

# THE IMPACT OF EXOGENOUS FACTORS ON BUSINESS ELITE'S FORMATION: COMPARING SOCIETIES

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## Abstract

Country's historical heritage, represented by social, political and economical factors, merely define society's cultural base, which further define its potentials within all its spheres. In the article we focused on a specific phenomenon i.e. business elites, which we understand as crucial stakeholders for society's development. Socio-cultural and socio-economic factors on the macro level (i.e. society as a whole) shape a specific environment, which facilitate or hinder the emergence of a specific business elite's type. These components affect business elite's cultural profile and define whether they act as promoters of development or as reent-seekers. In order to highlight the idea of the research and the results, we compared macro components within different societies, characterized by different paradigmatic models (i.e. Switzerland, the USA, the EU-3, Slovenia, the Ukraine and BRIC countries). The study revealed how socio-cultural and socio-economic factors affect society's development (toward a free market economy or toward socialistic type of society) which further define the type of business elite that emerges in a specific society.

**Keywords:** business elites, Slovenia, state building, institutions, modernization, transition, social capital, cultural capital, and economic capital

## 1 Introduction

Elites have always been an extremely interesting phenomenon, but despite all the research they are still an ambiguous topic due to how they are perceived: as actors who promote society's development and prosperity or a closed and privileged group of people who act in their own benefits. Elite's

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perception varies within societies, which can be the consequence of its formation and role in society. In this respect, we can define two types of elite, which are formed in a society; promoters of development (*developmental business elite*) and/or *rent-seekers*, whose character merely depends on many mutually connected factors i.e. social, cultural, political and economic ones, which together represent a society's/country's historical heritage. These factors represent a basis, which promotes (or hinders) a specific type of elite to be formed. In this respect, societies, with a developed free market economy, established democratic system and efficient inclusive institutions, are more likely to enable and promote the formation of developmental business elites, while societies with non-market or planned economy, non-democratic system and exclusive institutions are more likely to enable and promote rent-seeking business elites.

In order to detach these factors, it is necessary to analyze country's (society's) profile, thus we have set a frame of social, political, economic and cultural factors, which we will refer to as "*the complex of exogenous factors*". These were further divided in two separate groups, which are still mutually connected and interdependent. The two groups are:

- 1.) Socio-cultural factors and
- 2.) Socio-economic factors.

The first group consists of: processes of state building and nation building, institutions and the process of modernization and transition, and it represents macro components of business elite's formation. While the second group consists of three Bourdieu's capitals: social capital, economic capital and cultural capital and represents both; macro components and micro components of business elite's formation. The two groups of factors are analyzed in more details in what follows.

The aim of the article is to analyze the formation, role and profile of business elite. But to understand better the whole concept of the analysis and the whole idea, we have set the research as a comparative frame, comparing countries with different paradigmatic model of emergence and development. We have chosen to compare:

- 1.) Switzerland, the United States of America and the EU-3 (Great Britain, France, Germany), as countries representing developed Western democracies/economies.
- 2.) Slovenia, Russia and the Ukraine, as countries of the ex-communist (ex- socialist) block.

### 3.) Brazil, India and China, as other three countries of the BRIC group.

Such a comparative frame will allow us more applicable, reliable and verifiable results. In addition, the research algorithm is set in the way to make a distinction between the two types of business elite; *developmental* and *rent-seeking* one. It consists of theoretical analysis of the socio-cultural factors and quantitative analysis of macro-economic indicators, measured on annual basis by the World Economic Forum (WEF) and presented in its annual *Global Competitiveness Report*, within research of countries' developmental potentials.

In this respect, we will be dealing with the research question of how do socio-cultural and socio-economic factors shape the basis for the emergence of a specific type of elite and how do they affect its role in a specific society.

## **2 Defining business elites**

Before presenting the research and results, it is necessary to highlight the topic of elites, more specifically the business elites. Thus, deriving from very first authors dealing with elites, Pareto (1915), we define the latter as a privileged group of individuals, who form the top of society. According to Pareto, elite is an internally fragmented group of people with the highest index of activity. These people gather in three main segments of elite i.e. political, economic and cultural, associated with specific attributes i.e. power, economic resources and knowledge.

In addition to these three main elite's segments, Mills (1965) defines also the power elite, as a group of individuals holding the top positions in economic sphere, being thus connected with attributes of power and money. From this perspective, it can be claim that these attributes or resources are mutually connected and occur in various combinations in practice.

As the article deals with analyzing the profile of business elite, we will deal only with this specific segment. In this respect we derive from Figueroa (2002, 2008), who principally deals with economic elite by defining them as a privileged group of people in the economic sphere, who hold the ownership of the means of production and control economic processes, thus having a high concentration of (physical/economic) capital and income in the form of profits. Nevertheless, we can apply his definitions to the business elite, adding to this definition Ipsos Media CT's (2010) conceptualizations, that business elites occupy leading or strategic positions in corporations.

Taking in consideration how business elites are defined in contemporary society, Kaminski and Kurczewska (1994) define it as a group of people who create and control social institutions, with the possibility and power of making crucial decisions with long-term consequences on a society. In this respect we add Sartori's (1987: 142) claims, who understands and defines elites as carriers of moral attitudes.

Thus, we claim that society's further development merely depends on elite's profile (as promoters of development and prosperity or as rent-seekers), which further highlights the importance of social, cultural, political and economic factors, which enable the formation of a specific type of (business) elite. These influence the emergence of a specific type of elite and define its profile and further impact on a society (Priyon, 2012a). For this reason it is crucial to detach and further analyze these factors, which enable to predict which type of business elite will form in a specific society or country i.e. developmental or rent-seeking business elite.

Nevertheless, business elites emerge in all societies and are not a phenomenon linked only with the free market economy and established democracy, but their way of formation and their role is quite different. Thus, it is rather important to analyze (business) elites within the "*neolite paradigm*" (Higley and Pakulski, 2000), which suggest to understand elites through the regime's crisis, as the latter is gradually democratized. According to the neolite paradigm, elites eventually consolidate after the stabilization of potential struggles or conflicts between different segments of elites and after major regimes' crises are defused (Higley and Pakulsky, 2000). Thus, democratization would be the main prerequisite for elites to consolidate, and since it is generally accompanied by the free market economy, we claim that developmental business elites are linked with societies that operate on bases of democracy and free market economy.

Consolidation of democracy and free market economy vary among Western and Eastern societies. Therefore, we will analyze social, economic, political and cultural factors in selected countries in order to detach which type of business elite is more likely to form, how does it operate/act and what is its influence on the society as a whole. Within the analysis of, already mentioned factors, these will be further denominate as a *complex of exogenous factors*. The latter define the macro level of business elite's emergence (the environment – society) and the micro level of elite's performance (profile – characteristics). These factors are explained in more details in what follows.

Socio-cultural factors represent the macro component of elite's formation and comprise: the processes of state building and nation building, institutions and the process of modernization (in the West) and transition (as a process of modernization in the East).

Starting with the state building; in its deepest sense it refers to the formation of a new political framework where old regime has been demolished, or a new one is being formed (see Fukuyama, 2004; Pei et al., 2006). State building reflects the constitution of a viable state (Tilly, 1975) and enables the formation of a collective identity with the purpose of ensuring legitimacy of public authority within a given territory (Von Bogdandy et al., 2005). State building implies the creation of sovereign capabilities and a successful and undisputed monopoly of the legitimate use of physical force (Weber, 1968). The aim of the state building process is establishing a state as a concentration and reflection of a collective power without the need for coercion. State building is associated with institutionalization of a country through the establishment of rational-legal authority (legislative powers) that replaces traditional or charismatic legitimacy (Weber, 1947).

Nation building is a process linked with a creation of national identities with the use of state's power to unify citizens (Tilly, 1992). It is strongly connected with the phenomenon of "identity" as the basis for each individual's action, while at the same time also the basis for the state's formation (Pinterič, 2005). Strengthening national identity enables society's order, stability, economic prosperity, etc. and also enables the increase of capacity and power of institutions (Tilly, 1975) as a key component of modern states.

The processes of state building and nation building provide structural and organizational components of a society and its subsystems (Fukuyama, 2004), and thus the social basis and conditions for the emergence of contemporary (business) elites. The presence of stimulating social bases that favor and encourage entrepreneurship and processes associated with free market economy (private property, capital, etc.) allow the emergence of privileged groups of individuals acting as the main decision-makers in crucial social, political and economic processes. These decision-makers, which can be defined as "elites", are the carriers of social development as they set the basis of changes and/or progress in a society. As we are dealing with business elites, we can define them as the key stakeholders in economic processes. Thus, understanding the processes of state building and nation building enables to understand characteristics of a specific environment and therefore to understand the emergence and the character of business elites.

Moreover, state building is a key determinant of society's institutions, which are crucial for economic development (see Acemoglu et al. 2000; Acemoglu and Robinson, 2012; Easterly 2001), as the latter merely depends on the kind of institutions established in a society (Acemoglu and Robinson, 2012). Following the statements of Acemoglu and Robinson (2012), we can conclude that institutions are the key basis for the type of economy, which will prevail in a specific society and will further on shape the type of business elites.

In this respect, there are two basic types of institutions (hereinafter Acemoglu and Robinson, 2012):

1. Inclusive institutions, which enable and allow a wider public participation in economic activities. These stimulate principal free market economy's components, such as private property, equitable legal system, market competition, etc. to emerge. They also provide and ensure the basis for preventing thefts and frauds, while also promoting economic activity, growth, production and economic prosperity.
2. Extractive institutions are to be found in environments (societies) where there is a strong synergy between political and economic institutions. Extractive institutions are, in most cases, established and led by elite itself, as political power is concentrated in their hands. In addition, in such environments there are less, if any, restrictions on the implementation of elites' power, who facilitate their further enrichment. That is why, such environments are more likely to be suffused with corruption, marked by a high social inequality, political instabilities, etc. (Rose 1998)<sup>1</sup>.

Based on the type of institutions, we can claim that in countries with predominating inclusive institutions, the latter will generate an inclusive type of economic system, which will allow the formation of a business elite aiming for social progress and general well-being, i.e. *developmental business elite*. On the other hand, environments dominated by extractive institutions will allow the development of an expropriate economic system, which will lead to the formation of elites acting solely in their own interest, i.e. *rent-seeking business elites*.

Thus, the type of business elite is related to informal and formal institutions, which represent and implement the legislation, rules and regulations in economic, political and social subsystems. As each environment (society) has a different structural configuration/organization, therefore a different type of business elites will emerge. Considering business elites as a small group of individuals, who

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<sup>1</sup> Nevertheless, even environments marked by extractive institutions can promote progress if 1) elites directly allocate resources to highly productive activities, which are under their control (e.g. Jamaica, Cuba, Haiti) and/or 2) development of inclusive economic institutions is allowed only if elites' position and power cannot be compromised (e.g. a rapid development of South Korea under the General Park).

occupy leadership (Reis and Moore, 2005) and power positions (Scott, 2008) they can be referred to as *actors of changes* with the power and ability to shape and implement specific decisions, which are further applied to the society as a whole. They are the key decision-making body for social, political, economic and cultural development, which depends on their ability to create successful developmental or growth coalitions (see Leftwich, 2010).

Proceeding to yet other important socio-cultural factor in determining, the type of business elite in a specific society, we stress out modernization. Each society has gone through modernization process, but in a different way, in fact dimensions and effects of modernization were different in the West and in the East. More developed countries, with a heritage of democracy and free market economy are in an advantage, compared to countries that are characterized by a socialist past, being also the consequence of the scale and the scope of reforms implemented in Western societies (see Rončević, 2005).

Modernization can be defined as a broad and a complex concept, which covers structural changes, the improvement of living standard, development of the welfare system, democratization of political system and a creation of civil virtues, norms and values (see Andorka, 1993). In its basic sense, modernization represents a transition from a traditional into a modern society, characterized by *democracy* and *market economy*. The aim of (Western) modernization implies developing a greater societal complexity, i.e. *functional differentiation*, *stratification* and *segmental differentiation* (see Makarovič, 2000), which further defines the successfulness of society's development and the emergence of crucial stake holders, who act as promoter of development or actors who tend to hinder it.

When we speak about modernization in Eastern societies, we refer to as *transition*, which had begun after the fall of the Berlin Wall in 1989, and comprised countries of Eastern and Central Europe. From than on, some kind of state building process had begun (if we consider Fukuyama's definitions of the state building, described in previous section), as after the collapse of communism, an "empty space" emerged, allowing crucial stakeholders (which can be defined as elites) to re-create the institutional, political and economic framework. Since transition is still an ongoing process in the majority of transition countries, elites remain its key actors, having a significant impact on social changes. Therefore, the type of elites, i.e. characteristics, competencies, knowledge, openness, accountability, etc. will have a strong impact on the success of transition, as a specific type of modernization (Tomšič, 2011).

Transition countries experienced a transformation of its political and economic system, and also the social system itself, since socialist/communist collectivist society changed into an individualistic one (Pezdir, 2008). Within transition, fundamental institutional and legal standards typical for developed Western societies are implemented in (post) socialist and (post) communist societies.

Transition's structural components depend on the socio-economic and human resources and other competences of elites, which represent the society's developmental potential. These resources vary among countries, the same as their degree of success (Zver et al., 2005). But there are differences also within transition countries as well. Countries of Central and Eastern Europe, for example were more successful in the transition process compared to countries of the former Soviet Union, including the Baltic States (Beck and Laeven, 2005). One of the potential explanations for such a turnout can be the presence of still existing and quite strong pre-modern cultural trends, which may act as a counterculture, resulting in a negation of modernist or postmodernist culture. Such trends can be detached in the rejection of democracy, in adopting autocracy, expertocracy, still present state control, corruption, etc. (Zver et al. 2005).

Stressing out the importance and the impact of socio-cultural factors, we proceed with socio-economic ones, which we considered as the second crucial group of factors, joined in a *complex of exogenous factors*. We defined socio-cultural factors on the basis of "*new economic sociology*", which recognizes an increasing role of the social capital, as it facilitates collective action for mutual benefits (see Woolcock, 1998). Deriving from this conceptualization, we also added cultural capital and economic capital, as two other key dimensions in shaping the basis for the emergence of a specific type of business elites. All these capitals (social, economic and cultural) represented, in our research, the crucial macro components, which determine the basis of a specific type of business elite.

We derive from Bourdieu's (1986) conceptualizations and defined them as the trinity of useful sources of power, which together form the society. In this respect, society cannot be understood without the three forms of capital, which should exist in proper amounts and proper mutual balance. Being the crucial socio-economic factors in determining the position and the possibility of different stakeholders to act in any given framework, they strongly influence, which type of elite will be formed in a specific society and how will it act.

Each subsystem is structured and defined by the presence (amount) and (in) balance of three forms of capital, since every environment has a limited stock of the latter. Thus, they are exceptionally

valuable and a subject of competition between individuals or groups. The three capitals are also a subject to transmission, i.e. they can be mutually transferred from one form into another<sup>2</sup> (Bourdieu, 1992).

To understand better the presented idea, we provide a brief description of the three macro components, i.e. social, economic and cultural capital below.

Starting with the economic capital, it is the source of/for all other forms of capital, since it enables the conversion or the transmission of capitals. Economic capital represents the income and wealth, which promotes transmission and not merely the accumulation of wealth. The more the official transmission of capital is prohibited or impeded, the more the clandestine effects of circulation, in the form of cultural capital, become decisive to the reproduction of social structures (Adam and Tomšič, 2004).

In the narrowest sense, we can define economic capital as the amount of capital, which is needed by banks to reduce or eliminate losses (Elizalde and Repullo, 2007). Analyzing economic capital usually involves identifying hazards from specific activities or exposures, attempting to measure and quantify them, and assigning or allocating capital to these risks (Range of Practices and Issues in Economic Capital Modeling, 2008).

Economic capital co-exists with human capital, social and institutional results and general non-material forms of capital, which all contribute to the establishment of the economic capital (Casey, 2008). Nevertheless, economic capital is generated through material production and exchange (Lin, 2001).

Transmission of economic capital is convertible under certain conditions into cultural capital and may be institutionalized in the form of educational qualifications. According to Bourdieu (1986) there are four forms of cultural capital:

1. The embodied state or personified cultural capital (educational, evaluating skills, understanding and creating cultural goods, culture, education, etc.).
2. The objectified state (paintings, dictionaries, instruments, machines etc.), which is only effective as long as it is appropriated, invested or used to acquire profits by individuals.

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<sup>2</sup> Convertibility of capitals is not possible in all directions; cultural and social capital are intrinsically similar, which makes the convertibility of one into another easier, while economic capital is more easily transferred to other forms of capital rather than vice versa.

3. The institutionalized state (educational and academic qualifications).
4. Symbolic capital (formed as the product of domination, legitimized through social stratification).

Cultural capital is unequally diffused among individuals and its inheritance is one of the most effective forms of transmission. The latter is a consequence of individual's (better or worse) ability to mobilize capital of certain groups (families, clubs, friends), which results as an unequal social status (Bourdieu, 1986). Therefore, for the sake of the argument, which is analyzed in the present article, we claim that elites pose higher shares of cultural capital, which result in their knowledge, talents, skills and thus possibilities to influence changes in society.

Although, there are many definitions of the social capital (see e.g. Bourdieu, 1986; Adam et al., 2005; Fukuyama, 1995; Woolcock and Narayan, 2000, etc.), in its broader sense, it can be defined as a result of individual's activity in involving in networks and interpersonal relationships. For this reason, social capital represents an extremely valuable and important asset, as it facilitates integration and thus enables the acquisition of resources that are further needed for increasing the personal status (Adler and Kwon, 2000).

Just as economic and cultural capital represent a crucial base for capital's transmission, the same goes with social capital. It represents crucial social resources, in terms of connections within social networks (Dragoš and Leskošek, 2003). As it represents individual's relationship with others, it exists, grows and is maintained with and through the establishment of new ties (Portes, 1998). Its quantity depends on the volume of capital usurped by anyone connected with other people in a society (Adam and Tomšič, 2004). Although, it is "produced" and maintained with and through networking, it exists in limited quantities (Grootaert and Van Bastelaer, 2002) and depends on the range of network connections that can be effectively mobilized.

### **3 Case study and discussion**

As already stated in the introduction, our research question comprises the analysis of how do socio-cultural and socio-economic factors shape crucial basis for the emergence of a specific type of elite and how do they affect their role in a specific society.

In order to provide a more or less reliable answer to it, we have designed a relevant research algorithm, which will enable to detach crucial conditions for the formation of a specific type of business elite, i.e. developmental and/or rent-seeking one. The research algorithm was thus structured

in a way, to enable the researchers a clear distinction between these two types of business elite. In defining the two, we derive from Western definitions, which define elites as carriers of development, which represent the developmental elite in our case. On the contrary, we define the rent-seeking elite, as a group of wealthy individuals, who act in their own benefits and strive for capital's accumulation.

In this respect, the complex of exogenous factors (socio-cultural and socio-economic ones), has been considered as a prerequisite for the present analysis, as they were used to analyze and explain:

1. Environment's (un) favorableness for generating conditions for the emergence of a specific type of business elite. In this respect, we claim that environments characterized by the absence of social differentiation, market economy and democracy are potentially unfavorable for the emergence of developmental type of business elite, which would act as carriers of development. The latter is applied to two types of economy, which emerge in accordance with the type of institutions that characterize a specific environment (inclusive and extractive institutions). The two economic systems are:

- a) Inclusive type of economy, characterized by inclusive institutions and
- b) Expropriate type of economy, characterized by extractive institutions.

Just as inclusive institutions, also an inclusive type of economy allows all individuals the access to all resources, characteristic for free market economy (competition, private property, etc.). Conversely, expropriate type of economy results as a "*closed space*" within which, resources are allocated on the basis of clientelism, generating thus the emergence of the rent-seeking business elites.

2. The impact of historical and cultural tradition on the environment for the formation of a specific type of business elite. A society's economic and political system has a great importance on the emergence of a specific type of business elite. The latter is a decisive factor, which influences the formation of developmental or rent-seeking business elites in a specific environment. We can claim that societies (environments) with an inclusive economy and all the necessary elements for free market economy generate suitable conditions for the formation of developmental business elite. Conversely, societies (environments) characterized by the expropriate type of economy enable the emergence of rent-seeking business elite representing their own benefits. In this respect, the economic system plays an important role in defining the way and the rate of society's development and general prosperity.

3. The impact of historical and cultural factors on business elite's profile and role in a society. As it is important to analyze business elites within the neolite paradigm (Higley and Pakulski, 2000), we claim that the latter are to be found in each society, nevertheless their character and role varies greatly. Speaking in terms of Western and Eastern societies, different way of formation and character of business elites, is a consequence of historical and cultural factors, which promoted the emergence of one type of elite and inhibited the emergence of the other. These factors are represented by the group of socio-cultural factors (state-building and nation-building, institutions, modernization and transition). The latter also determines the way business elites are perceived in the West (promoters of society's development and common prosperity) and in the East (merely as a group of rich individuals, who strive for common benefits), but not necessarily, as Western and Eastern societies vary also among themselves.

Thus, it is crucial to understand also the socio-economic profile of a society (country) in order to analyze in more details the basis for elites' emergence. Understanding the socio-economic frame of a country, allows us a more in-depth knowledge about the emergence and the role of business elite in a specific society. In this respect, we designed a proper research algorithm, which implies a theoretical overview of socio-cultural factors and analyzing its socio-economic profile. The latter covers the analysis of the macro-economic indicators used by the World Economic Forum (WEF), which annually analyzes the competitiveness of all the countries and presents its finding in its *Global Competitiveness Report*. For the purposes of our research (defining and analyzing the basis for the emergence and cultural profile of a specific business elite), we only used specific and relevant indicators from WEF (2011-2012). Indicators were classified according to categories of three capitals; social, economic and cultural one and considered as the key macro factors influencing the emergence and the role of business elite (see table 1).

Table 1: Composition of capital at the macro level (for individual components)

Type of capital	Serial number	Factor by WEF
SOCIAL CAPITAL	1.01	Property rights
	1.07	Favoritism in decisions of government officials
	6.02	Extent of market dominance
	6.03	Effectiveness of anti-monopoly policy
	7.01	Cooperation in labor-employer relations
	1.15	Organized crime
	6.04	Extent and effect of taxation
	11.03	State of cluster development
	11.04	Nature of competitive advantage
	11.05	Value chain breadth
	6.09	Prevalence of trade barriers
	1.04	Public trust in politicians
	1.06	Juridical independence
	6.11	Prevalence of foreign ownership
	1.10	Efficiency of legal framework in setting disputes
	1.11	Efficiency of legal framework in challenging regulations
	1.12	Transparency of government policymaking
	1.16	Reliability of police services
	1.21	Strength of investor protection
	1.05	Irregular payments and bribes
CULTURAL CAPITAL	1.09	Burden of government regulation
	11.09	Willingness to delegate authority
	1.17	Ethical behavior of firms
	5.03	Quality of the educational system
	12.01	Capacity for innovation
	12.02	Quality of scientific research institutions
	12.07	Utility patents granted/million pop.
ECONOMIC CAPITAL	/ <sup>1</sup>	The number of Nobel prizes
	* <sup>2</sup>	Technological readiness
	*	Infrastructure
	*	Macroeconomic environment
	*	Goods market efficiency
	*	Financial market development
	*	Market size
	*	Business sophistication
*	Innovation	

<sup>1</sup> Data obtained from *aneki.com*.

Source: Adapted from the World Economic Forum (2011-2012)

## Findings of the analysis

We began our analysis on the basic premise that historical factors have a significant impact on the necessary conditions for the emergence of a specific type of business elite in a specific environment. The latter, further significantly affects business elite's characteristics and role in a society. Therefore, elite's formation and its character merely depend on the crucial socio-cultural and socio-economic factors, which together form what we referred to as the *complex of exogenous factors*.

As already stated, we set a comparative frame in order to offer more reliable and more applicable results. It consists of countries, with different paradigmatic models, comprising:

1.) Switzerland, the United States of America, the EU-3 (Great Britain, France, Germany), as countries representing developed Western democracies/economies.

2.) Slovenia, Russia, the Ukraine, as countries of the ex-communist (ex- socialist) block.

3.) Brazil, India, China, as other three countries of the BRIC group.

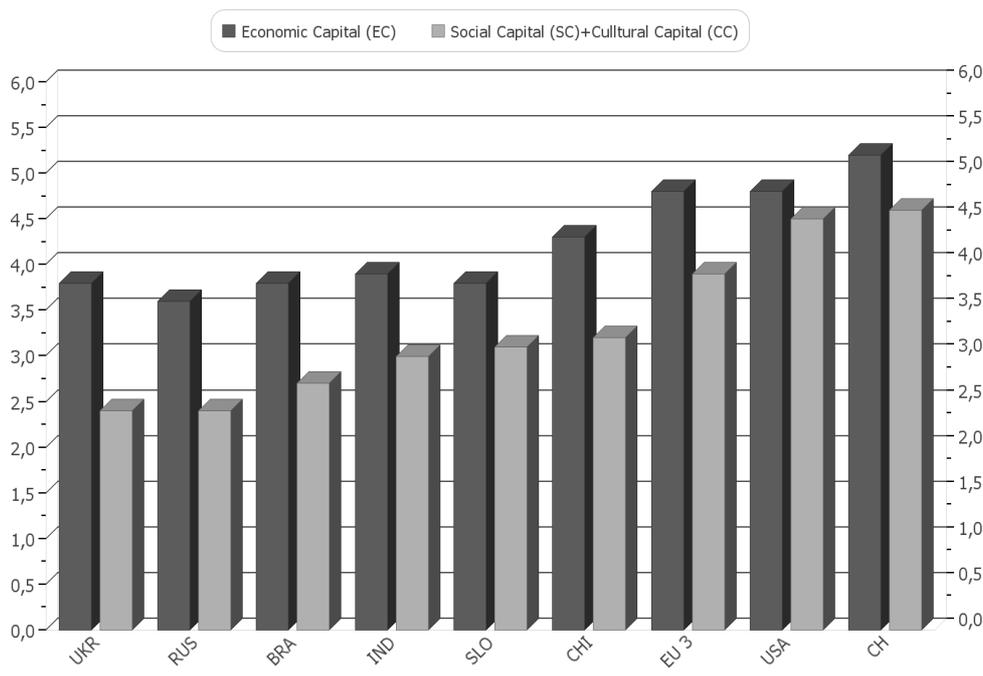
In what follows we only present the results of our analysis, which are based on theoretical analysis of socio-cultural factors, wherein we analyzed country's process of state-building and nation-building, institutional frame and the process of modernization (transition). What regards, the analysis of socio-economic factors, we considered WEF's indicators in its annual *Global Competitiveness Report* (2011 – 2012) as three crucial capitals; social, economic and cultural and compared its amounts and its (in) balance.

Then, we compared these results among the selected countries, with the aim of determining crucial basis for the emergence of a specific type of business elite, its characteristics and role in society.

We begin with the assumption that the three capitals (social, economic and cultural) should exist in sufficient quantities and in a mutual balance for an inclusive economy (with inclusive institutions) to emerge, further allowing developmental business elite to be formed.

The first step in our research was to analyze the amount of social and economic capital (SCC) and economic capital itself (EC), while also compare their (in) balance. Due to our theoretical frame, where we claimed that the amount of capitals and their mutual (in) balance merely define the type of business elite. Findings are presented in the chart 1.

Chart 1: Quantities and mutual balance between SCC and EC (by selected country)



Source: Own calculations

Societies with high quantities of social and cultural capital (joined in SCC) and high quantities of economic capital (EC), which are in a mutual balance, will most likely form a favorable basis for the emergence of developmental business elite. A high share of SCC and EC and its mutual balance, reflect an environment with well established and functioning inclusive institutions, democracy, free market economy, simulative entrepreneurial environment, etc. Due to these characteristics, the chances of a well functioning and efficient private sector, liberal market, the absence of monopolies and oligopolies, etc. is quite high.

Based on the results, we detach increasing quantities of EC and SCC in the USA, Switzerland and the EU-3, while at the same time, the difference between these components decreases. Especially in the case of the United States (USA), the difference between measured components is minor, while in the case of the EU-3 (Great Britain, Germany and France) the difference between these components is slightly greater. The greatest amounts of the EC and SCC were detached in Switzerland (CH), nevertheless the imbalance is slightly higher as it was detached in the USA, but still minor than detached in the EU-3.

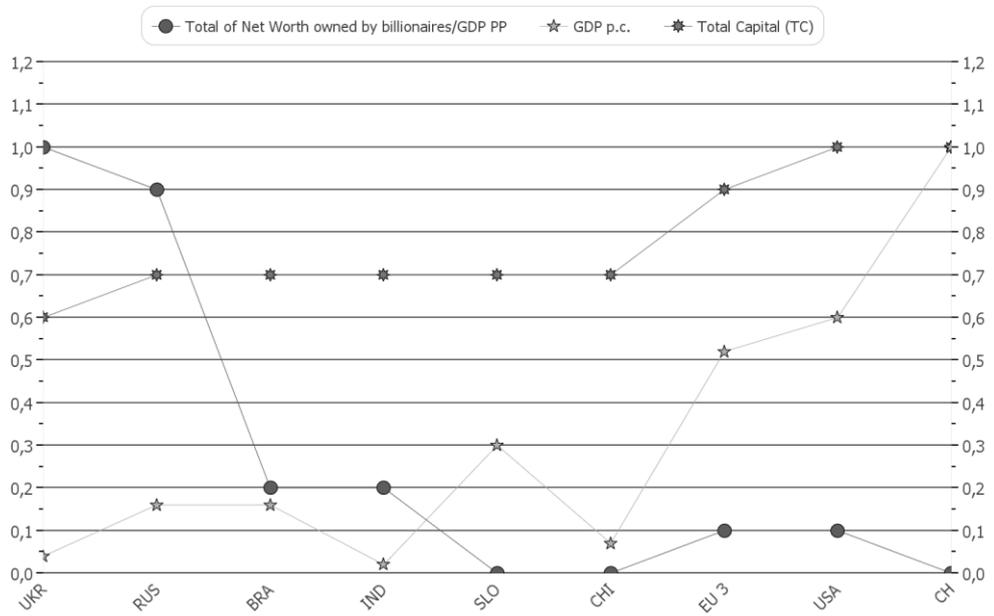
Conversely, the amount of EC and SCC is lower in the case of Russia (RUS), the Ukraine (UKR), and in the two of BRIC's countries (BRA and IND) and also in Slovenia (SLO). In addition, the imbalance between the EC and SCC increases, resulting in high amounts of EC in comparison with

lower shares of SCC. Interestingly, China (CHI) has higher shares of the EC and SCC, compared to these countries, but the imbalance between the measured components is still high.

In the case of BRIC countries, the Ukraine and Slovenia, the macro components of economic capital<sup>3</sup> (EC) dominate over the cultural<sup>4</sup> and social capital<sup>5</sup> measured together (SCC), while in developed democracies (the USA, EU-3 and Switzerland) the measured components are in a much better mutual balance. Such an allocation allows us a conclusion that the first group of countries (societies) are more likely to favor the emergence of rent-seeking business elite, while on the second group of countries are more likely to favor the emergence of developmental business elite.

The share of private property in relation to total assets of a country, the share of GDP p.c. and total capital (TC), illustrates the favorableness of conditions for the emergence of a specific type of business elite. Thus, we have analyzed the shares and mutual (in) balance between these components (see Chart 2). Total capital (TC) was considered as the sum economic capital (EC), social capital (SC) and cultural capital (CC).

Chart 2: Shares and allocation of individual total assets (net worth), GDP p. c. and total capital (TC)



Source: Own calculations

The chart shows largest disparities between measured components in the Ukraine (UKR), with the highest proportion of private property, which greatly exceeds the GDP p.c. The latter is also the lowest

<sup>3</sup> E.g. technological readiness, macroeconomic environment, market size, innovation etc.

<sup>4</sup> E.g. quality of the educational system, capacity for innovation, quality of scientific research institutions etc.

<sup>5</sup> E.g. favoritism of government's decisions, market dominance, trust in institutions, efficiency of legal framework, etc.

among all compared countries, together with total capital (TC). We observed a similar trend in Russia (RUS). India (IND) and Brazil (BRA) are quite interesting as the share of private wealth (net worth) in relation to total assets of the country (nation net worth) exceeds the share of GDP p.c. but at the same time, this disparity is lower, compared to Russia and the Ukraine. China (CHI) has low shares of GDP p.c. and low shares of individual total wealth, resulting in more balanced proportions. At the same time, the share of total capital (TC) is rather high. A similar trend was detected in Slovenia (SLO), nevertheless the share of GDP p.c. is much higher.

In the case of Switzerland (CH), the United States of America (USA) and the EU-3 high shares of GDP p.c. and total capital (TC) were detected. These components also exist in a mutual balance. Switzerland has the highest shares of TC and GDP p.c., with the lowest shares of private wealth (net worth) in the same time. Based on these findings, we can assume that Switzerland is an environment with the best conditions for the emergence of developmental business elite. Similarly, it can be claimed for the USA and the EU-3, as the share of TC is high, nevertheless the share of GDP p.c. is much lower than it is in Switzerland, but still very high, compared to other countries. Based on the findings presented in the chart 2, we can again confirm that Switzerland, the EU-3 and the USA, will most likely enable the emergence of a developmental business elite.

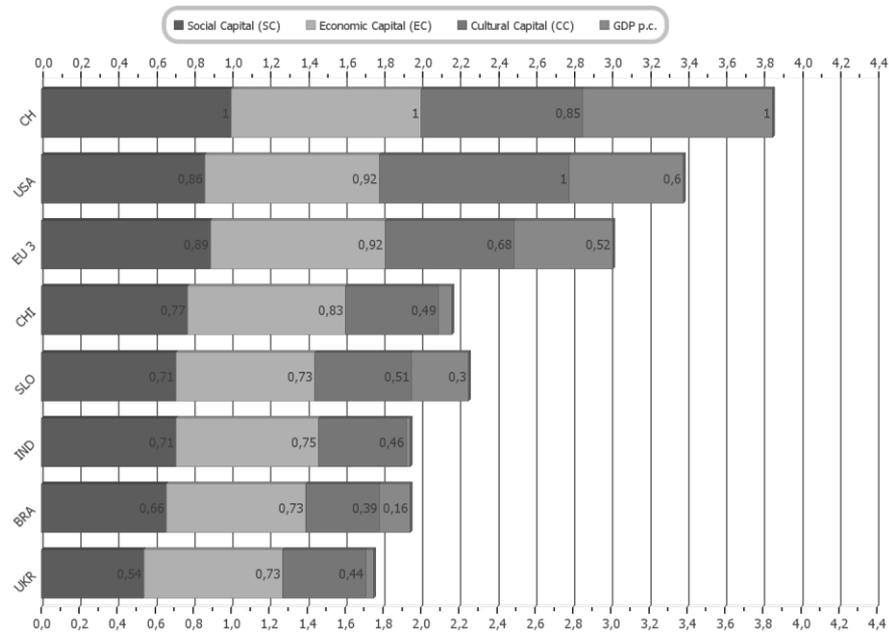
On the other hand, low shares of TC and GDP p.c. and greater disparities between measured components were found in the case of Slovenia, India, China, Brazil, and especially in the case of Russia and the Ukraine. Low shares and a great asymmetry between measured components in Russia and the Ukraine will most probably enhance the probability of the emergence of a rent-seeking business elite, as the environment is characterized by an expropriate type of economy.

We can now make a more or less clear distinction between the environments, which will most likely favor the emergence of developmental business elite and environments, which will most likely favor the emergence of rent-seeking business elite (e.g. former communist/socialist environments). The example of China (as a country with an authoritarian regime) might show a lack in our claims, as regards the share of total net worth in comparison to high shares of TC, but the imbalance between the net worth and GDP p.c., does not suggest a favorable environment for the emergence of developmental business elite. In this respect, we claim that China is also a country, which potentially stimulates the emergence of a rent-seeking business elite.

As we wanted to further confirm our claiming, based on the findings presented in chart 1 and chart 2, we have analyzed the share and (in) balance between social capital (SC), cultural capital (CC),

economic capital (EC) and GDP per capita (GDP p.c.)<sup>6</sup>. We lean on Bourdieu’s (1986) assumptions that each component is a crucial component for a society, and they have to be in a mutual balance for a society to function in a developmental way.

Chart 3: The share and balance between SC, EC, CC and GDP p. c. (by country)



Source: Own calculations

Based on the findings (presented in Chart 3), Switzerland (CH) has the highest shares of SC, EC and GDP p.c., while the United States of America (USA) shows the highest shares of CC, followed by the EC. As regards the case of the EU-3 (Germany, Great Britain and France), the shares of the EC are predominant over other measured components (CC, SC and GDP p.c.). In this respect, it can be claimed that Switzerland represents the “*model country*” since the shares of measured components is the highest, while also the most balanced among them.

The chart shows a clear lack of these components in the case of China (CHI), Slovenia (SLO), India (IND), Russia (RUS) and especially the Ukraine (UKR). Within the second group of countries, China (CHI), India (IND) and Slovenia (SLO) are comparable; nevertheless in the case of Slovenia there is a greater amount of GDP p.c., which is quite low in China and very low in the case of India. Thus, we can conclude that Slovenia has have a potential for the formation of a developmental business elite, but at the same time, the environment is still sensitive to changes (for example the economic

<sup>6</sup> The maximum value of each component (SC, CC, EC and GDP p.c.) was set as an amount equal to 1, wherein the maximum sum on a scale is equal to 4.

crisis). The latter can be due to the still uncompleted transition, started in 1990, which inhibits the society to develop as a free market economy (for more on Slovenia see Prijon, 2012b).

The poorest quantities of SC, EC and CC, with a slightly larger GDP p.c. compared to China and India, were detached in the case of Russia and the Ukraine. In addition, these elements are also in a mutual imbalance, which is even clearer between the CC and the GDP p.c. in comparison to SC and EC. The share of the latter (EC) is also higher, compared to other elements, which can imply to a prevalence of economic elements over cultural and social ones. In this respect, we can claim that there is a lack of favorable conditions for developmental business elite to emerge.

Emerging economies (Brazil, China, India and Russia) are characterized by poorer shares of economic, social and cultural capital, while also by a greater imbalance between these. Such a disparity can be attributed to plutocratic policies, monopolies, clientelism, corruption, etc., which is further reflected in lower shares of GDP p.c. The latter generates expropriate type of economic system and the emergence of a rent-seeking business elite.

#### **4 Conclusions**

The main purpose of the article and the analysis itself was to answer the research question of how do socio-cultural and socio-economic factors shape crucial basis for the emergence of a specific type of elite and how do they affect their role in a specific society.

Within the research, we have analyzed historical and cultural context and its influence on the socio-cultural and socio-economic factors, which further influence the formation and the type of business elite that is formed in a specific environment (society). Socio-cultural and socio-economic factors, which we have referred to as a *complex of exogenous factors*, are specific for every society/environment. Based on this claims, we distinguish environments characterized by inclusive institutions, which will more likely enable the emergence of an inclusive type of economy and thus the emergence of developmental business elite. Conversely, environments which are characterized by exclusive institutions will, more likely allow the emergence of rent-seeking business elite.

In order to make a clear distinction between inclusive and expropriate economy and thus, between the developmental and rent-seeking elite, we designed a proper research algorithm, which allowed us to make a clear distinction between the developmental and rent-seeking elite. The research was structured as a two-step approach, where the first step represented the theoretical analysis of socio-

cultural factors, while the second step based on more quantitative approach. In the second step we analyzed the shares and mutual balance between the socio-economic factors (social, cultural and economic capital), deriving from macroeconomic indicators used by the World Economic Forum in its annual *Global Competitiveness Report*. Such an approach allowed us the analysis of adequacy of conditions for the formation of a specific type of business elite in researched environments.

The analysis depicts that countries, selected as Western ones, in our case Switzerland, the United States of America and the EU - 3 (Germany, Great Britain, France), have better conditions for developmental business elite to emerge. The latter can be concluded on the basis of highest quantities of social, cultural and economic capital, which are also in a better mutual balance (especially in Switzerland).

On the other hand, BRIC countries (Brazil, Russia, India and China) and also the Ukraine show low(er) quantities of these three capitals, which are at the same time in a greater mutual imbalance. Nevertheless, the amounts of economic capital are pretty high, social and cultural capital exist in lower shares, which may imply that business elites emerge and act as rent-seekers, who only act and work in their own benefits (accumulation of economic capital). Such environments are more likely to promote and "invest" in economic capital, at the same time neglecting cultural and social capital. Comparing, for example Brazil and China, with Russia and the Ukraine, the former are richer in three capitals and also in the shares of GDP p.c., but we still cannot claim that there is a suitable environment for a developmental elite to be formed.

As concerns Slovenia, the situation is quite ambiguous as we can not position it neither in the group of, as we called "Western countries", nor in the BRIC group and the Ukraine. Slovenia has quite high shares of all three capitals, but their mutual balance is not comparable with western countries. But, at the same time the balance is not as impropotional as it is in the second group of countries. In addition, Slovenian GDP p.c. is higher than it is in these countries. The latter can lead us in conclusions that Slovenia has got a potential for developmental business elite to emerge, nevertheless these basis are still quite fragile. It may be due to the still not finished transition. We can conclude that Slovenian environment is still sensitive to changes in the environment (e.g. the economic crisis from 2008).

Within the analysis we have thus depicted the importance of socio-cultural and socio-economic factors of shaping suitable conditions for developmental business elite to form. As the groups of countries, which we have dealt with in the present article, have different potentials for developmental

business elite to emerge and act, it allows us a conclusion that there is a connection between socio-cultural and socio-economic factors, i.e. the *complex of exogenous factors* in these countries. Nevertheless, it is important to deal with each country separately, as some of them depict ambiguous findings e.g. Slovenia or China, which may have potentials similar to western countries.

In this sense, we can conclude with Zver's (et al. 2005) claiming that in ex-communist/ex-socialist countries, the presence of pre-modern cultural trends, merely affects countries' development and progress. In this sense the analysis shows us how important it is for a country to set proper basis for the emergence of a developmental business elite, who will seek and strive for development for the society as a whole and strive for common good and prosperity. If a country's state building and modernization are set on "bad" basis in the very begging, there is a high probability that rent-seeking business elites will emerge, acting in own benefits and depreciating the whole society.

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