

INSTITUTE OF CURRENT WORLD AFFAIRS

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THE ENTREPRENEURIAL SPIRIT

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Dear Peter and friends:

In the blinding midday sun, Rudolf Knopp unloaded cases of white Moravian wine from his old Skoda van while telling me how taverns sometimes switch the labels.

They peel off the original ones and stick on labels of more expensive brands, then fool customers into thinking they're drinking a more expensive bottle. Another trick is when a customer doesn't see a bottle at all but asks for a glass of, say, a certain dry white. The waiter brings a dry white. It tastes almost the same but it's a cheaper kind than the one ordered.

"Remember what I told you," he says over his shoulder about such entrepreneurs as he lugs another case into the store. "The Czech person is a very smart person."

The "smart Czech" who can take advantage of any loophole and prosper under any system exists not only in state businesses but, unfortunately, in the new private sector as well. The manager of a state firm might have his fingers in two pies by being part of a private business for which the state firm acts as a supplier. Some entrepreneurs deal in stolen or illegally imported goods. Others take advantage of poorly functioning or nonexistent state controls and evade taxes.

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Since 1925 the Institute of Current World Affairs (the Crane-Rogers Foundation) has provided long-term fellowships to enable outstanding young adults to live outside the United States and write about international areas and issues. Endowed by the late Charles R. Crane, the Institute is also supported by contributions from like-minded individuals and foundations.

Then there are the "fools," who don't cheat people and don't get rich, Knopp says. "I'm in the latter category," he adds with a smile, then jokes that if he did want to switch labels he'd have to get up at 4 a.m. instead of 5 or 6 like he does now.

Knopp, who just turned 22, is one of Czechoslovakia's new private entrepreneurs. He's the owner of a food store called a "Večerka," from the word "večer," or evening. That means it's open late -- until 9 p.m., seven days a week. Knopp says it serves 800 to 1,000 customers a day.

UNDELIVERED PROMISES

Knopp has enthusiasm, energy, and even capital. But even then, there are lots of problems his Western counterparts either never have to face or don't have to deal with as often. One of his complaints, echoed by many other people, is inflexible, scarce or unreliable suppliers (both public and private) of goods and services. Problems with them range from undelivered promises to undelivered merchandise to lack of interest because you're just a "little guy" not needing large volume.

An architect friend of mine recently needed some lamps for an interior he designed. Usually that means a shopping trip abroad (if one wants quality, a certain style or color and immediate availability), but my friend thought those days finally were over when a Czech businessman approached him with lighting catalogs from abroad and promises of quick delivery. My friend picked out some lights and asked for price quotes, which were promised in a few days. "See, who says things aren't changing?" he said happily. The prices never came. After three weeks of waiting and fruitless phone calls to this person, my disappointed friend (now on immediate deadline) drove to Germany to buy the lights.

People who open restaurants or snack bars also have to put many kilometers on their Škodas as they travel throughout Czechoslovakia or even further in search of the basics they need to run their businesses. One man running a hot spiced wine stand in Prague told me he drives to a town 60 kilometers away to buy plastic cups.

Another "little guy" incident occurred when I accompanied a mild-mannered computer teacher from Charles University's journalism school to a computer show by a major Western firm. At the show, visitors were outnumbered by local representatives of this firm, who stood around looking as if they were feeling important in their suits and ties. My friend was being sent by the university to see about buying some graphics equipment. When he approached the man who appeared to be in charge, the man eyed him coldly and told him to wait 5 minutes. He then turned away and continued chatting with some other Czechs in suits. After several minutes of this my blood was getting close to the boiling point, and we told the man we were leaving. Seeing my annoyance, he handed us over to an assistant. This person didn't know anything about the equipment. He gave us some general information. We left.

Another unpleasant reality is that many consumers, who should be glad they no longer have to do all their shopping at stores called "Fruit" or "Meat" or "Potatoes," aren't very supportive of private entrepreneurs. They either assume they're rich crooks, because who else but crooks has the capital to start a business, or think private businesses generally are trying to cheat them and get rich quick.

And that means it's OK for the customer to steal too. After the first Western-style supermarket opened near the town of Jihlava in southern Moravia, it was reported that people were coming in with thermoses to load up on the free coffee offered as a hospitality service to customers. They also stole the plastic bags and abused the "honor system" of produce weighing. (They'd weigh a piece of fruit or two, stick the price the scale indicated on the bag, and then stuff more fruit inside. The honor system has been replaced by a salesclerk.)

Not all businesses are started by people who made "dirty money" during the Communist era. Some scrape together savings or get loans. And not all businesses are out to make big money, fast.

Knopp's shop, brightly painted green, red and white, sits on a side street in the dingy, working-class section of eastern Prague called Žižkov. The display window features Milford teas, Camel cigarettes, Prague vodka and "Kečup." There's domestic honey, imported tonic water and Pac-Man potato chips from Greece.

FRESH DAILY

Inside, on homemade shelves lining the walls, are more imported goodies as well as Czechoslovak-made basics. There's butter, milk, cheese, flour, sugar, salami, spices, rye bread -- pretty much everything one needs to put together a meal. The perishables are brought in fresh daily -- more headaches and running around, but better for the customer, Knopp says.

Knopp was schooled in transportation and worked as a driver after getting married and completing compulsory military service. He went into the grocery business with no previous experience. His wife had applied to rent the space as a beauty shop, but the state decided it should be a food store. Rather than giving up the chance to have a rare piece of commercial property, the Knopps decided to give groceries a shot. Their parents tried to talk them out of it. Now most of them work in the store too.

Knopp still has the frame of a competitive swimmer, which he was from the third to the ninth grade. He still thinks like a swimmer too, using the discipline and philosophy of sport to live his life.

"Everything a person does fully -- and entrepreneurship can be compared to sport -- either I do it to the fullest and it costs me something [but] I get something from it, or I don't apply myself and never get anything out of it," he says.



To a businessman, the cost of applying oneself is "time and lots of nerves." To an athlete it's often injuries, in Knopp's case to his back. Doctors told him the tightly muscled back he had as a child while swimming 15 kilometers a day didn't allow for normal spinal cord development. But he says he doesn't regret it -- he loved swimming and was sorry he had to stop because by secondary school he couldn't keep up with both the sport and classes. He was, unofficially, second in Prague in his age group at 14 in the 1,500-meter crawl and first in 3 kilometers, he says.

"A person doesn't have to be the best but should do well enough that he can say, 'I was good,'" Knopp says. "In whatever I did, I did the maximum I could. I wasn't world champion, I wasn't even first in Czechoslovakia or first in Europe. But I did the maximum I could. And I feel good about it, most of the time. I can lie down at night with a calm conscience and say that today I did such a piece of work that I'm satisfied."

So, I ask, is he glad to get up in the morning and start all over again? "I've never liked to get up in the morning," he says, laughing. "But I have to. I'm used to it. It doesn't bother me anymore."

Maybe it helps Knopp today that as a child he used to get out of bed before dawn every day to go to swim practice from 5:30 a.m.

to 7:30 a.m. Then he had school, and after school more training. He'd get home at about 9 p.m.

For the first month and a half the store was open, he was there from about 6 a.m. to 10 p.m. or even later, with no days off. He says he knew it would be demanding, "but the exhaustion, when one is really completely exhausted, one didn't really expect that."

LEARNING ON THE JOB

There were a lot of other things he didn't know. Armed with a 200,000 crown loan from his father-in-law, he bought his van, furnished the store and opened a bank account so he could buy on credit. Three-fourths of the groceries come from state suppliers, the rest from private sources. Knopp says he gets offers from about 10 private suppliers a day. About two of those are good ones.

Getting the hang of ordering took awhile. "I did have to throw stuff out at first," Knopp admits. As for prices, he says he checks the competition and in general tries to keep them lower than those in state-run stores. He was fined shortly after opening for overpricing some things. He didn't have a list of the price ceilings that were in effect for some staples (to help control runaway prices after most price controls were lifted on Jan. 1). He said he tried to get the price list from the state, but the office he tried didn't have any. He wound up copying the list from the inspector who fined him.

But he gained experience quickly. "Within 14 days a person can find his way around in it pretty well, because there's so many slaps in the face during those 14 days that a person realizes what's going on."

Knopp opened the store with a friend, intending for it to be a two-man operation.

"Well, we opened on May 1, and that evening we no longer thought that we could handle it." May 1 was a holiday, so stores were closed and people had the day off. "We said to ourselves we're private businessmen, and it's the labor holiday, so we'll celebrate it with labor. So we opened, and because we were the only ones in the area who were open a huge amount of people flooded in. By the afternoon we even didn't know our names and how much 2 plus 2 is, and we realized that we couldn't go on that way."

His friend left the business a month later, because of a "loss of trust" Knopp doesn't want to discuss further. Knopp's parents now work with him, as does his mother-in-law. They have one employee from outside the family.

Knopp, who can be hesitant and a bit shy on other topics, comes into his own when talking about his business. It's clear he really enjoys it. And I can see from his actions that to him the

customer comes first -- an unusual concept here. A neighborhood boy comes in several times to buy ice cream before the store is open, each time crawling under the half-closed metal shutter. Knopp sells him the ice cream, jokingly admonishing him, "What time do we open?" His mother-in-law also cheerfully makes an exception. She waits on a woman who sticks her head in pleadingly, asking for six loaves of bread. She has company and doesn't want to have to come back when the store opens.

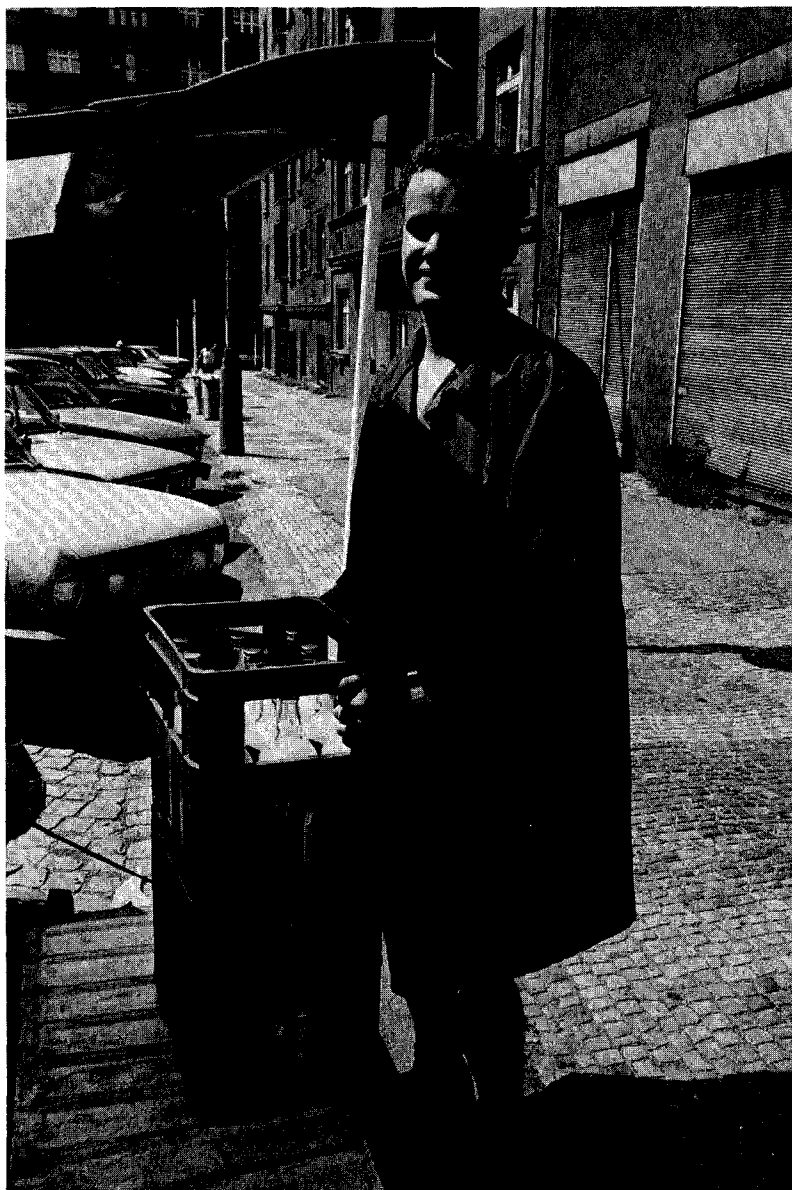
The food store opens at 10 a.m. on weekdays, and in the afternoon on weekends. The hours are shorter during the summer, but Rudolf still goes in several hours early. During the day, he'll make several trips in his van to pick up merchandise, often chasing down bread (once even buying from competitors and selling it for the same price) when his order from the state bakery arrives several loaves short or doesn't arrive at all. On Sundays, people coming home from their summer cottages will be in line by 3:30 p.m., waiting for the store to open at 4 with fresh, hot bread. (Before the 1989 revolution, večerkas were very rare. Most stores still close for the weekend by 11 a.m. Saturday and don't reopen until Monday.)

WHAT'S IT LIKE IN AMERICA?

As we look around the store, Knopp -- who's never been outside of Czechoslovakia -- asks me questions. Do most of our beverages come in aluminum cans? Do private businessmen have it easier in the United States? Do they have to pick up their stock themselves? I tell him American private businessmen work hard. But no, I don't think they have to drive around to search for goods, nor do they usually do their own deliveries.

I do tell him that businesspeople in America, especially in expensive cities such as New York, also face the threat of having to move because of rising rents. A few months after setting up shop, Knopp has to worry that Večerka Knopp will have to close. The building it's in will be returned to its original owner by October. He's indicated he's not interested in having a food store in his building. Knopp, who rented the space from the state in the spring, has a two-year contract for rent of 8,000 crowns a year. While the new owner will not be able to evict Knopp outright, he can raise the rent as high as he wants. Knopp says he has the feeling the owner will come up with a prohibitively high figure to push the grocery store out.

Even before the owner made his wishes known, having a short lease made the Knopps hesitant to invest too much in the store. They didn't go through one of the state's small-privatization auctions, but people who rent stores that way also complain that their leases are too short. For often millions of crowns, they bid for the right to use a storefront, but for only two years. That may be one reason many stores stick to "buy, raise the price and sell" type of goods such as imported electronics and clothing. When an "Oriental" gourmet food store opened across the street from my house -- two ladies selling pricy English teas,



coffees, spices and chocolate -- a woman walking by grumbled that such stores are a dime a dozen now, and that what we need is a good seamstress. I'd add to that a neighborhood shoe repair shop and a dry cleaners that cleans.

Knopp agrees. He says it's important to meet people's basic needs, noting that you can't eat boutiques. He wants to open a second food store. The last time I saw him he was about 90 percent sure another space would come open, in another part of Prague. Later that day the deal fell through. It was a big blow to the family, who say it's difficult to find space one can afford. People who get property back from the state via the restitution law tend to charge high rents for commercial space, if they don't wind up using it themselves. They want to make

money, and they face big renovation and maintenance bills (most of the buildings are quite run down).

SOŇA'S SALON

Knopp's wife, Soňa, gives me the bad news about the second store as she tells me about her beauty shop. The "Miss Ilona" salon (named after Soňa's partner) is tiny -- 8 meters square -- a little room in the state-run Park Hotel. Soňa and her friend pay the hotel 8,000 crowns a month (the food store's annual rent, you'll recall) for the privilege of cutting and coloring the hair of hotel guests. They're glad they have the space though, having left the unfriendly environs and lower pay of a state-run hair salon to try it on their own. After they pay the rent and buy supplies (retail, until they find a good supplier), they each take a monthly salary of about 3,000 crowns (\$100).

The salon has one chair, one wash basin and a hair dryer. The two women work in shifts -- a good thing because they couldn't both fit in the room anyway. A haircut and finish is 66 crowns (about \$2) hair color 50 crowns. The hotel insists foreigners have priority, even if Soňa has some of her regular Czech customers (from her state salon days) waiting. But a foreigner doesn't necessarily mean a hard-currency tip to boost the income: Soňa says foreigners seldom tip, and if they do it's a few Czech crowns or maybe one Deutsche mark. If it's the latter, the customer sometimes throws the money at her and acts as if she should die of gratitude, Soňa says, blushing. She says Czech-Germans and former East Germans make the most unpleasant hotel guests. (I've witnessed this kind of arrogance by former East Bloc residents now living in the West, and it's disheartening. As Soňa says, they put a "D" [for Deutschland] on their Trabant and think they're better than you. ...)

Soňa, a perky redhead of 21, is open, down to earth and friendly. She seems to take things as they come, and, like her husband, isn't afraid to work hard. She says she accepts the fact that the two don't see each other much these days, because of their respective businesses. "But on the other hand sometimes I tell myself, I'm young," and that she and her husband should have some time for fun. "All we do is go from work to home and from home to work. Well, what can you do."

Like her husband, Soňa puts in long hours -- the salon is open from 8 to 8 on weekdays, and from 8 a.m. to 2 p.m. on Saturdays. She and Rudolf never have a day off at the same time. She does say they are going to try to both work either morning or afternoon shifts so they can spend some time together.

Soňa says there's talk of the Park Hotel becoming privatized (high time, I say, after walking through the depressing, shabby lobby and talking to a rude desk clerk), which means she could lose her shop too.

The state beauty shop she left would take her back, but that

would be a big defeat. And the employees, envious of her new life, wouldn't let her live it down.

"To work there for the miserable 1,800 or 2,000 crowns, to heck with that, that I could deal with. But those girls wouldn't leave us alone. That's that stupid human envy. Even if I have a new pair of underwear, if I told them they would say well, it's evident that you're a private businesswoman [so you can afford it] -- it's complete stupidity." When they commented on her having a new pair of tennis shoes recently, she told them, "You can try it [your own business] too. It's not that some people can and some people can't. You give it a try and then see how easily you can buy stuff."

ENVY THY NEIGHBOR

Rudolf says people afraid to try their luck at private enterprise are envious of those who do. "For example, people come at 9:30 at night, I've already closed the cash register." He'll give them what they want but eventually does have to close. People he turns away will say derisively, "Yeah, well, it's a business," Knopp says. "It is a business. When a person works from morning till night and then a person is rude to him at 9:30, then it makes you mad. That person can't imagine how much work it is. ... Those are the people who are envious, who've never tried it. They just say, 'He has his own store, he has money.' ... It's not like that at all. There are debts, and it's a lot of work."

He says that at least in Western countries, people have grown up with private enterprise. "Here we didn't have it, and people don't know what it is. Only after you try it do you know that to try something takes an awful lot of time and effort. When a person wants to do well and not go bankrupt, he has to do the best he can. And it's not easy."

Neither Soňa nor Rudolf are much on politics, and they act embarrassed about that. When I ask Soňa what she thinks about the current political situation in Czechoslovakia and where the country is going, she says, "If I'm to be honest, I have to say I don't pay much attention to it. That might seem like I'm stupid." But, like her husband, she says she doesn't have time for newspapers or TV news. She keeps the radio on at work and catches tidbits from her customers. "Mostly, everyone complains."

"I'm sure that people imagined it differently, and most of all they thought it [a new, prosperous Czechoslovakia] would happen immediately. So there have to be a lot of disillusioned people now."

Both she and her husband are of the opinion that the Czech is known for making due under any system, somewhere in the range of adaptable to sleazy in his "evasive maneuvers," as Rudolf calls them. He says if there's a phone booth, "a Czech will always figure out a way to avoid putting in money." But he says this kind of maneuvering isn't possible "if a person stands on his own

two feet. You can't run away then."

Soňa says people stuck together when they protested during the 1989 revolution. "Everyone was great friends and everyone forgave one another everything. But as soon as things got tough, when prices started going up, then it was everyone for himself, look neither left nor right and walk over other people."

Of course, she says, not everyone is like that. Her husband, for example. She says he had some trouble when ordering supplies because he was young so people thought he could be pushed around. They also expected he would "slip them something" -- payoffs were standard procedure under the old system. "Well, Ruda is one of those who won't slip them something."

Rudolf says he likes President Havel, "because he's one of the few people who really means well." But he doesn't have much patience for the continuing problems with the Slovaks. "I think it's absolutely unnecessary. It's absurd because the United States -- you have how many states? -- they're the United States of America. ... I'm fascinated that whatever state athletes come from, they represent the USA. And goods too are 'Made in the USA.' It's Made in the USA and that's the end of it."

Rudolf was in the army during the November 1989 revolution. He says he was "rooting" for the protesting students. Soldiers in several barracks showed their support for the students by dumping out their food in protest. As a driver, Rudolf was assigned the task of driving around with an officer who tried to talk the soldiers out of such acts. (Refusing food was a serious offense, because it rendered soldiers "non-combat-ready.")

Rudolf says he's glad the Communists were removed from power. He says he never considered joining the party, although his father was a member since his army days. "I never believed this party, I never supported it." Rudolf says his family never discussed politics or his father's party membership, which ended after the '89 revolution. Rudolf didn't think anything of it -- lots of people belonged, he says. Soňa says no one in her family ever was a party member.

LOVE AND REASON

Rudolf and Soňa, who grew up in the same neighborhood in Žižkov, got married in April 1989. Rudolf was in the army then (compulsory service lasts 18 months, down from 24 months before the revolution) but as a married couple the Knopps had a better chance of getting an apartment. But both are quick to say they loved each other and would have married anyway.

"You could say it was a wedding done out of love and reason," says Rudolf.

Soňa laughingly tells me that in fact she proposed, after Rudolf's father called her with the apartment news and suggested



Photos © Dagmar Obereigner

it.

"Basically, one day he called me at work -- my mother-in-law can't find this out -- and said, 'Look, we have a chance to get an apartment, would you like to marry Ruda?' I said, 'Boy, you've really taken the breath out of me.' He said, 'Look, think it over. We can't give you anything else in life than helping you with this apartment.' So I talked to Ruda, and I asked him for his hand. I said, 'Ruda, do you want me or don't you,' and he said, 'Well, yes, I want you,' so I said, 'Well, that's great.'"

By marrying and reporting Rudolf's parents' apartment as the young couple's official residence, both families were entitled to new apartments. Instead of waiting for a home of their own for years, the newlyweds were able to get one right away.

The couple live in a two-bedroom (the second was granted them with the assumption that they'd have children) apartment in a housing project in the Řepy area, on the northwest edge of Prague. What about children? Rudolf says the couple will wait awhile. He says he wants to be able to spend time with his child and be more financially settled. But Soňa says he's just saying that. She says she's devoted to her work, can't imagine having a baby with the couple's current schedules, and despite pressure

from Rudolf and their friends, she's is in no hurry. "If it were up to him, we'd have 10 kids by now."

The Knopps' sparsely furnished apartment is neat and clean. Their wedding gift from the state was a no-interest, 50,000 crown (about \$1,600) loan for newlyweds, which is to be used to establish a home. The money paid for their living room furniture.

One of the bedrooms, because the food store has virtually no storage facilities, is used as a stock room. It's filled with boxes of sugar, vegetable oil and other non-perishables. In one corner of the living room, samples of goods from the store are arranged as a sort of still life -- a glass full of straws, a Coke can, packs of chewing gum, bags of chips.

Rudolf calls Večerka Knopp not just his job but his hobby. He says the work is interesting. "But most importantly, a person is his own boss. When I mess something up, I have only myself to blame. ... When I order too much of something and I have to throw it out, then I have to pay for it myself. But I don't have to do anything anyone else tells me."

These two young people are learning as they go. Maybe they should have done more homework before starting out, and they should stay better informed. The state doesn't get an A-plus either. It should do a better job of publishing and publicizing information businessmen need to know. There should be helpful offices, adequate laws and fair, flexible rules of the game. One official from the Ministry for Economic Policy and Development of the Czech Republic recently called it a "crime" that many regulations that inhibit private enterprise still are in effect.

There is more and more help out there. Businessmen's associations are being formed, for example. And the above-mentioned ministry has set aside 700 million crowns for helping private enterprise. Help includes interest-free loans and state investment in businesses. Support also is available for small cooperatives and state firms heading for privatization.

"We're curious how it will all turn out," says Soňa, trying to be lighthearted but unable to mask a slight tightness in her voice. "We'll see."

All the best,



Dagmar

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