known or unknown partners and businessmen are gathered, and the other being 'the rest of the city'. For example, household traders from Bitola pointed out a different attitude towards the term 'Macedonia' between Greeks, depending on whether they are involved in informal activities with the f. Y. R. of Macedonia or not. Even in the cases of typical partner relations, Greek entrepreneurs were acknowledged by some interviewees as quasi-neutral and non-aggressive when someone stated that he/she comes 'from Macedonia'. On the contrary, they mentioned that they are more careful when talking with other Greeks or driving a car with the sign 'MK' (MK standing for 'Macedonia'). In other words, they tend to feel more relaxed when they are *in the market*.

> *"When in Greece, I don't use the word Macedonia, I prefer to use the word Skopje, because I expect problems. I understand when someone will have a problem. It's not the case with my 3-4 partners"* (Florina H16).

4.2 Identity talk: Enterprise culture in border regions

As already discussed, entrepreneurs were able to develop alternative solutions and overcome the differences in mentality or perceptions of the past. On a personal level, people engaged in cross-border activities apply various strategies in order to cope

with cultural differences and identity building processes. In the data gathered during the fieldwork at the 12 CSR, we were able to identify a number of repeated patterns related to identity strategies that entrepreneurs implement. In order to highlight their perfomative character, we defined these patterns as 'identity talk'. The following statement constitutes an indicative example:

"Apart from the obvious economic benefit deriving from this CBC, there is also another one, equally important: we get back the final product more quickly and with less trouble. Hence, if you are able to send textiles to f.Y.R. of Macedonia and get back ready-to-wear clothes within a reasonable period of time to distribute, it's much easier for you to do business with your customers. In fact, you have time left to do other things and evolve your work",

but, on the other hand, he also admits that:

"... there are no cultural or social factors that could bring us closer to each other. There are only things that separate us, like the issue with the formal name of the country" (Florina E01).

4.2.1 Orientalist and occidentalist discourses

One of the most common patterns presented in our data is the one referring to the distinction between the 'business culture in the East' and 'business culture in the West'. This distinction is rather stereotypical, since the 'East' always points to the 'others' without having clear geographic markers. Thus, what connotes the 'East' in one area may be perceived as the 'West' in another area. For example, some Bulgarian entrepreneurs describe their Greek partners as lazy 'East Europeans', while some Greek entrepreneurs seem to share the exact same opinion for their Bulgarian partners. Similarly, the Poles are assigned with a twofold identity, either Western- or Eastern-orientated, depending on the interviewee's perception. It is noteworthy that actors in 'the other country' (partners, costumers, state) appear to reproduce the difference between the East and the West. The general idea is that business in 'the East' involves more personal relations, it has unpredictable results and trust is more difficult to be established (see Deliverable 15).

"... in the East, you do not make business in the office, it is rather unofficial meeting. In the West, first there is a meeting in the office and then confirmation during the dinner (contrary to Belarus)" (Biala Podlaska E01).

"There is difference between partners in a Western and an Eastern Europe. For example, the German- and the English clients are more predictable than the Eastern European ones. They pay regularly and plan their activity in long-term period" (Kyustendil E17).

"It is different with western partners. For western partners human contact is also important, but there is no reason to attach too much importance to this. The Russian partner has a terminology that you must have a good stomach to communicate with eastern neighbour well" (Tornio E06).

The above quotes can be considered as typical orientalist and occidentalist stereotypes in CBC between entrepreneurs. Orientalism refers to the imitation or depiction of aspects of Eastern cultures in the West and can also refer to a sympathetic stance towards the exoticism of a region by person. The discussion on Orientalism was given a twist by Edward Said in his book *Orientalism* (1978), where he uses the term to describe a tradition, mainly academic and artistic, of hostile and deprecatory views of the East by the West, shaped by the attitudes of the era of European imperialism in the 18th and 19th centuries. When used in this sense, it often implies essentialising and prejudiced outsider interpretations of Eastern cultures and peoples. The term Occidentalism usually refers to stereotyped and sometimes dehumanising views on the so-called Western world, including Europe, the United States, and Australia.[6] The term is an inversion of Orientalism, i.e. Edward Said's label for stereotyped Western views of the East. These and other similar terms (e.g. *Balkanism*) are today widely used to reflect upon identity stereotypes inside Europe and the Middle East.

4.2.2 Positive perceptions and cross-border links

Given the fact that identity formation is a dynamic process, one might argue that, especially in cross-border regions, this process could be influenced by the personal experiences of both formal and informal entrepreneurs, including their links to the other side and their perceptions for the neighbouring regions. The personal experiences of 'the other' are normally conceptualised in terms of *familiarity* and *sociability*. Familiarity is a double-edged knife as it can function both as an enabling and disabling/hindering factor. This argument will be likely to be more evident in the Balkan region, where a common Slavic culture exists. Cross-border entrepreneurs are

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[6] The term was popularised by Ian Buruma and Avishai Margalit (2004).

able to 're-discover' and capitalise upon it during their everyday business transactions, while there is clear evidence that positive attitudes towards the 'others' are in general more often visible in regions where kinship networks expand across the border:

> *"There are some cultural aspects that constitute positive factors for our co-operation and, consequently, trust building. We are familiar with them and so are they; there are kinships on the other side of the borders, it is also the language, this local Slavic idiom we speak here, that allows us to come closer. All these enhance trust building and allowed us to come close to them in a short period of time, as well as to develop friendly relations with our collaborators from the other side of the borders"* (Florina E11).

> *"She visits her relatives in Ivangorod and brings goods for the needs of her family, but also gifts for friends. At the same time takes gifts from Estonia also to her relatives in Russia. She has travelled across the border regularly"* (Ida Viru H04).

> *"Many of his relatives still live in the Silesian region, thus there has always been a personal cross-border contact"* (Goerlitz E11).

An analysis was performed in order to assess the level of positive perceptions the entrepreneurs hold in the 12 CSR, according to the type of links they have with the neighbouring region. Our sample consisted of 50 interviews, where clear positive statements were made for the 'others'. The main findings (see Figure 6) do not confirm the above argument.

Concretely, among the people expressing a positive perception for the other side, only four per cent has family origins, 10 per cent migration experience and 12 per cent working experience. Surprisingly, the highest percentage (74 per cent) derived from the interviewees that have no type of links with the bordering regions.

This finding can be attributed to the fact that our sample is mainly based on entrepreneurs who have successfully established cross-border relations. This group is expected to hold positive perceptions owning to the benefits they gain from this type of co-operation. Thus, it could be argued that, to a certain extent, mutual economic profit proves to be more important than common identity background and possible identity similarities between cross-border partners.

On the attitudinal level, one common feature is the regional perception of the 'Northern others' (Russians, Finnish, Poles, Estonians), as more agreeable and

potentially more sociable because of characteristic drinking patterns. The following statements are rather typical of such attitudes:

"The Russian partner has a terminology that you must have a good stomach to communicate with eastern neighbour well. This means that with Russian partner you need to drink a lot of vodka and this is taken for granted (in the relationship)" (South East Estonia E10).

"Russians are polite, punctual, they like to joke, drink, discuss politics, all of this draws people together. There are no problems with communication. They are more polite than Poles, their culture is higher" (Biała Podlaska H03).

4.2.3 Entrepreneurial responsibility, entrepreneurial culture and identity

Entrepreneurial behaviour and identity is expected to be essentially and primarily profit-seeking. This is evident in most of our empirical data, which show enterprises defending their presence in cross-border regions, motivated and maintained primarily because of profit. However, profit is not an exclusive goal, as people also display some form of 'social responsibility' vis a vis their impact on the local economy and society, including transfer of knowledge, know-how, protection of the environment and organisational learning (see Deliverable 15).

The expression 'morality talk' refers to all the discursive practices that assume some principle of operation according to which the speaker invokes a value system that assesses the impact of the enterprise in the social world[7]. The quotes below illustrate these limits, which may be classified in terms of:

- negative ('do no harm')

  "These firms [competitors] lowered the quality level, because instead of using pure juice for manufacturing their beverages, at least the minimum required amount, they only used sweeteners and colouring materials, without any fear of being punished since the state was absent. I can't sell the orange juice I produce to a child and know that it is like a poison. Generally, all Greek

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[7] The theoretical inspiration of this approach belongs to the interpretative tradition in ethnography which focuses on explorations of shared meanings both transmitted and performed in daily practices which express a 'distinctive manner of imagining the real' (Geertz, 1983: 173).

beverages use natural juice. This is one of the reasons why we couldn't keep up with the local market there" (Florina E07).

"Avoiding problems (bureaucratic issues and corruption) is something that we take very seriously. This way we can avoid the unnecessary costs and fines" (South Karelia E02).

- positive ('doing good'):

"Our interlocutor sees the advantages of the production relocation to the Czech Republic in the motivation and the good training of the local inhabitants" (Hochfranken E15).

"The benefits are significant: elimination of environment-harmful substances, financial support we receive with help of these institutions allows us to implement new technologies and to fulfil the requirements connected with environment protection" (Zgorzelec E16).

"Our interlocutor emphasises that the 450 working places newly created in the Czech Republic have only "cost" about 100 ones in Germany and that the remaining ones could only be maintained because of the Czech labour cost advantage" (Hochfranken E01).

This is a reality related to the development of a particular cross-border entrepreneurial culture and identity as defined in chapter 3.

4.2.4 Profit talk and entrepreneurial identity narratives

The self-evident aim of any business is to make profits (Milton Friedman, 1970). Although there has been a great deal of progress in economic thinking concerning corporate social responsibility, the basic truth of profit talk as a key motivation in cross-border entrepreneurship remains unassailable. Interview excerpts highlight this basic component we identify under the rubric of profit talk, which remains a noteworthy regularity in the empirical data. The following statements are from interviews conducted with enterprises:

"The main advantage of the German enterprise is, with regard to the said collaboration, the cheaper production of the units. Placing orders in Poland means partly half-prize savings or at least savings of one third in comparison to Germany. By this, the enterprise is able to offer its products cheaper on the

market than its competitors, to secure its site by this and to increase the
turnover" (Goerlitz E01).

"The assessment of benefits of CBC for [the company] is positive because the
co-operation mainly is connected with economic interests" (Kyustendil E01).

Similar attitudes are present in interviews contacted with household cross-border entrepreneurs, since they talk about better options on the other side (56.1 per cent) and sources of supplementary income (22.4 per cent) as their main motives for engaging in CBC (see Figure 7).

"Certainly the main aim is income, which was greatly decreased recently"
(Biała Podlaska H02).

"Additional income from cross-border trade is positive for those with small
means and who have the possibility to cross the border (time, visa)" (IdaViru
H07).

4.3 Success and failures in entrepreneurial behaviour over time: personal narratives

The above analysis examines the attitudes and identity perceptions inherited in entrepreneurial culture in cross-border regions. In our understanding, identities are both the product of self-determination (agency) and determination imposed by others (structure). As individuals exposed to multiple cultures, entrepreneurs simultaneously experience different identities, some of which may be conflicting. The adoption of multiple identities is a process which, according to the narratives offered, changes through time. In their accounts, entrepreneurs describe this process on a developmental basis: as a learning experience where every new layer is based upon previous ones (see Deliverable 15). The following example of a Greek entrepreneur engaged in cross-border trade with Bulgaria is rather revealing:

"I am 42 years old, I was born in Serres and I pursued my first-degree and
postgraduate studies at the Polytechnic School of Sofia, Bulgaria (1983-1990).
Then I worked for some years in Sofia, where I was also residing, but in 1997 I
returned to Greece due to family obligations. I speak Bulgarian, English and
some Russian, while I still preserve several contacts and in some cases friendly
relationships with people from the other side of the border. This experience

constitutes an important development for the cross-border activities I am currently involved in" (Serres E10).

However, such narratives should be understood as one side of the story. Most of the cases examined concern a continuous engagement in cross-border co-operation. As already explained in previous chapters of this paper, entrepreneurs who have ceased any kind of cross-border activity are underrepresented owning to difficulties in locating them. Therefore, the adoption of multiple identities should not be understood as always following a developmental process; still, our data indicate that a number of factors influence positively the entrepreneurs' ability to adopt multiple identities.

On the personal narrative level, the reality of cross-border co-operation at the 12 CSR would not have been fully depicted if the so-called 'failures' were not given some special attention. We identified two different groups of enterprises that fall under this category. The enterprises of both groups share the fact that at some point in the past, they were involved in CBC which, for different reasons, came to an end. What differentiates them is their present status in terms of cross-border activity; on one hand, there are 79 enterprises that continue to be engaged in CBC, while on the other hand, there are 17 enterprises that have ceased any interaction with the other side of the borders.

We are interested in identifying the reasons why some entrepreneurs are able to transform any negative experiences into a 'lesson learnt', while on the contrary, others can not. In order to do so, we are going to proceed in a comparative analysis of the interviews that were conducted with the entrepreneurs of both groups during the fieldwork. Since the samples are quite limited, we are not going to attempt a region-specific approach, because it would be unsafe to generalise any conclusions reached.

The group of the currently and previously involved entrepreneurs appears to be younger than the group of the previously involved only entrepreneurs. More than half of the former group (54 per cent) falls under the age group 36-50, while 58 per cent of the latter are 51-65 years old (see Figure 8 and Figure 9). This could be attributed to the fact that younger entrepreneurs are more willing to take the risk of engaging in a cross-border co-operation, despite any previous negative experiences. In the long run, these experiences actually prove to be useful, since they help them learn more about the mentality or the habits of their counterparts from the other side of the borders. The words of an entrepreneur in his early 40s are indicative:

"Any improvements that occur are only the result of bad mistakes form which entrepreneurs have learnt; so in a way success is only the result of previous failure" (South Karelia E05).

On the other hand, the older entrepreneurs appear to be more conservative, since failed cross-border partnerships discourage them from undertaking similar ventures in the future. They prefer to be 'on the safe side', which in other words means 'their side of the borders'.

In terms of gender differentiation, both groups are dominated by the presence of male entrepreneurs, so gender does not appear to be a determining factor (see Figure 10 and Figure 11). It is, however, in accordance with the overall picture of the project, where male entrepreneurs constitute the vast majority of our sample.

During the fieldwork, interviewees were also asked to evaluate whether sufficient business support is currently available at their region or not. The vast majority (82 per cent) of the entrepreneurs who were both currently and previously involved in CBC claim that there is indeed business support infrastructure available in their region (see Figure 12), while the respective percentage for the other group is significantly lower (60 per cent) (see Figure 13). It could be argued that the decision of the latter group to abstain from any cross-border co-operation goes hand in hand with a general 'negative' view towards the local business environment. These entrepreneurs might even ascribe, to a certain extent, their failure to the inability of the business support services to protect them (lack of institutional trust).

In both groups, cross-border co-operation was mainly initiated from the interviewees themselves and not from the other side of the borders (see Figure 14 and Figure 15). Although one cannot draw any significant conclusions, it is however evident of the fact that the entrepreneurs who are currently not involved in any form of CBC were also at some point interested in engaging in cross-border ventures. Therefore, they used to see the other side as an opportunity, but for various reasons, this is no longer the case.[8]

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[8] In the case of households the main pattern is that people are reluctant to disclose any specific details about initiation of cross-border business networks and contacts. Nevertheless, a total of 30 per cent did acknowledge the fact that they initiated cross-border contacts, which led to some form of economic co-operation. Another common feature emerging from the household based research is that it does not

The majority of entrepreneurs of both groups does not have any links to the other side. However, it is interesting to note that this percentage is higher for the currently and previously active entrepreneurs (74 per cent) compared to 65 per cent for those previously involved only (see Figure 16 and Figure 17). Hence, it could **not** be argued that the reason why these entrepreneurs insist on developing cross-border activity is due to the existence of some kind of bonds with the other side (see also section 4.2.2). It is noteworthy that currently and previously engaged entrepreneurs are linked to the neighbouring country through different migration experiences (e.g. studies, work, etc), while nobody refers to family origins. On the contrary, the other group mentions no previous migration experiences at all, while a significant percentage (21 per cent) admits that his/her family roots are traced at the other side of the border. Maybe this renders the latter group more 'sentimental' when it comes to developing cross-border co-operation. At the same time, by actually living for some time at the neighbouring country, currently and previously entrepreneurs have become familiar with the local reality and they were given the chance to develop some networks for future use.

> *"[The entrepreneur] has worked in Russia for 8 years in the 1980s – he was then employed by Nokia – the work consisted of rather long stints during which he did also live in Moscow. So he was quite familiar with the culture and the Russian mindset already when he got his present job"* (South Karelia E19).

With regard to the main sector of their activity (see Figure 18 and Figure 19), it is clear that there are no significant differences in the sectors that the two groups are engaged in. Therefore, it could not be argued that, for previously engaged only entrepreneurs, it was the market that actually 'kicked them out' leading them to their failure.

Issues emerging from the past and from cross-border political disputes were also mentioned by entrepreneurs of both groups. They mostly referred to the mentality or the habits of their cross-border partners, to existing prejudices, to insufficient language skills that made communication difficult, to history and to political issues that separate the two countries on a national level of foreign policy. In the case of the 'failures', 'history' and 'political issues' appear to be the two factors that make the

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constitute a primary source of income, but that it is an additional, supplementary income generating activity.

difference and can explain, to a certain extent, the current attitude of each group towards the other side.

Although previously involved only entrepreneurs make no reference at all to more practical issues that one can come across during a cross-border transaction (e.g. language), 13 per cent of them mentions history as a hindering factor in cross-border activities. The picture is completely different in the case of the currently and previously involved entrepreneurs, since 19 per cent name language as significant barrier, compared to a mere five per cent of them who refer to history (see Figure 20 and Figure 21) .

To the same direction, only eight per cent of the currently and previously involved entrepreneurs consider the political issues that might exist between the two countries as a determinant for their cross-border ventures. On the other hand, the respective percentage for the other group amounts to 33 per cent, which is significantly higher. Thus, it could be argued that those rejecting a potential cross-border partnership are the entrepreneurs who are more influenced by the politics of their mother country. This might be due to the fact that they actually live in border areas between countries where there are ongoing disputes over foreign policy issues.

> *"Especially as long as the name of the country is not settled, I would never do business with them"* (Florina E07).

An indicator that helps us draw some useful conclusions for the 'failures' and the extent to which these constitute examples of 'organisational learning', is whether the entrepreneurs of this category express positive perceptions for the other side of the borders or not. During the fieldwork, it became quite clear that our interviewees do not only reproduce negative stereotypes for their neighbours; there were several cases where the entrepreneurs identified positive features in the mentality of their cross-border partners or of the nation as a whole. In the words of a German entrepreneur:

> *" […] in Poland customs are becoming more European. The Poles learn extremely fast and are capable for improvising"* (Goerlitz E10).

However, these positive perceptions were very limited in the case of the 'previously involved only' group, which seems to have a rather negative attitude towards its neighbours as a whole. Yet, in the case of the currently and previously involved entrepreneurs, a more positive disposition towards the other side of the borders is evident. Numbers clearly support this argument; in a total of 20 expressed positive

perceptions among the 'failures', 18 came from the currently and previously involved entrepreneurs and only two from the other group (see Figure 22).

Finally, the participants of this group were asked to evaluate the common elements between the two sides involved in CBC. Once again, in the case of the 'failures', their answers were indicative of their general attitude towards the neighbouring country. Indeed, 26 entrepreneurs admitted that they actually recognise some common elements between the two countries, which make co-operation easier and bring people closer to each other. They mostly referred to some shared mentalities, as well as to a common tradition in terms of 'cuisine', music, etc.

> *"Bulgarians and Macedonians have common culture, common language, and even common habits in eating and drinking, which facilitates the development of cross-border activities"* (Kyustendil E03).

However, it is interesting to note that only one entrepreneur of the previously only involved group refers to common elements between the two sides of the borders, compared to a total of 25 in the other group. It could be argued that the latter group is radically influenced by its negative experiences, becomes rather subjective and in fact does not care about identifying the existence of common elements. On the contrary, the approach of the currently and previously involved entrepreneurs is completely different. This argument is in accordance with the general tendency of the previously engaged in CBC entrepreneurs to hold a more negative attitude towards the other side of the borders.

5 Negotiating trust and the relevance of identity factors in entrepreneurial behaviour over time on the regional level: a typology

Among the several problems reported by the entrepreneurs, issues related with extended bureaucracy, the legislative framework and evidence of corruption proved to be of crucial importance during their efforts to develop CBC. In certain cases, entrepreneurs found it extremely difficult to cope with the different mentalities in the neighbouring country, following both formal and informal strategies to bypass these barriers, including bribes in the custom office for products shipment or hiring people who can act as 'local brokers'.

In order to perform a cross regional analysis, we collected all statements referring to evidences of corruption in the custom houses, barriers related with the bureaucracy and the legislative framework. The aim was to locate the cross-border regions where these incidents were more evident, influencing the entrepreneurial behaviour of the people involved in CBC.

To this direction, the CSR were categorised in two groups: Western European Countries (Germany, Greece and Finland) and Eastern European Countries (Bulgaria, Estonia and Poland). The results of this analysis showed that complaints about bureaucracy, legislative framework and corruption were mostly expressed by the entrepreneurs originating from the second group of countries (80.3 per cent of the total cases). On the contrary, there were only 13 similar statements from entrepreneurs located at the second group of CSR (19.7 per cent) (see Table 4).

It is worth mentioning that 10 of the 13 examples concerning the Western European countries include entrepreneurs from Tornio (Finland) and the majority of them refer to barriers imposed by the different legislative frameworks of Sweden and Finland, as far the shipment of goods across the borders is concerned. Adding on that, most of the cases included in Table 4 refer to Russia and the f.Y.R. of Macedonia as cross-border partners. The barriers entrepreneurs come across in these two countries mostly refer to extended delays at crossing points, unstable economic and political environment, corruption and bribes at the custom houses:

> *"Working with the officials is one of the hardest things to learn and as a Finn it is also quite hard to accept that the system is so corrupt. The Russian officials have surprising amounts of power and the large number of officials only complicates matters. The officials have so many opportunities to use their power for personal benefit and unfortunately nearly all of them do so* (South Karelia E18).
>
> *"When my company started CBC, it met the challenges mainly related to customs. When our goods crossed the border, the firm gave bribes to the custom-house officers in order to avoid some problems"* (Kyustendil E01).

6 Conclusions

Not all border regions are the same. In our literature review (Deliverable 7), we proposed a classification of border regions based on a number of factors. The research data indicate that some border regions share advanced common cultural and language elements. However, this does not imply a cross border regional social and cultural proximity *per se*. Regional identities may act as a stabilising, changing and constructive factor in a region, whilst in others, it may have destructive effects, particularly when national and regional identities clash. With the exemption of the Goerlitz – Zgorzelec and the Tornio – Haaparanta border regions where social, cultural and economic cohesion seems to advance rapidly, i.e. since 1989, all the other border regions we examined lack the key influences shaping regional identity formation as proposed by Paasi. In most of these regions, we located the following characteristics which we use here to establish the conditions of **comparability**:

1. basic institutional awareness and involvement in supporting entrepreneurship
2. understanding of the social advantages based on common cultural and language backgrounds and kinship networks
3. understanding of economic advantages based on the different level of development, yet, at the same time
4. limited ability to capitalise upon these advantages with the exemption of the advantages coming from geographic proximity.

The main factors influencing the identity formation processes among entrepreneurs engaged in CBC are the wider socio-political milieu, the structural limitations imposed upon entrepreneurial behaviour, the local aspects of the socioeconomic framework, the lessons and the attitudes learned from failure or/and success, the perceptions regarding profit and entrepreneurial culture. Our data indicate that

The importance of communication in native **languages** is more vital than reported in the literature on entrepreneurial cultures, which suggests that the lingua franca is English. Our research data suggests that this is so because code-switching among competent speakers creates and reinforces notions of 'familiarity' that allow for interpersonal trust relations to emerge. Language is the typical example of a factor that can constitute both an enabling and a hindering factor during the efforts of establishing CBC. Communication in local languages is perceived as an important

factor enabling the establishment of common identities among entrepreneurs engaged in cross border transactions, but on the other hand, language does not constitute a significant hindering factor in the efforts to promote CBC in the regions, since entrepreneurs (especially the younger ones) are more capable of finding alternative ways to communicate, such as the English language.

Age appears to influence entrepreneurship rates in the examined regions. Our findings indicate that firm owners with established CBC in the 12 CSR are younger in the case of Eastern European countries than in Western Europe.

Perceptions of the collective past as well as personal narratives of past experiences and their learning value influence entrepreneurial culture and identities in CB transactions. History as collective past (including use of symbols, names, historical events) is relevant in determining the framework of interaction in cross-border relations. In order to bring out the role of history in the context of identity formation and entrepreneurial behaviour, an effort was made to assess its significance, both in terms of hindering CBC attempts, as well as in cases where history is perceived as a common symbolic resource. Taking age as a biological historical factor we noted that young entrepreneurs are more able to identify the common elements between the two sides, partly owning to their tendency to 'forget' the past and focus on the current situation, thus creating the premises to take advantage of the opportunities arisen in the neighbouring regions. The perception of history as symbolic capital is mobilized in situations where the agents acquire mutual profit deriving from CBC. **Lessons learnt** both from successful entrepreneurial activities and from positive self assessments concerning past 'negative' experiences 'the dark side of trust' (WP4, Deliverable 15) influence perceptions of identities on all sides of the borders. **The 'feel good' factor** evidenced among the younger generation of CB entrepreneurs is one of the dynamic elements allowing for the perseverance of business networks even in regions of low level conflict. On a personal level, entrepreneurs engaged in cross border activities apply various strategies to cope with cultural differences and identity building processes. The most striking similarities refer to the distinction between the 'business culture in the East and in the West'.

Conflicting regional identities can act as a barrier in the efforts to establish enterprise-based CBC, in cases where tension is observed on the national relations between the neighbouring countries. Entrepreneurs from the 12 CSR seem to be able to overcome the national/political related barriers, since they are more flexible than the institutions,

taking advantage of the business opportunities arisen in the cross border regions. In most of the times they are based on what could be called "implicit agreements" by the two sides, namely their mutual consent not to broach the 'hot subjects' and overlook the issues that separate the two countries on national level.

However, in cases where national conflicts arise and the free flow of people and goods across the borders is hindered, differences in mentalities and behaviour re-emerge, thus the efforts to promote CBC on enterprise level face crucial barriers. This phenomenon highlights the role of local institutions and national governments in creating conditions favouring enterprise-based CBC on the one side, as well as the (extremely) hindering role of non-tariff barriers on the other side.

Entrepreneurs simultaneously experience and promote multiple identities, some of which may be conflicting. The adoption of multiple identities should not be understood as always following a standardised developmental process.

On the basis of our analysis and interpretation of our research data based on *conversations* about entrepreneurial life and activities we conclude that most people adopt particular idioms to distinguish and assess their entrepreneurial activities in terms of *profit talk* which is the acceptable dominant idiom and *morality talk* which refers to the emerging references to an ethic of responsibility (social responsibilities) to the community and the environment that seriously undermine any simplistic cow boy capitalism perception of entrepreneurial behaviour.

Emerging Typologies

Four emerging typologies related to identity construction among entrepreneurs engaged in CBC are evident: the **'older generation' vs. the 'younger ones'**, **regions of national conflict vs. regions of relative stability**, **speakers of native languages vs. non speakers**, **regions with legal/bureaucratic/corruption barriers reported according to type of partner-country vs. regions with safe business environment**. These typologies refer to different strategies towards socio-cultural difference among entrepreneurs.

Table 1 Tentative characteristics of entrepreneurial identity at the CSR

Determinants of identity formation	Emerging Typologies	Characteristics/ 'Identity Talk'
Age	*Older generation*	Western style, cross-border language speakers, low-risk formal entrepreneurs, disillusioned by the failure
	Younger ones	Eastern style, English speakers, innovative, high risk formal entrepreneurs, entrepreneurially perseverant
National traditions	*Regions of national conflict*	Recurrence of oppositional regional identity claims, hide/ seek entrepreneurial approach
	Stable bilateral relations	Salience of common regional identity elements, 'clean-face' approach
Language	*Speakers of native language*	Familiarity, trust-building, inter-personal relations
	Non-speakers	Intermediary implemented interactions
Business Environment	*Enabling business environment*	Positive perceptions for the other side
	Hindering business environment	Emergence of stereotypes/prejudices

Based on the above, it is possible to offer some initial thoughts on policy recommendation regarding the effect of border changes on the identities of entrepreneurs involved in cross-border activities. Our policy recommendations aim in advancing cross border entrepreneurial cooperation taking into account the limitations created by (a) national policies, (b) EU policies, (c) different socio-cultural regional

contexts and (d) different levels of development between the border regions. These recommendations should be understood as 'low level' regional policies. Therefore, in order to foster CBC it is important to secure:

- communication in native languages spoken on the local level,
- cross border mobility of persons, symbols and ideas,
- a shared understanding of socio-cultural differences coming from the past,
- start-up business support and mentoring programmes contributing to the understanding of entrepreneurial cultures existing across the border,
- the reduction of barriers to entry and proactive measures to make it easier.

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Appendix

Table 2 Age Groups of the entrepreneurs in the two groups of CSR

	AGE GROUPS	
REGIONS' GROUP	**18-50**	**51+**
Western European (Germany, Finland, Greece)	58.5 %	41.5 %
Eastern European (Bulgaria, Poland, Estonia)	70.6 %	29.4 %

Table 3 Age Groups of the informal entrepreneurs in the two groups of CSR

	AGE GROUPS	
REGIONS' GROUP	**18-50**	**51+**
Western European (Germany, Finland, Greece)	88.6 %	11.4%
Eastern European (Bulgaria, Poland, Estonia)	64.7%	35.3%

Table 4 Legal/bureaucratic/corruption barriers reported in CSR, according to type of partner-country

	Biala-Podlaska	Florina	Gorlitz	Hochfranken	Ida-Viru	Kyustendil	Petrich	Serres	South East Estonia	South Karelia	Tornio	Zgorzelec
Country Group **W**estern/**E**astern	E	W	W	W	E	E	E	W	E	W	W	E
Number of cases	2	0	0	3	8	17	1	5	6	12	10	2
Country of Co-operation	Belarus Russia	FYROM	Poland	Czech Rep.	Russia	FYROM	Greece	Bulgaria	Russia	Russia	Sweden	Germany
Western/**E**astern partner	E	E	E	E	E	E	W	E	E	E	W	W
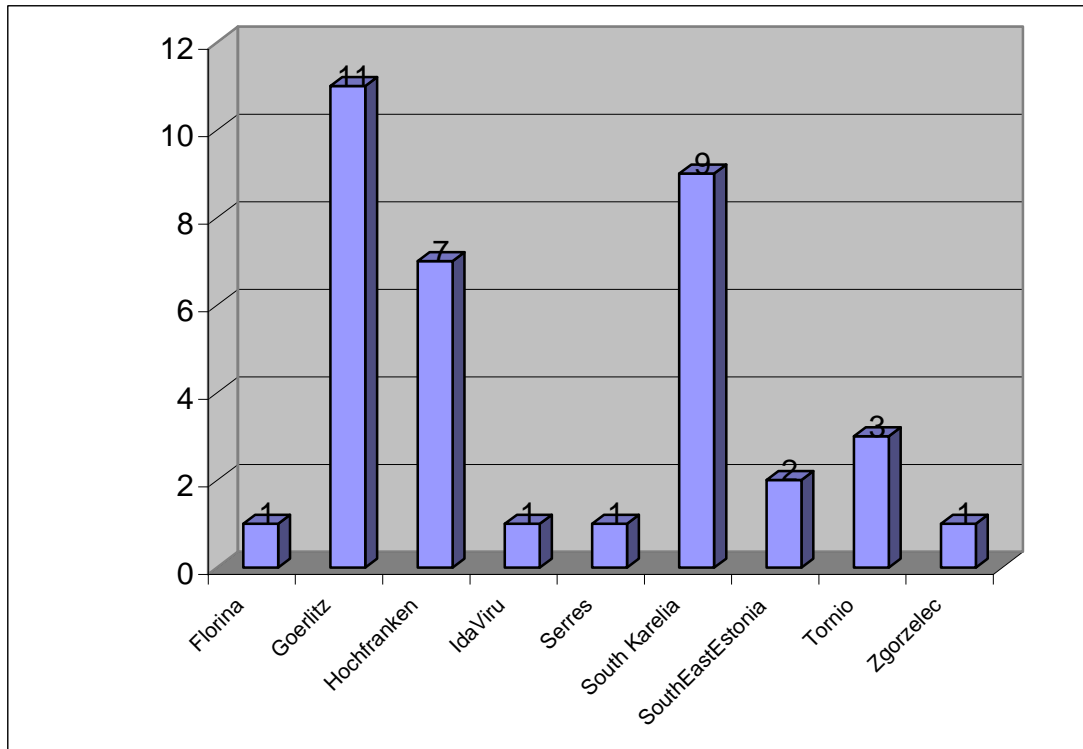
Figure 1 Number of cases where language was reported as a 'cultural problem arisen in CBC'
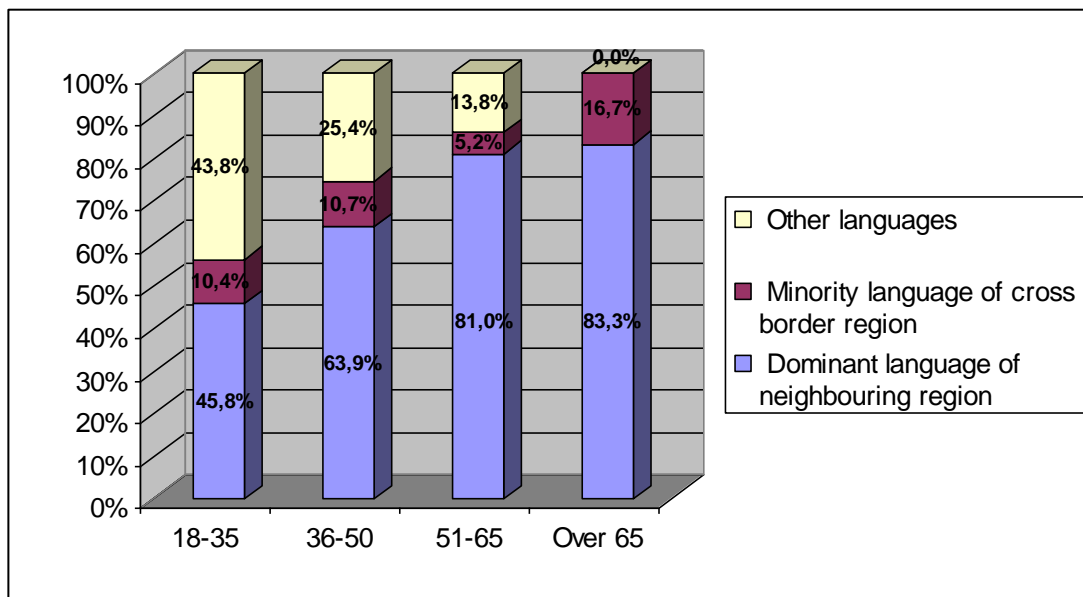
Figure 2 Linguistic skills of formal entrepreneurs according to age groups
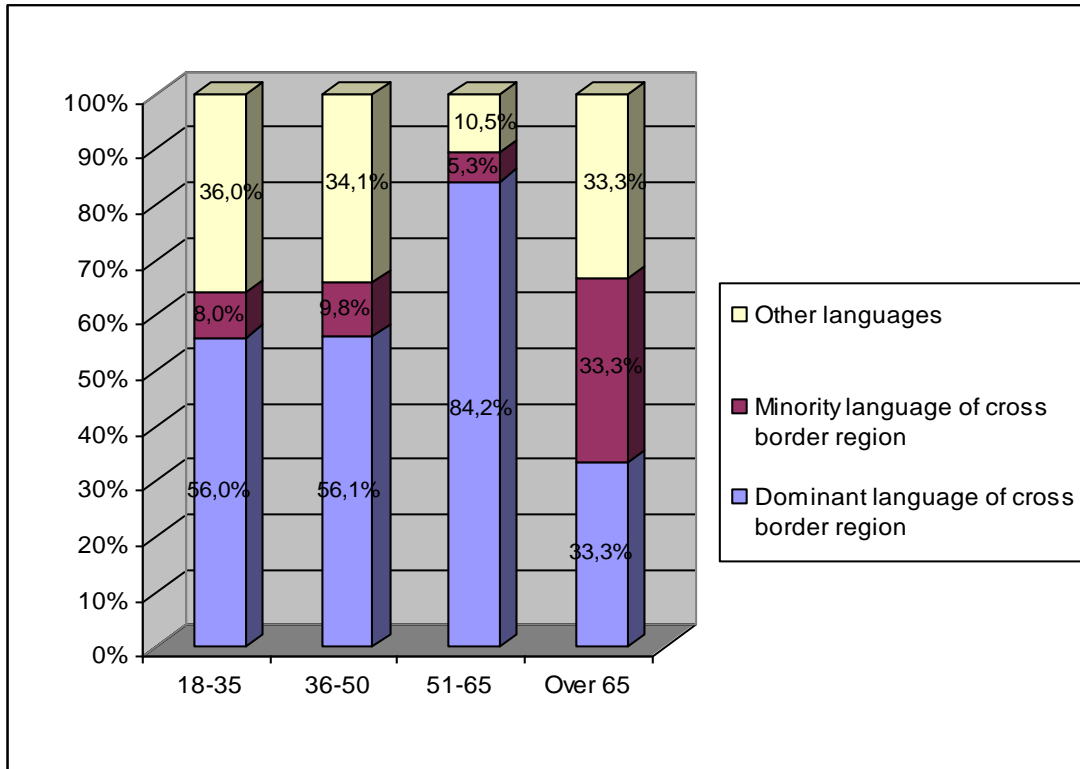
Figure 3 Linguistic skills of informal entrepreneurs according to age groups
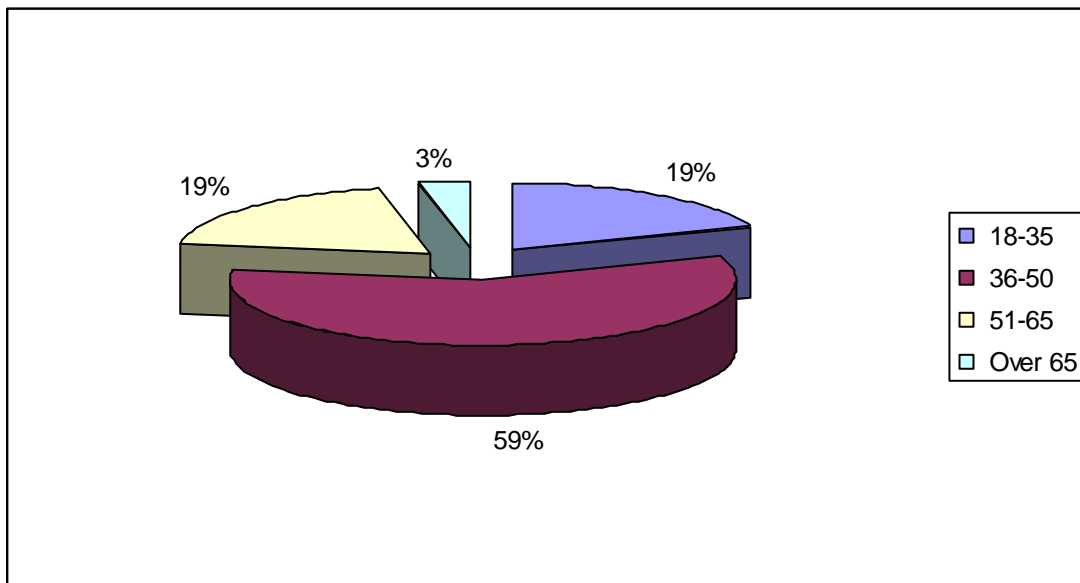
Figure 4 Common elements between the two sides, according to age groups
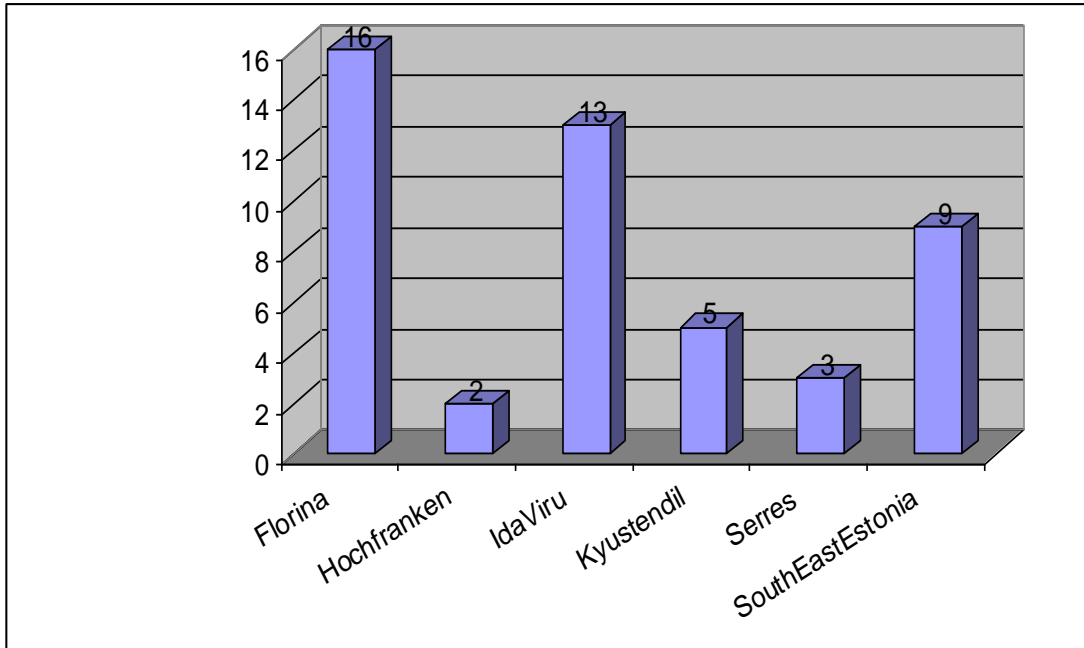
Figure 5 Number of cases where national/political problems were reported as a cultural barrier arisen in CBC
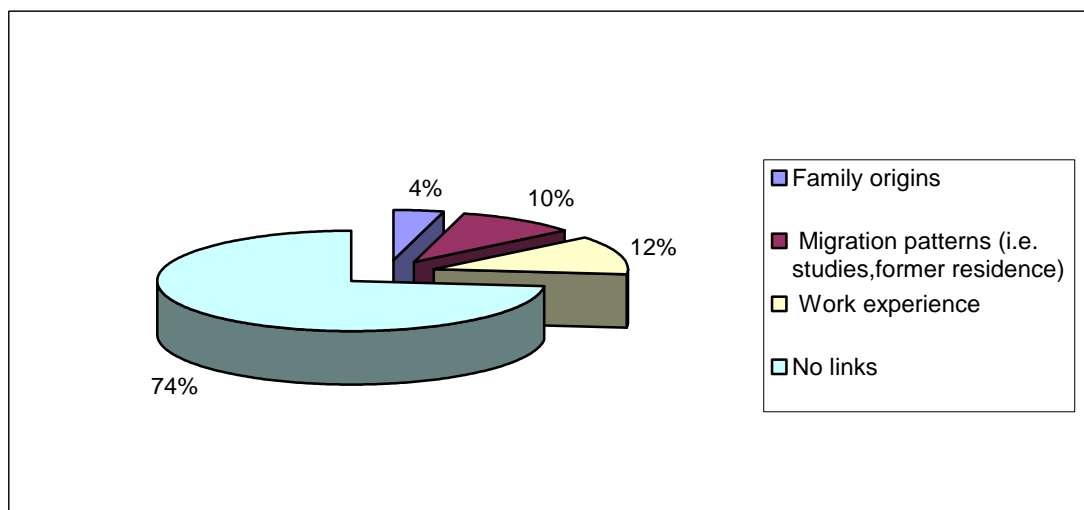
Figure 6 Positive perceptions for the other side/links to the other side of the borders
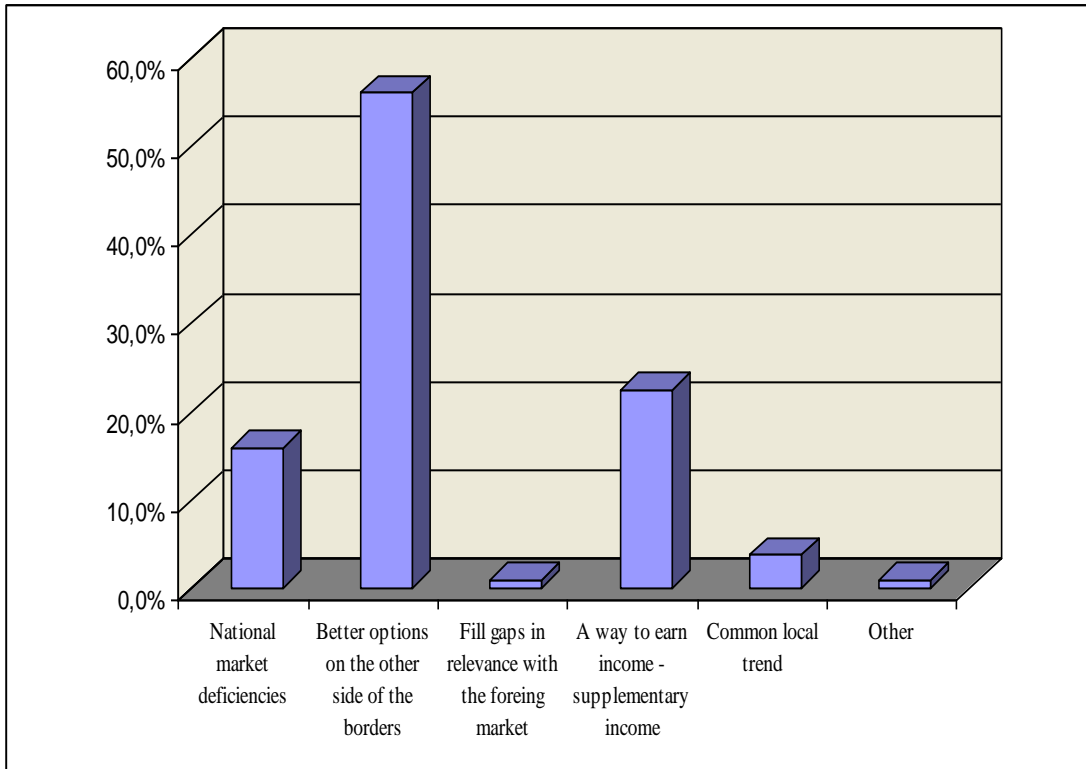
Figure 7 Initial motives for engaging in CBC (Households)
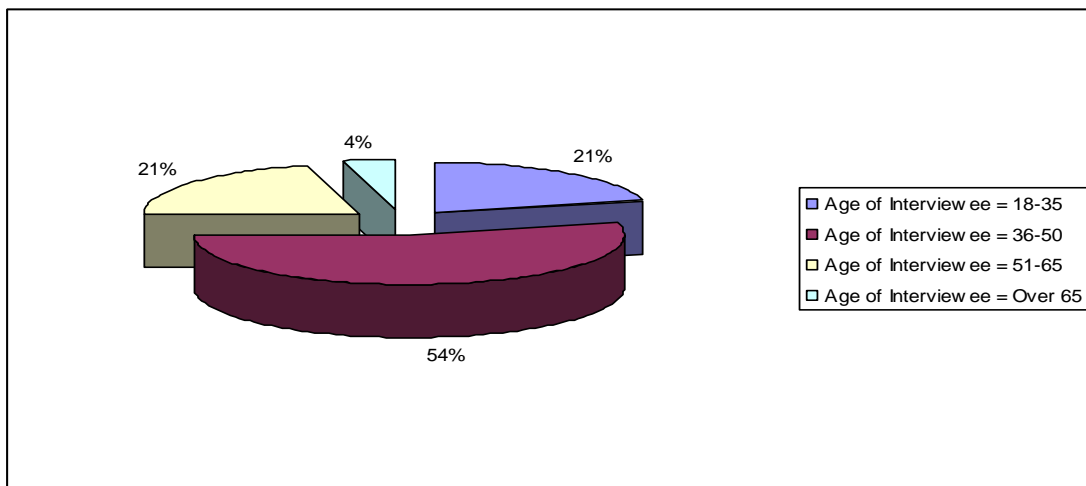
Figure 8 Age of the currently and previously involved entrepreneurs
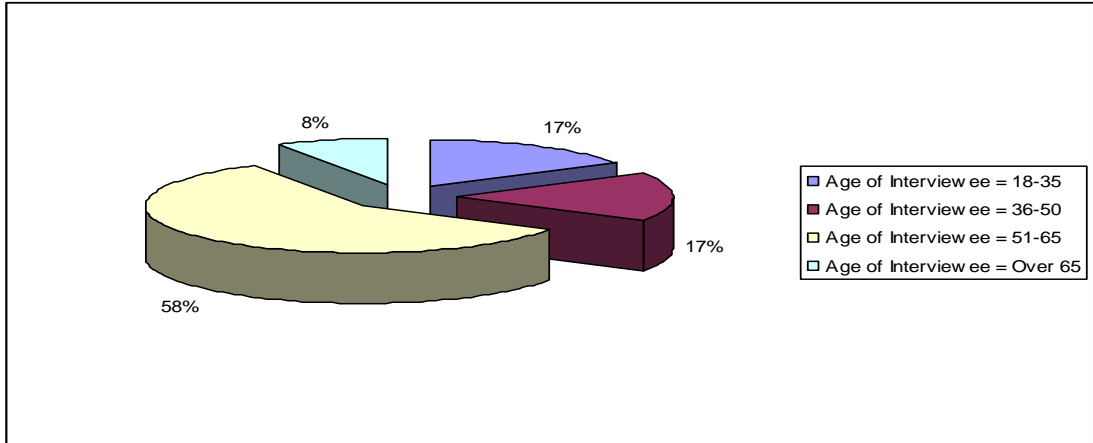
Figure 9 Age of the previously involved only entrepreneurs
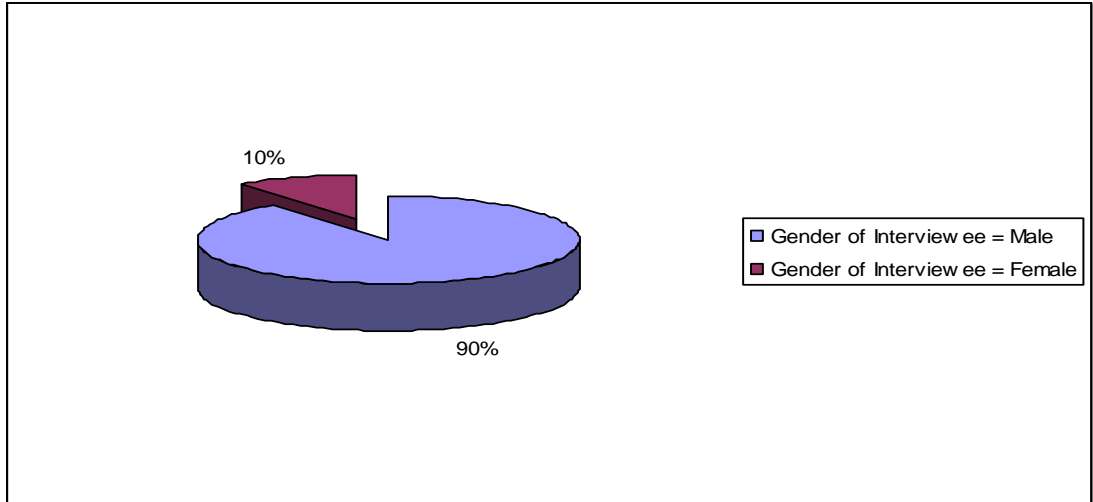
Figure 10 Gender of currently and previously involved entrepreneurs
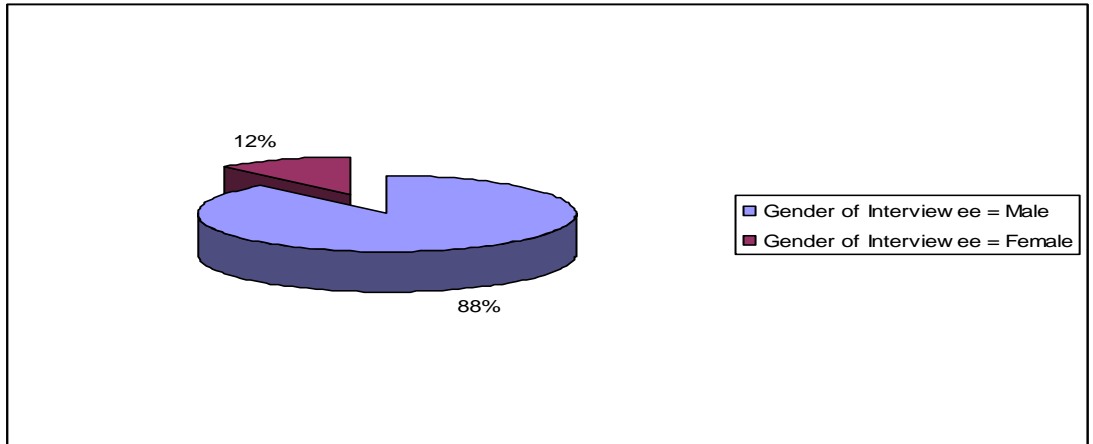
Figure 11 Gender of previously involved entrepreneurs
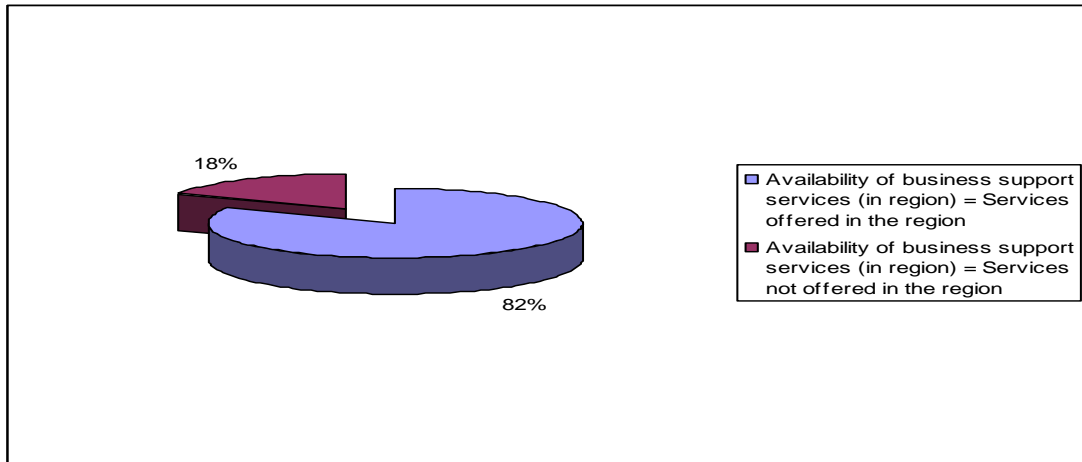
Figure 12 Availability of business support services according to the currently and previously involved entrepreneurs
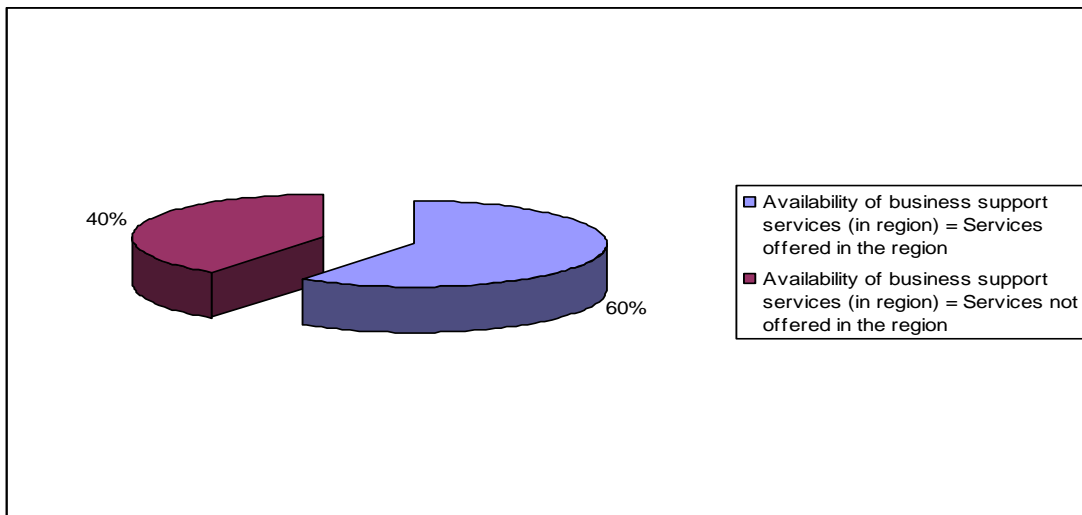
Figure 13 Availability of business support services according to the previously involved only entrepreneurs
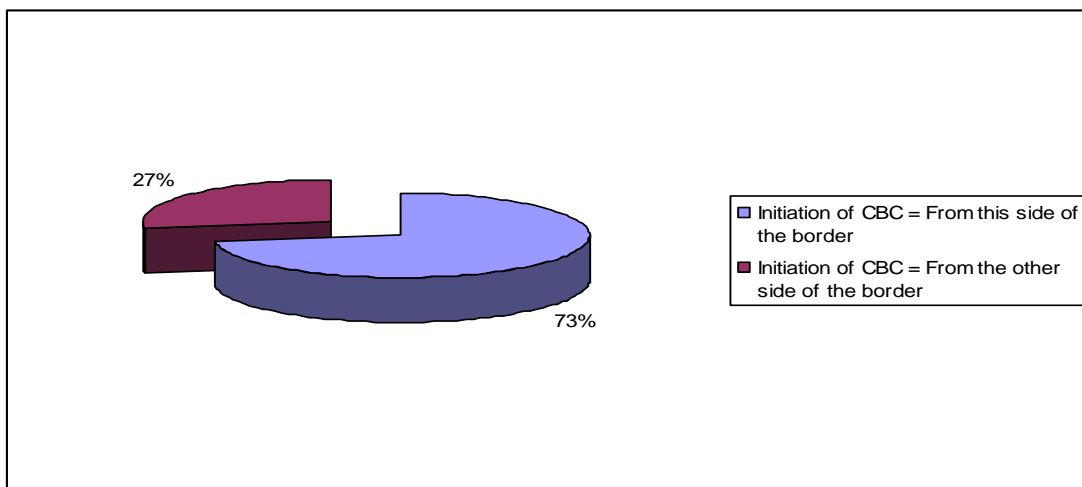
Figure 14 Initiation of CBC: currently and previously involved entrepreneurs
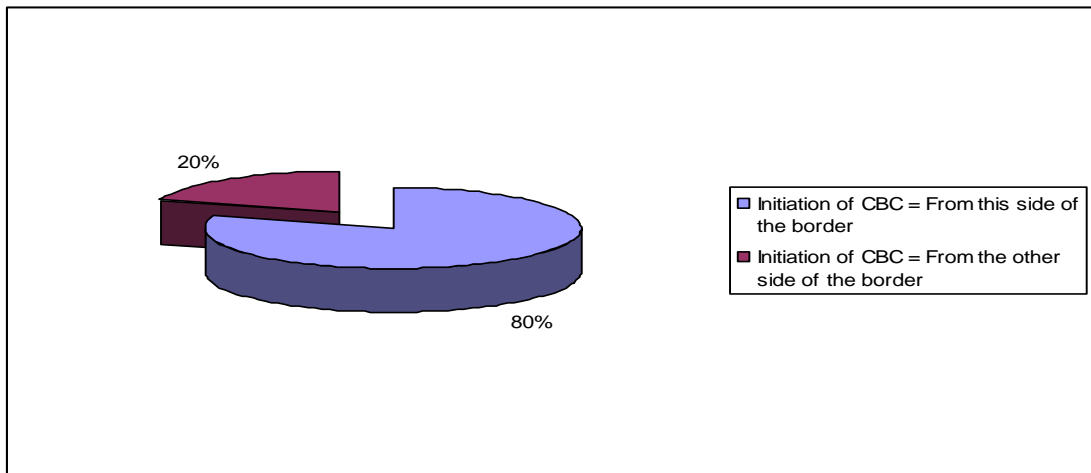
Figure 15 Initiation of CBC: previously involved only entrepreneurs
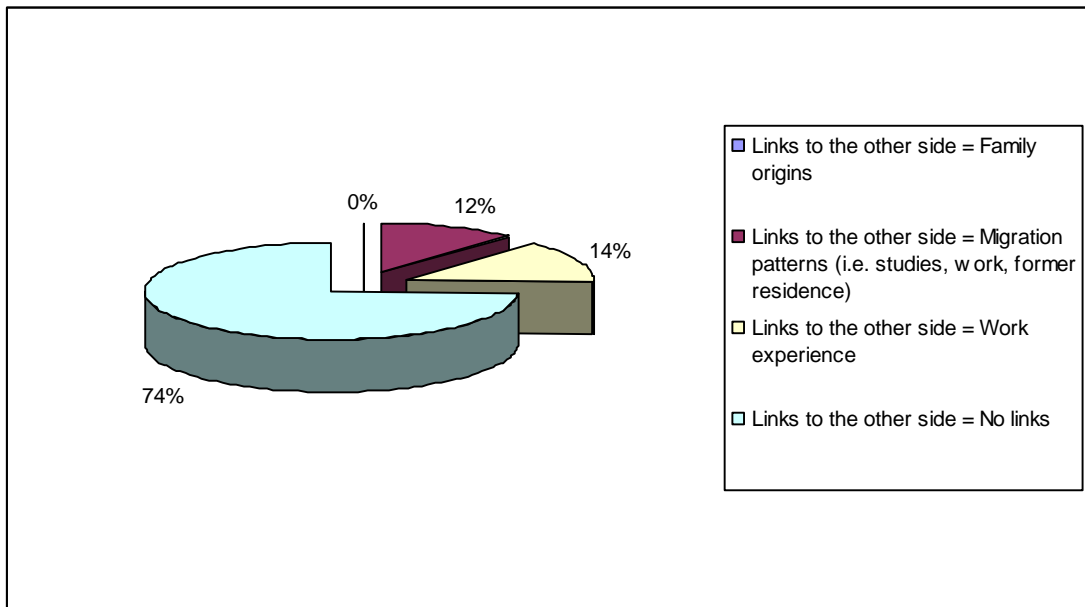
Figure 16 Links to the other side of the currently and previously involved entrepreneurs
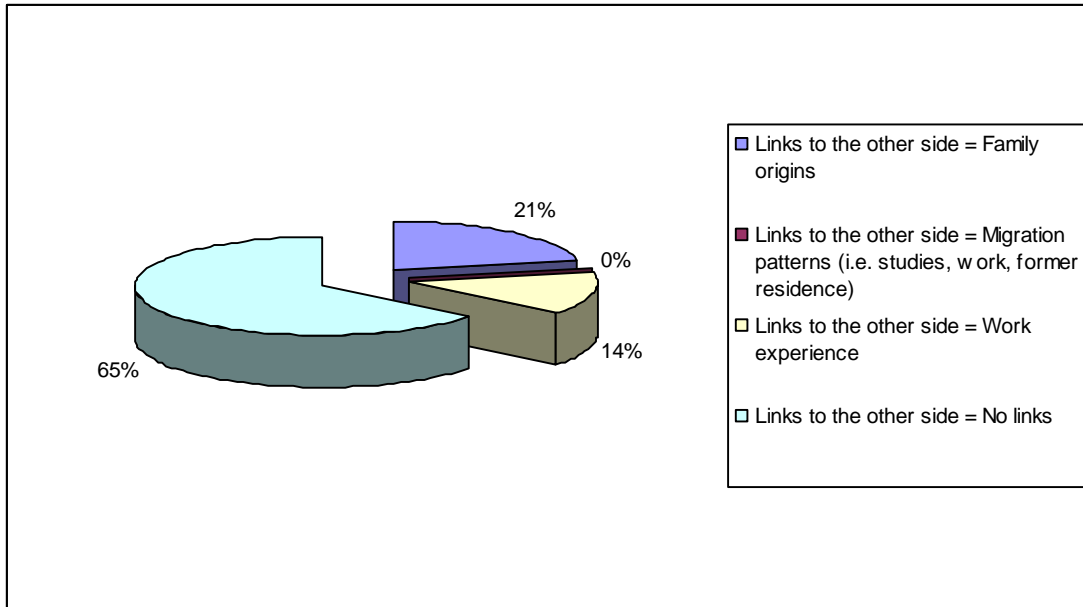
Figure 17 Links to the other side of the previously involved only entrepreneurs
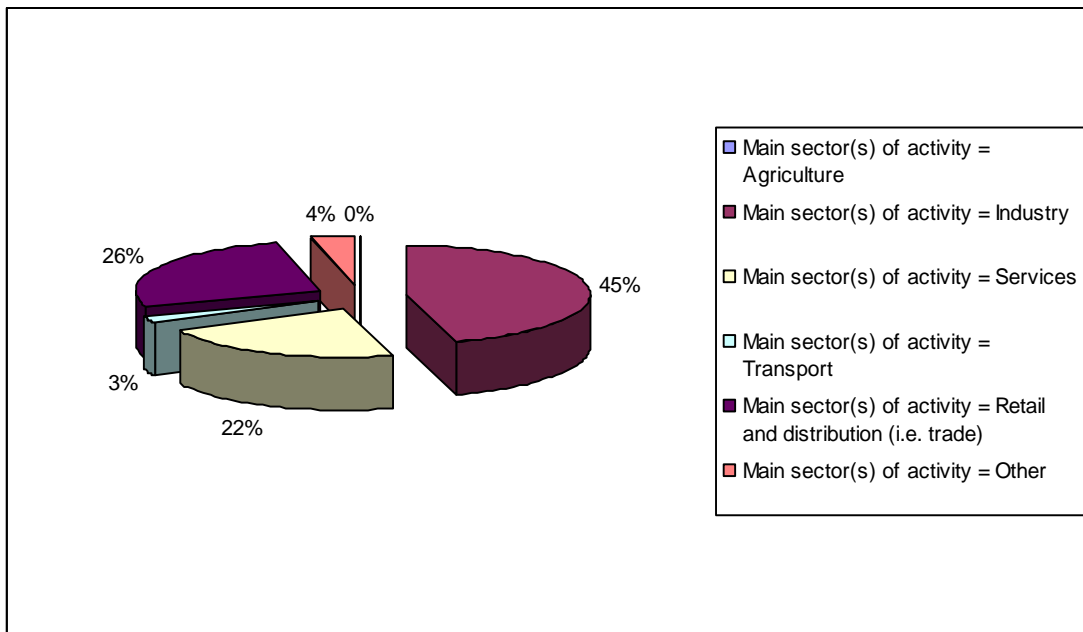
Figure 18 Main sector of activity for the currently and previously involved entrepreneurs
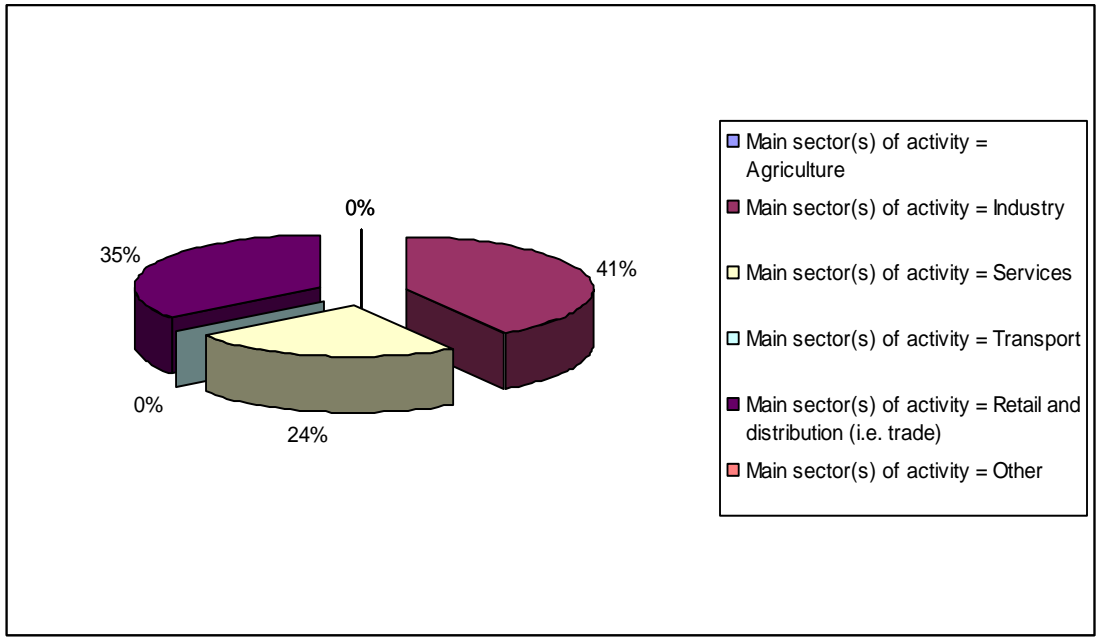
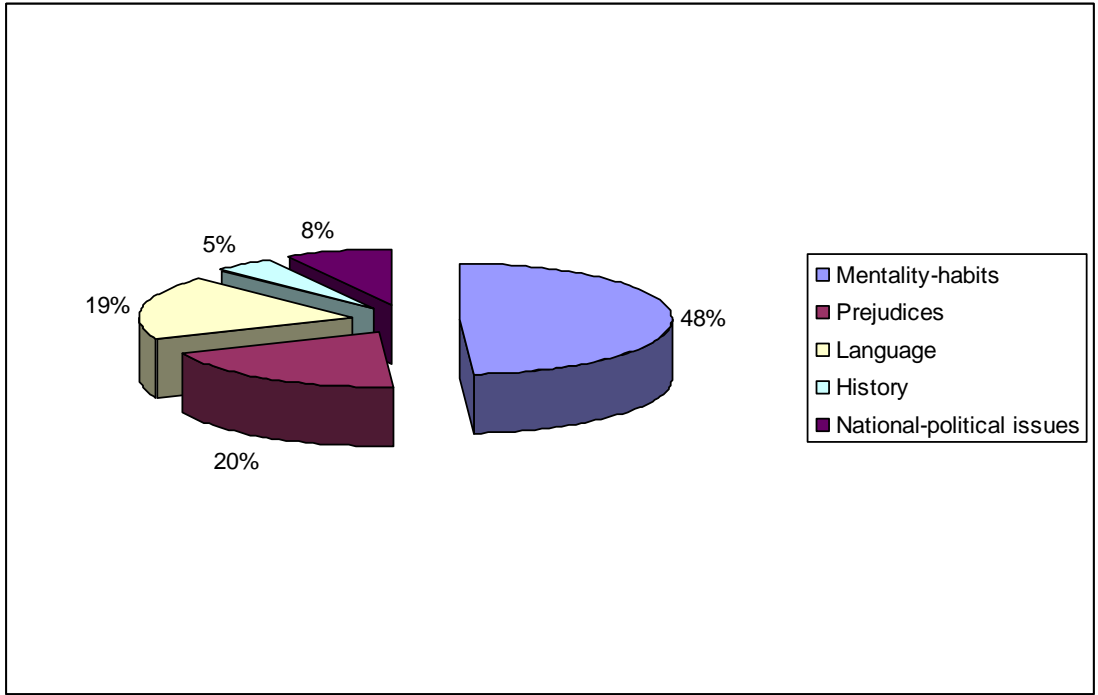**Figure 19 Main sector of activity for the previously involved only entrepreneurs**

Figure 20 Cultural problems arisen in CBC according to the currently and previously involved entrepreneurs
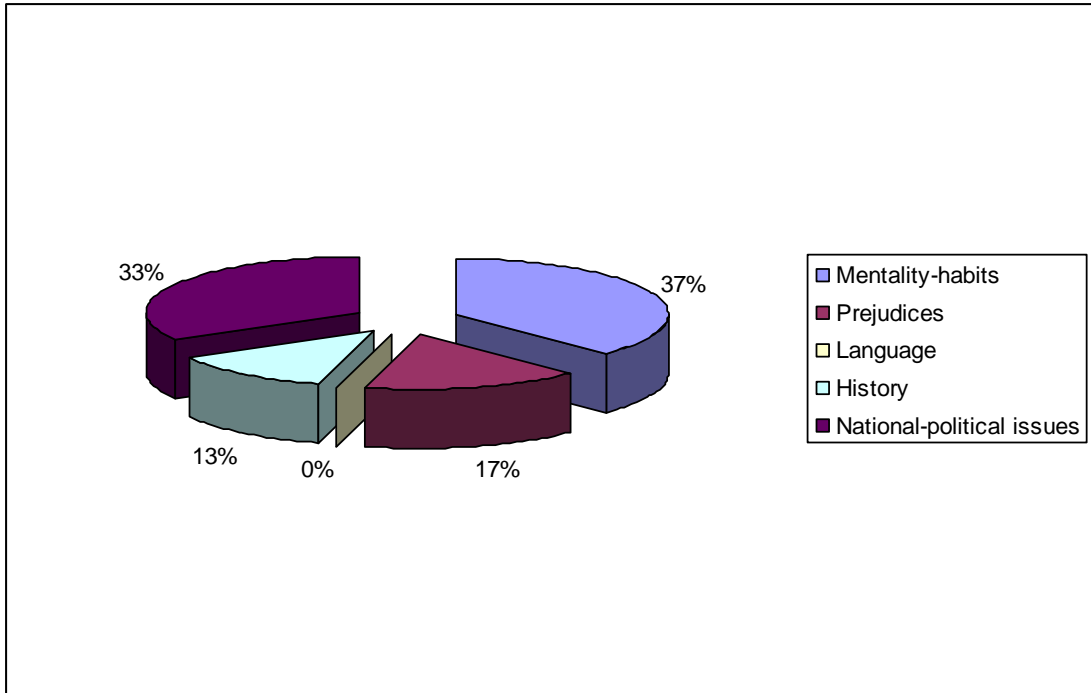
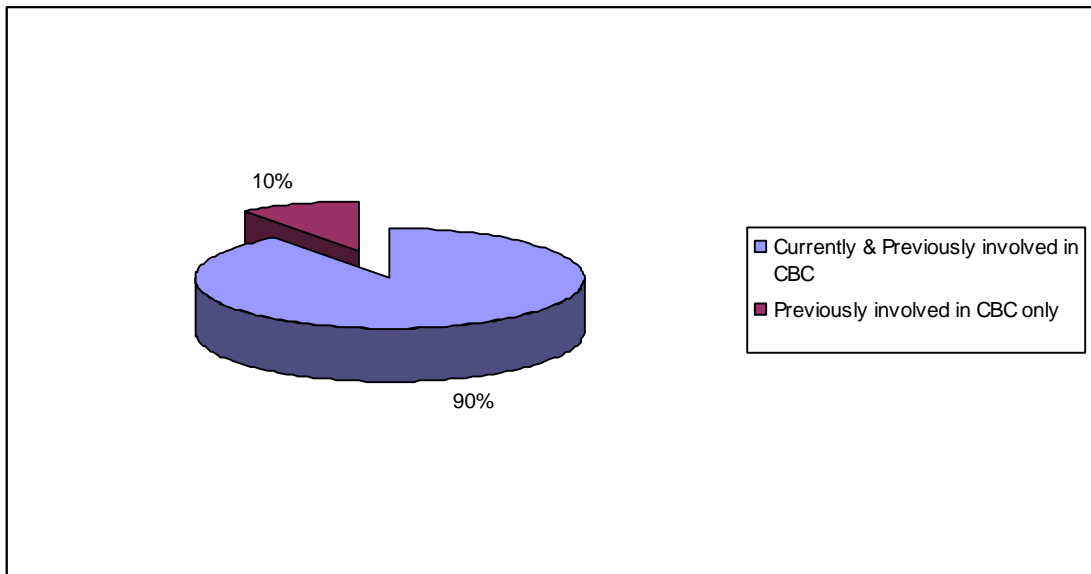**Figure 21 Cultural problems arisen in CBC according to the previously involved only entrepreneurs**

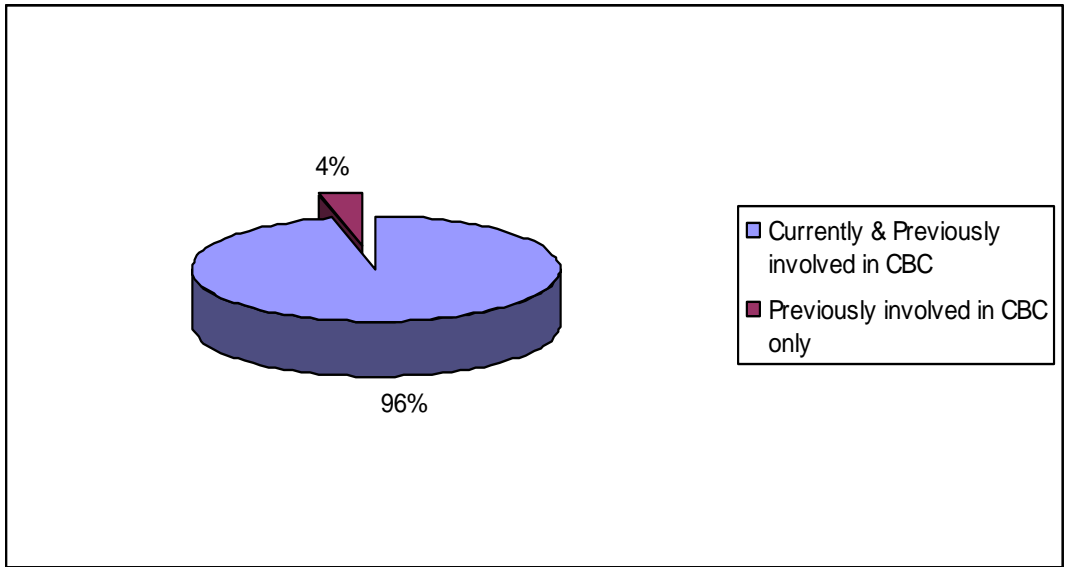**Figure 22 Positive perceptions for the other side, according to "type of failures"**

Figure 23 Common elements between the two sides, according to "type of failures"