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Social capital and trust: The 'fuel' of local integration  
of rural and small-town enterprises

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### Abstract

In the present article we examine a sub-segment of the 'locally integrated social group': rural and small-town entrepreneurs. Entrepreneurs are especially interesting from the integration point of view since, in the current academic discourse, entrepreneurship is considered a contextual process in which the former depend on local information and resources and base their activities on the needs of the local environment. Accordingly, rural and small-town entrepreneurs are commonly studied through the concepts of local embeddedness, social capital, and trust. The aim of our paper is to contribute to the understanding of those mechanisms: the impact of trust among entrepreneurs and their social networks that result in the local integration of this rural group. The study, based on 25 semi-structured in-depth interviews, focuses on the role of values, attitudes, social capital, and trust networks in local economic success in three Hungarian settlements of different sizes: a small village of 300, a small town of 3,000 and a medium-sized town of 30,000 inhabitants. Our conclusion is that in the case of rural and small-town entrepreneurship, community resources (values, attitudes, social capital, and trust) play a chief role in the foundation and existence of a local entrepreneurial ecosystem. However, their efforts must be accompanied by an institutional framework to make them sustainable in the long term.

**Keywords:** rural and small-town entrepreneurship; social capital; trust; locally integrated social group; entrepreneurial ecosystem; lifestyle entrepreneurs

## 1 Introduction

One of the exciting results of Hungarian research on integration and disintegration processes (Kovách, 2017a; 2017b; 2020; Kovách et al., 2017a) was the identification of the locally integrated group. The locally integrated group – in contrast to the stereotypes about the urban–rural dichotomy and the researchers' hypotheses as well –consists mainly of rural and small-town residents, with several members indirectly connected to agriculture (Csizmady et al., 2017) and was one of the most integrated groups based on the 2015 data collection. Members of this group are characterized by their higher average educational

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level and above-average income. They have a wide network of contacts, and many of them are NGO members; they are closely tied to the place and the local culture (Csizmady et al., 2017). Their political activity is significant, but primarily at the local level (e.g., contacting local government representatives) (Gerő et al., 2020). As Csizmady and her colleagues characterize the locally integrated group, they ‘live in the countryside, with an independent social character, and presumably specific cultural and political values and norms, and in many respects show [...] similar characteristics to the metropolitan middle classes’ (Csizmady et al., 2017, p. 202).

At the same time, survey-type quantitative data collection and data analysis methods do not allow a finer, more detailed characterization of this group, which make up a relatively small proportion of the sample. As Csizmady et al. (2017, pp. 203) stated: ‘Further research can contribute to the understanding of the political/power and social stability of the countryside and to the assessment that the local formation of an economic/political elite has taken place, or rural urbanization has reached a new stage by analyzing the political values and party choices, power position and relationship networks, and cultural orientation of this group.’ Social integration mechanisms include systems of cooperation and the norms, values, and interests that motivate actors to cooperate (Tamás, 2020, p. 67).

In the present article, we examine a sub-segment of this locally integrated group, rural and small-town entrepreneurs (active mainly, but not exclusively in the gastro/wine sector), and examine with finer, qualitative methods the mechanisms in terms of trust and social capital that contribute to the local integration of this group in order to contribute to the understanding of the dual nature of their situation. The group of entrepreneurs is especially interesting from the integration point of view since, in the current academic discourse, entrepreneurs are less and less considered as isolated actors. Entrepreneurship is rather seen as a contextual process in which potential enterprises depend on local information and resources, base their activities on the needs of the local environment, and receive financing from local banks and investors (Kalantaridis & Bika, 2006). Therefore, rural and small-town entrepreneurs are commonly studied through the concepts of local embeddedness (Granovetter, 1973; Gülümser et al., 2009; Bosworth et al., 2011), social capital (Bourdieu, 1985; Coleman, 1988; Putnam, 2000) and trust.

In the present study, we examine three Hungarian settlements of different sizes: a small village of 300, a small town of 3,000, and a medium-sized town of 30,000 inhabitants. All three have a longstanding tradition of grape cultivation and wine production. Our case studies are exceptional in this regard since the willingness to cooperate of businesses is of paramount importance for the success of the wine-growing and wine tourism sector; thus, we can expect stronger local embeddedness, cooperation, and collective thinking among them (Mike & Megyesi, 2018; Tomay & Tuboly, 2023). In addition – not independently from the grape-growing traditions – all three settlements have Swabian roots, which mentality and habitus may be one of the drivers of entrepreneurial willingness, as Schwartz (2021) proved: based on family resources, knowledge (bonding social capital) and community solidarity (bridging social capital) may be characteristic of these settlements.

The case studies are based on 25 semi-structured in-depth interviews with rural and small-town entrepreneurs conducted between the autumn of 2018 and the autumn of 2020 in the framework of the Higher Education Institution Excellence Program. These interviews were complemented by several field trips and observations.

According to our basic assumption, personal characteristics, the entrepreneurial value system, the social environment, and the local culture in which the enterprise is embedded all affect their successful operation, which means that local integration is extremely important for small entrepreneurs, not only from a personal but also from an economic point of view. Based on the interviews, we aim to explore how successful cooperation functions and the impact of trust among entrepreneurs and their social networks. By studying these patterns, it becomes possible to deepen our knowledge concerning locally integrated entrepreneurs in Hungary.

## 2 Trust, social capital, and entrepreneurship

Social capital is ‘the ability of actors to secure benefits by virtue of membership in social networks or other social structures’ (Portes, 1998, p. 6). Coleman (1988) and Lin (2001) describe social capital as a marketplace where people invest in relations and treat them as a personal resource. Social capital enhances cooperation, promotes mutual assistance, and creates bridges (Bodor, 2013; Tomay, 2019). The concept of social capital has become particularly popular for its economic dimension: social capital is important for the creation of exchange relations and can support the establishment of new businesses, open new markets, and promote cooperation; it is, therefore, an essential element of entrepreneurship (Füzér et al., 2006; Bodor, 2013). Fukuyama (1995) also explains that social capital and trust play an important role in the establishment of new companies. He argues that the nature of entrepreneurship is shaped by the cultural context in which an enterprise is located. After analyzing data from the European Social Survey, Bodor et al. (2019) concluded that the location of the entrepreneurial activity and local cultural traditions, social customs, and norms are all of great importance regarding value preferences. In Northern and Western Europe, a greater proportion of entrepreneurs share collectivist values (being strongly motivated and influenced by community and social responsibility as opposed to individual goals) as well as those related to innovation. In contrast, in the Eastern and Southern parts of Europe, avoiding risk and individual values driven by personal goals are stronger motivating factors (Bodor et al., 2019, p. 39). In other words, there is no standard pattern or coherent set of value preferences associated with entrepreneurship (Bodor et al., 2019b; Kovách et al., 2017b). According to Baumgartner et al. (2013), social capital is both a driver and an outcome of entrepreneurship, which is especially important for the regional development of European non-core regions.

There are three types of social capital: bonding, bridging, and linking social capital. Bonding social capital refers to relationships based on strong trust, such as those between family members; bridging social capital indicates relationships based on weaker trust, such as those between colleagues; and finally, linking social capital – the weakest form – refers to relationships with elected representatives or local government workers (Woolcock & Narayan, 2000). Trust is a precondition for organizations and associations created on a voluntary basis because cooperative norms of trust are based on ethical and moral standards that are expected to be followed by those involved in this type of relationship, and participants expect loyalty from their members. However, the wider radius of trust is typically associated with distrust of outsiders. Trust can establish social capital that is

conceptualized as one of three types: bonding social capital is connected to a particular form of trust and is based on trusting relationships with close relatives and acquaintances. Bridging social capital is associated with interpersonal trust, characterized by a wider radius of trust. Moreover, linking social capital assumes high institutional trust (Füzér, 2016). Nevertheless, social capital can also be considered an integration mechanism whose specific individual or group configuration can contribute to the strengthening and maintenance of concrete and symbolic cooperation (Kovách, 2017, p. 14)

Westlund and Bolton (2003), confirming Bourdieu's theory that different forms of capital can be converted into each other, state that social capital both directly and indirectly affects entrepreneurs and enterprises. From a different point of view, a lack of trust (an element of social capital) can cause great disadvantages in the operation of enterprises. The presence of trust is indispensable when establishing an enterprise, at which point informal ties are very much necessary. This necessity weakens over time, to be replaced by a need for formal ties. Local business relations and cooperation with local non-governmental organizations and public institutions are important for promoting competitiveness, which is why informal solutions continue to be necessary in contemporary rural and small-town societies (Savanya, 2013). Such local partnerships and collaborations of local actors can boost the local economy and help enterprises to catch up with the competition, thereby contributing to the better position of the rural area and the launch of other initiatives (Kis, 2006). As Kulcsár (1998) highlights, rural regions that cannot muster the power of community will start to decline. However, entrepreneurial collaboration (business relations, purchasing raw materials from each other, employing local workers, etc.) can stimulate a region's economy, creating a driving force that can benefit wider local society (Shortall & Shucksmith, 1998). According to Floysand and Sjøholt (2007), local networks are informally organized relations that can enhance development. Atterton (2007) notes that networks can help overcome the disadvantages of rural regions and promote expansion into further markets or information sources. The importance of cooperation for rural and small-town entrepreneurs is mentioned by several authors (Pato & Teixeira, 2016), while Meccheri & Pelloni (2006) argue that entrepreneurs with strong social ties in the rural community are more likely to tap into support networks and less likely to turn to institutional help. Consequently, it appears that local social relations are essential for the proper functioning of rural and small-town enterprises (Pato & Teixeira, 2016). However, based on the ESS data, Bodor et al. (2017) found that the trust level in Hungary is directly proportional to the type of settlement, i.e., the smaller the settlement, the lower the level of trust. Rural and small-town entrepreneurship is defined as 'the creation of a new organisation that introduces a new product, serves or creates a new market, or utilises a new technology in a rural environment' (Wortman, 1990, p. 330, quoted in Pato & Teixeira, 2016). Recent research explains rural and small-town entrepreneurship in similar terms. According to the literature, rural and small-town enterprises create something new, i.e., they add value by relying on local resources and traditions and capitalizing on unique local characteristics (Csurgó, 2019). Rural and small-town entrepreneurs are tied to traditional rural forms of activities (traditional or innovative handicrafts, food production) and/or to the creation or preservation of the image of a rural idyll (tourism, hospitality, commerce) (Csurgó, 2019, pp. 26–27). Local embeddedness is an important criterion when defining rural entrepreneurship. Local entrepreneurs live in rural environments (Stathopoulou et al., 2004) and are embedded in the local community, meaning they are

greatly affected by local social networks and peculiarities (Akgün et al., 2010, quoted in Pato & Teixeira, 2016). As such, the notion of rural entrepreneurship is closely linked to elements of social capital: it involves being embedded in the local community, affected by local social networks, promoting cooperation in the region, employing local people, etc., which are all part of the concept of social capital (Füzér, 2015). It is therefore worth paying detailed attention to this field.

The latest results show that there are significant conclusions regarding measures aimed at strengthening trust between rural residents and supporting community life. The rural population forms a closed group, a community, as a result of which its members are not always able to accommodate new people, developments, and activities. The lack of or decreased trust among rural and small-town residents often hinders the implementation of development projects, as people are less willing to cooperate and participate in planning and implementation processes (Domoszlai et al., 2023).

Quantitative research shows that in Hungary, the social capital of rural residents does not differ significantly from urban ones. The amount of social capital grows with the size of the settlement, but weak ties that support entrepreneurship are more significant in rural regions (Csurgó & Megyesi, 2016). A lack of trust and cooperation causes economic disadvantages in rural regions and may even damage their economies (Kis, 2006). Thus, in these regions, informal ties are especially necessary for success (Bodor & Grünhut, 2019). According to the results of social integration and disintegration research, the social capital index is high among small entrepreneurs, mainly because of their high level of relational capital (Hajdu & Megyesi, 2017, pp. 164–165).

Theory on rural and small-town entrepreneurship claims that, besides formal contractual partnerships, informal ties based on trust are of great importance for business and thus contribute to the strengthening of social capital (Patik, 2004). Where social capital is strong, more efficient economic networks can be created and maintained since, without cooperation, the pursuit of common interests is transitory and does not push a region forward (Vadasi, 2009).

### 3 Materials and methods

For our study, we selected three Hungarian settlements of different sizes: a small village of 300, a small town of 3,000, and a medium-sized town of 30,000 inhabitants. As all three have a long-standing tradition of grape cultivation and wine production, we primarily (but not exclusively) contacted enterprises from these fields. All of our case studies are situated in wine regions and have a Swabian past; both factors facilitate cooperation, strong local embeddedness, and collective thinking (Mike & Megyesi, 2018; Schwartz, 2021). The case studies are based on 25 semi-structured interviews conducted between the autumn of 2018 and the autumn of 2020. During the 1.5–2-hour-long interviews, we asked the entrepreneurs personal questions, questions concerning embeddedness, local and institutional social capital and trust, local entrepreneurial initiatives/associations and collaborations, questions about the business partner network and employment, as well as future visions. In analyzing the interviews, we relied on deductive categories based on the literature review (social capital, trust, embeddedness, local integration). These interviews were complemented by several field trips, shorter and longer discussions, as well as participatory

and non-participatory observation methods applied over the course of several years, thus resulting in a complete and grounded study of the topic. However, given its qualitative nature, there is no statistical generalization in the study.

Grapevine is a Swabian village of almost 300 inhabitants in Baranya County. It has a long history of grape cultivation and wine production, even though years of state socialism diminished its traditional significance. As one of our interviewees put it, ‘Those who moved here after the war cut down the grapes and started to produce corn.’ Winemaking, specifically the production of quality wine, returned to the village only a decade after the 1989 transition. Since then, however, the village has gained countrywide fame for its wine and gastronomic events and its touristic appeal. There is already an institutional framework for cooperation among successful enterprises in the village, most of which are run by newcomers. The village has become successful and can be regarded as a mature entrepreneurial ecosystem (Tomay & Tuboly, 2023). Two out of ten entrepreneurs we interviewed are natives of the village who run family businesses. One of them works in agriculture, having expanded the stock of cows she inherited by a factor of ten, and produces and sells milk and dairy products. The other native entrepreneur became the owner of the local shop when it was privatized in the early 1990s. Her family also makes and sells wine, while her middle-aged son works as a bus driver for the regional transportation company. The majority of local entrepreneurs arrived from somewhere else and then started a business in the village. Such entrepreneurs arrived in Grapevine in several waves (Nemes & Tomay, 2022), from regional cities, the capital, or abroad. Many of them are innovative lifestyle entrepreneurs<sup>1</sup> for whom freedom, creativity, and innovation are essential values. After (re)laying the foundations of wine culture and wine tourism, many of them moved on to the wider field of gastronomy, opening high-quality restaurants and starting festivals and workshops related to gastronomy.

Barge is a Swabian small town of 3,000 alongside the Danube. While its wine cellars constitute separate enterprises, they nevertheless form an integrated entrepreneurial ecosystem based on local wine tourism (Tomay & Tuboly, 2023). The wine-cellar village held its first official event in 2012, with six wine cellars collaborating in this common project to boost local wine tourism. By 2019, 25 cellars were participating in these events, which have converted the village into a prominent wine-tourism destination with its own identity and budget. The wine cellar owners aim to jointly promote the village and its reputation, which they expect to contribute to the growth of their operations in the long run. In doing so, they have created a particular form of nascent, local association of entrepreneurs. In contrast with the other two settlements, Barge has an endogenous ecosystem of entrepreneurship that has organically evolved from within (Tomay & Tuboly, 2023). Most winemakers are native to the village and have spent their lives there. Most of them are

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<sup>1</sup> Lifestyle entrepreneurs are lifestyle migrants who change their place of residence across national borders (Stone & Stubbs, 2007). They differ from traditional entrepreneurs: instead of profit-maximizing, they strive for work-life balance (Newbery, 2011), even if this means having a lower income, in exchange for greater freedom, independence and self-esteem alongside more flexible working hours (Stone & Stubbs, 2007, p. 443). We use this term for any (not only cross-border) mobility involving when real-estate price margins between the places of origin and destination are used as starting capital for the enterprise; at the same time, this type of migration is also aimed at the realization of a slower paced value system and lifestyle focused on personal well-being (Nemes & Tomay, 2022).

first-generation entrepreneurs (seven out of eight interviewees come from families with no entrepreneurial experience) from Swabian peasant families who feel bound to local conventions and traditions. They know each other and have close family, friendship, and neighborhood relations that strengthen the local social network. Their everyday tasks are all done on a voluntary basis, including the organization, preparation, and marketing of events. This case study shows how the mixing of these two characteristics (attachment to Swabian peasant traditions and an innovative entrepreneurial mindset) has spurred the development of a self-generating entrepreneurial ecosystem among the residents.

Hermithill is a town of 30,000 inhabitants that has been famous for its wine and wine tourism for a long time. The area is a historical wine region with a history of centuries of grape cultivation. During state socialism, local winemakers did not have any opportunities for self-realization, but following the transition, they were free to launch businesses and revive the area, a process that was also accompanied by financial support. However, with the appearance of multinational corporations, many enterprises had shut down or left the area by the end of the 1990s, with only a few large, adaptable enterprises surviving in the region. The aim of today's local winemakers is to boost the region, engage young people, and pass their traditions on to them. More and more young people are taking over family businesses or launching wineries independently while older, more established producers continue to operate. As viticulture has a strong tradition in the region, many family businesses are built on winemaking. In the meantime, however, enterprises related to gastronomy have also appeared, contributing to a rise in tourism that is not only related to wine: the spread of a coffee, beer, chocolate, and even whiskey culture, accompanied by the opening and development of restaurants, confectionaries, and bars, and a growing number of events not related only to wine. We thus selected our interviewees primarily from these emerging fields. We conducted seven in-depth interviews with entrepreneurs who were similar in many regards but had different values. In general, our respondents tended to be young to middle-aged (between 25 and 50 years old), had traveled, studied, and gained experience abroad, worked as employees, returned to their hometown, and then launched their enterprises there. Two of them were producers, and four came from different fields of hospitality. One of them worked in a different sector but possessed a great amount of knowledge about the town and a large local social network, having built up relations and partnerships with local gastronomy actors. Our interviewees' entrepreneurial pasts, knowledge, and experiences of rural and small-town entrepreneurship differed. Five respondents came from entrepreneurial families; the other two were first-generation entrepreneurs. None of them had emerged from the field of grape cultivation and winemaking, but they were all directly or indirectly connected to viticulture and the wider gastronomy sector.

#### **4 Results: Social capital and trust in the case study settlements**

One of the main aims of our research was to determine what entrepreneurial social capital is like in successful settlements located in regions experiencing social and economic stagnation or decline. The notion of embeddedness is especially important in rural regions because of their regional nature and the strong ties attached to them, and the concept of

social capital provides a good basis for understanding both. Both notions stipulate that social relations, friendships, acquaintances, and neighborhood and social interactions contribute to building and growing trust and commitment; therefore, they contribute to the launching and sustainability of enterprises based on local resources embedded in the local community. Social capital helps us to measure efficiency, as many of its economic aspects are known, including its role in enhancing cooperation and creating bridges. These ties play an important role in innovation and economic development alike and thus act as a connecting element between our case studies and their respective regions.

According to this approach, Grapevine is a special case within our sample since its growth in prosperity was initially driven by entrepreneurs from outside. Later, local entrepreneurs joined in, and the cooperation between the two groups resulted in the success of the village, which can be witnessed today. The rise in local social capital was prompted by external factors rather than by endogenous efforts of already embedded local actors:

Of course, they [those moving in] played an important role because everyone had a vision [concerning] why they came here. They wanted to make wine or open a wine cellar. So these people already came here with an idea. They didn't just come here to have an easier life [...]. So they played a great role. And they played a role in the development of the village because if we cooperate and make something, everyone's business will work out. (G1)

Local winemakers and hospitality operators work well together based on the understanding that individual success can only come from joint success. They do not compete but rather complement each other. The people who moved into the village in different waves tended to seek each other's company rather than that of the native population. With the rising number of urban entrepreneurs who moved in, the village's social capital also became denser – which is necessary for the embeddedness of small and medium-sized enterprises (Kloosterman & Rath, 2001). Informal networks are important for these entrepreneurs, especially when launching their enterprises, as they provide them with information as well as material and psychological support (Stone & Stubbs, 2007):

Here, people who left the city and the entrepreneurs meet each other all the time; there are friendships, too. There is competition but no jealousy. (G2)

As mentioned earlier, trust and direct, personal acquaintances act as an important 'fuel' for the functioning of rural and small-town entrepreneurship:

I like to live in the countryside, because although I have business relations in Budapest, I am here today, I will be here tomorrow, and I was here yesterday [...]. Trust is very different here [...]. In Pécs, you cannot go to a building material shop and get a load of sand by saying that you will pay for it at the end of the month [...], it's very different. (G3)

Bridging social capital was not only brought to the village, but new connections and collaborations grew from the events being organized there. Each year, Grapevine hosts one of the top events organized by Hungary's association of rural restaurants, when a small, selected group of guests enjoy delicious dishes prepared by the best restaurants from the countryside, accompanied by local wines. The two-day gathering has a special, familiar atmosphere that has resulted in friendships in the short term and cooperation in the long run.

In our other example, Barge, the ties mentioned previously are based on personal relations rather than an entrepreneurial value system. This may be due to the stronger role of social capital, where a lack of values can be replaced by new relationships. The success of this wine-cellar village can best be understood within this framework, which is evident in the sense of fellowship that emerged from our interviews:

[It happened] with all the friends [...]. So we went on trips at weekends in groups, for two days. We visited two wineries and tasted the wine. We obviously collected information from there, saw the tools, machines, everything. Then we felt the desire and the need to do something. (B1)

This collective way of thinking, which cannot overcome a dependence on local relationships, produces a different result from the ecosystem we observed in Grapevine. In Barge, bonding social capital plays a stronger role in the operation of enterprises than bridging social capital. As such, strong collectivity may hinder the full independence of some enterprises. Strong values linked to the community and its traditions do not necessarily produce a negative outcome, provided that the horizontal ties of dependency do not disintegrate and the community's social capital and system of relations remain robust. Technological innovation and an increase in the number of visitors are also facilitated by bonding social capital, i.e., very strong local ties based on trust and personal relations:

This enterprise is a bit different. Its sustainability is different. I pay a lot of attention to and strive to have good relations with the locals to support their work, as this enterprise is only viable if I let people live. [...] I am not a member of the association; it was my decision not to become a member. I think the young people there are great together. (B2)

When it comes to their various economic activities, the entrepreneurs in the village rely exclusively on family relations instead of looking for partners from outside. This ecosystem is thus dominated by strong ties (bonding social capital), which are strengthened through local events, for instance, among the guests at wine dinners:

We get a lot of calls, but we only sell here on-site. We don't want to be on any shelves yet for a while because we are not a factory; we want to produce quality and not quantity, meaning here locally. [...] I got a call asking me to sell wine to a restaurant. But, no, because they come and would like to deliver it to restaurants, seasonally, we should give it to them, but no. We won't do it. (B3)

In the case of Barge, an integrated entrepreneurial ecosystem is being formed where bonding social capital is the dominant type. The other relations needed for development become indirectly available for the majority of the community as a result. Bonding social capital thus turns into bridging social capital, meaning both types are present in the community. This incorporation of the characteristics of rural and lifestyle entrepreneurship leads to the creation of both a strong local community and the development of economic activities that boost local wine tourism.

In terms of social capital, Hermithill is more similar to Barge than to Grapevine. Locals jointly try to develop the area by sustaining their own traditions, supported by the knowledge they have gained elsewhere. Cooperation is important for those entrepreneurs

who would like to do something for the town while pursuing their own version of innovation by attempting to reinvigorate the region both economically and socially, in addition to maintaining their traditions:

The main point is that we don't want to disturb each other's business, but we look for ways to cooperate. Some of us are already doing that; we sit down and discuss possible developments every once in a while. (H1)

It is true that there are risk-avoiding people in the town who prefer to trust locals according to their traditional links through personal relations and acquaintances rather than engage with unknown actors; they form their own local social networks and enter cooperation with other locals this way. In this case, real trust (Grünhut et al., 2019) is not present but rather a form of rationality through which distrust can be overcome, thereby promoting cooperation and the daily operation of the local enterprises. All these local entrepreneurs have always imagined their future in their hometown, and after seeing more and more people arriving to discover the region, they realized that it made sense for them to start an enterprise there.

As mentioned above, local and community interests derive from the mistrust of certain actors that do not strengthen local entrepreneurial structures (Labrianidis, 2006) that continue to be based on locality, as local people are employed by these multinational companies and taxes are paid locally, thereby promoting the regional economy:

People are really attached to locals from the town who know what they bought for their children last year, know their needs a bit, know the person, their families, like the greengrocer on the corner where they always go. [...] I knew what each person was looking for, therefore I could give them something extra that multinational companies couldn't. (H2)

Of the three settlements we studied, in Hermithill, the lack of linking social capital is most evident. Almost all our interviewees complained about public institutions not taking their side and about not getting government or other support for their initiatives. This result reinforces the assumptions of Huszár and Berger (2022) about the state dependency of small enterprises. The latter believe that if they want to keep achieving their goals, these institutions cannot be ignored in the long run:

There are many requirements for getting support, nothing is returned, work is given to non-locals or larger companies who are closer to the 'fire.' Now, there are great promises that because of the change in the local leadership, they will give preference to local entrepreneurs. (H3)

As these examples show, social capital appears in three different ways in the settlements in which we conducted our interviews. Although there are common elements, there is no single path to local integration. While the presence of strong bonding and bridging social capital is essential for any comprehensive change at the regional level, its extent seems to vary. Similarly, there are also differences among the three settlements regarding the perceived importance of institutions and the utilization of opportunities provided by linking social capital.

## 5 Discussion and conclusions

In our study, we endeavored to examine instances of local initiatives and cooperation that we considered to be successful. We aimed to assess the social factors that influence and guide the flourishing of small enterprises in order to gain a detailed picture of how rural and small-town entrepreneurial local integration can be developed. Based on the interviews, we attempted to identify the common features and social factors behind local integration: the impact of trust among entrepreneurs and the role of social networks. Our case studies confirmed our basic assumption that the social environment of entrepreneurs and the local culture in which they are embedded all impact the process.

If we examine the common features of the case studies, we can see that in all three settlements, a process of shared thinking and action started based on traditional activities and local resources (typically, grape cultivation and winemaking in all three localities). Previous activities were renewed, extended, and complemented in certain ways (in two cases, through quality winemaking and wine tourism, and in two cases, through the conscious expansion of gastronomic offerings). A communal spirit, locality, and willingness to do good motivate entrepreneurs to utilize the assets of the given area and to launch their enterprises. In all three cases, the local actors are tied to each other by dense and intense relations, irrespective of whether they have established a professional or a volunteer-based tourism association or operate through an informal cooperation network. So far, all three approaches seem equally functional. (However, there are some indicators that it is more efficient if voluntary associations are replaced or complemented by the work of experts in the long term.)

Our case studies differ in one regard – namely, in the origin and type of external and internal resources that were available at the start of their development. Grapevine's development is essentially based on external resources, as lifestyle entrepreneurs moved in who relied on their urban roots (material, cultural, and social capital) and travel experiences in order to create a functioning, livable, and economically successful village. New residents can thus make a living from the income generated by their local enterprises, allowing local businesses led by native entrepreneurs to prosper. In Hermithill, many locals had temporarily left the town, traveling or studying elsewhere before becoming entrepreneurs. Their local patriotism and the recognition of market gaps were both important factors in their conscious decision to return to their hometown and establish an enterprise, create a community, and promote local development. All the interviewees from Hermithill expressed a desire to do something for the region; they could imagine their future there and felt that its position had improved, creating many new opportunities for them. They are innovative and flexible and act on new trends and local needs by prioritizing their traditions and their businesses' sustainability. They cooperate and collaborate with the locals, local entrepreneurs, and each other and support civic initiatives and organizations, which has given rise to a new kind of entrepreneurial culture and value system that is different from the traditional one. The example of Hermithill shows that when the local population experiences the world around them from the individual perspective, rational and innovative thinking becomes possible, making visible the market value of the material and immaterial capital that they have unconsciously accumulated over the course of

their lives. This may not only lead to a reversal of migration flows, causing people to return, but it also increases the town's value and can act as a catalyst for a range of similar mechanisms.

In Barge, however, the local entrepreneurs are neither new inhabitants nor have they spent years away traveling or studying. Instead, an endogenous ecosystem has developed, whereby the renewal of old village traditions has led to the pursuit of higher quality winemaking and wine tourism, essentially driven by one or two classical, innovative, and risk-taking entrepreneurs that pulled everyone else with them, based on the recognition of common interests. While the economic and social communities of Grapevine and Hermithill are made up of entrepreneurs with an innovative spirit and a strongly market-oriented rationality, these values appear to a lesser extent in Barge. Nevertheless, the economic success of this cooperation based on very strong local ties and cultural traditions paints a positive picture for the future. The example of Barge suggests that while the entrepreneurial mindset described in the literature is indispensable for the successful operation of an enterprise, in the case of a strong rural community based on strong local ties and cooperation, this process can be extended to many enterprises across a region that may lack these values. For instance, know-how can be shared through informal channels among members of the community, meaning some settlements can acquire and import the classical entrepreneurial values described in the literature thanks to the immaterial elements of capital.

At the same time, albeit in different ways, this raises the question of how the sustainability and further development of local ecosystems built on local resources are linked to the external institutional, policy, and national and local government environments. The opinions of our interviewees also differ in this respect. In Grapevine, the local government has acted as a catalyst and facilitator of entrepreneurial activities related to wine-making (organizing festivals and developing a wine route). It only stopped organizing and providing financial support to these activities in the past few years, at which point the respective enterprises had already been strengthened due to local processes and the establishment of the tourism association. The latter, thus, no longer rely on the local government's budget for event organization and marketing.

This tourism association is just awakening; now there are resources and an employee who deals with things, and it could be made more viable. It may have its own reasonable budget, maybe within a few years. You could apply for and get grants, etc. Then we won't need the local government or anything; the aim would be that the association manages wine tourism matters and events by itself. (G4)

In parallel, some of our interviewees in Grapevine emphasize that stimulating enterprises produces quick returns for the local government, as opposed to infrastructural investments with larger budget requirements that do not generate any returns:

Otherwise, I think that the local government put some resources into the budget and played a role so far; it had to do [this] so far [until now]. [...] Here, everyone thinks that a sidewalk has to be built, but no one thinks about the fact that this costs HUF 60 million or understands what kind of budget a village like this has. [...] So these people simply don't necessarily understand that it's not as if you put 1.5 million [HUF] into a cellar event at Grapevine, and in 99 percent of the cases, it will make it back from the income. And you have the risk

that, let's say, it rains, then there is a little fiscal failure. But, no... and you cannot mention [the fact that for] a 1.5 km long village, the sidewalk on both sides, [...] these are sums that... there is no grant that you can use for this, it would be impossible for a village like this to implement [such developments]. (G5)

Due to their traditional 'Swabian' mentality, the interviewees in Barge do not expect help from outside, except perhaps for some financial support from the local government. This is the reason the village cannot develop as fast as Grapevine, although external support from the local government or the state might have an impact and accelerate its development.

In Hermithill, our respondents almost unanimously believed that small local enterprises would move the region forward but that greater cooperation is needed, which must also be supported by government intervention (institutional support). They all feel that these initiatives could boost the local economy, convince locals to stay (attract young people), and make the region an attractive tourist destination for urban residents. They stress the importance of collaboration among local entrepreneurs, as well as cooperation with local non-governmental organizations and government institutions. Regarding the latter, however, they complain about an absence of opportunities, as they believe the local government does not offer sufficient support to local entrepreneurs. In this context, our interviewees did not talk about a lack of financial support but an absence of institutional backing for their aspirations, given that on their own, the entrepreneurs will not be able to carry out and sustain their plans in the long term.

In conclusion, all three cases require the support of an external, institutional environment in different ways, either in the form of policy measures, financial means, or professional know-how, in order to sustain and strengthen the local economy created by the local entrepreneurs. Thus, our result reinforces the assumptions of Huszár and Berger (2022) about the state-dependence of small enterprises. Cooperation among entrepreneurs and the collective strength of locals with different value systems are important, but their efforts have to be accompanied by an institutional framework to make them sustainable in the long term. The extent to which non-transparent institutional frameworks and centralized control in an illiberal democracy undermine the chances of rural and small-town enterprises developing independently of the state is a topic of further research.

As for the international relevance of our findings, generalization of the results is rather limited; however, they strengthen the claim that the society and entrepreneurs of less developed Eastern European states operate in a specific way – different from the Western European experience. We hope to enrich the literature with insights into the locally integrated group of entrepreneurs in Hungary, knowing that our case studies can only provide a snapshot of a few cases. Therefore, further research is needed.

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## Tables

Table 1 Detailed characteristics of cited interviewees

Code	Settlement	Characteristics	Relation to settlement	Gender	Age	Year
G1	Grapevine	native agricultural entrepreneur	native	female	50+	2019
G2	Grapevine	gastro-entrepreneur and accommodation provider	settler	male	30-50	2019
G3	Grapevine	gastro-entrepreneur and accommodation provider, ex-mayor of the village	settler	male	50+	2019
G4	Grapevine	wine tourism entrepreneur, manager in the tourism association	outsider	male	20-30	2019
G5	Grapevine	wine tourism entrepreneur	settler	male	30-50	2019
B1	Barge	local winemaker and wine tourism entrepreneur and founding member of the tourism association	native	male	30-50	2020
B2	Barge	local winemaker, wine tourism entrepreneur	native	male	50+	2020
B3	Barge	member of a local winemaker family and tourism manager	native	female	30-50	2020
H1	Hermithill	owner of a winery and accommodation provider	native	male	30-50	2020
H2	Hermithill	owner of a pastry shop	native	female	50+	2020
H3	Hermithill	service provider	settler	male	30-50	2020