

THE ENTREPRENEURSHIP IN THE REGIONAL DEVELOPMENT STRATEGY ON THE EXAMPLE OF THE PROVINCE OF WARMIA AND MAZURY (POLAND)

Krzysztof Krukowski

University of Warmia and Mazury in Olsztyn

Abstract

The warmińsko-mazurskie region has one of the highest unemployment rate in European Union countries (27,3%). One of the most important task of local authorities is to limit this phenomena by creating the environment to develop entrepreneurship and particularly by development the SME sector. The conditions of development of SME sector are one of the most important part in local development strategies. The factors of SME development influence the development of whole region. The amplification of local economy has a big impact for the development of local community. In the article the Strategy analysis of warmińsko-mazurskie was conducted. The main objective of the analysis was to show the elements of strategy directly connected with the development of SME sector. One of the objective in the strategy was totally committed to this sector. It sounds: "Well developed entrepreneurship". During the analysis it turned out that all instruments of supporting the enterprises should be laid on SME sector, particular those which arise lately.

Keywords:

region, SME sector, the strategy of development.

Introduction

The Province of Warmia and Mazury is among the regions of Poland with the highest registered rate of unemployment (23.7%). Therefore the most important role of its regional authorities is to create the foundations for the development of the local economy, and the development of small and medium enterprises in particular. The development strategy adopted by the provincial authorities depends on the conditions in and the character of the local economic environment. The conditions in the macro environment of the local business sectors play a very significant role. Those conditions are of economic, political, legal and technological nature. If we assume that they are the same for all businesses operating in the country, regardless of the region, then the conditions influencing the economic development on the local level are of great importance.

Strengthening local economy on the provincial level is very important for the development of local communities. Thus the activities promoting entrepreneurship should originate in the strategic goals included in the development strategy of the province and should enable successful achievement of those goals. If the local authorities want to facilitate the development of the region and foster entrepreneurship, they have to determine the key goals in the economic policy included in the development

strategy. Among the objectives which have an influence on business activity, the following are most often included in regional development strategies: development of entrepreneurship, multifunctional development of rural areas, a decrease in unemployment, an increase in employment in the agricultural and food industries, development of local tourism, an increase in the income from activities outside agriculture, promotion of entrepreneurship in the local community.

The following study analyzes the development strategy of the Province of Warmia and Mazury. Its purpose is to present those parts of the strategy which concern small and medium enterprises (SMEs).

Social and economic profile of the Province of Warmia and Mazury

The Province of Warmia and Mazury is located in north-eastern Poland and covers the area of 24,203 km², which constitutes 7% of the whole area of Poland. The Province was established following the administration reform of January 1, 1999, and is one of 16 provinces in Poland. The Province accounts for 3% of the Polish GDP, and its GDP per capita stands at PLN 9,000, ranking it 12th in Poland. To the North, the region of Warmia and Mazury borders Kaliningrad Region (the Russian Federation). In the North West, the Province has access to the Vistula

Lagoon (Zalew Wiślany). There are 49 towns and 3,900 villages in the Province. The capital of the Province, Olsztyn, plays the role of a regional metropolis. There are 17 land *powiats* (districts) in the Province of Warmia and Mazury, and two urban *powiats* – towns having the rights of a district (Olsztyn and Elbląg). The network of *powiats* comprises 116 *gminas* (communes), including 16 urban *gminas*, 33 urban-rural *gminas* and 67 rural *gminas*. What's characteristic of the region is an even distribution of the *powiat* towns and networks of small *gminas*.

The Province is inhabited by 1,463,000 people, which accounts for 3.8% of the population of Poland. There are 103.7 women per every 100 men. This figure is similar to the national average which stands at 105.7. 60.1% of the population of the Province live in cities and towns, and 39.9% live in rural areas. Because of the low number of inhabitants and a relatively large area, the Province of Warmia and Mazury is the least densely populated region in Poland.

Rural *gminas* in the Province of Warmia and Mazury have a strong agricultural potential. The size of an average farm is twice as high as the average in Poland and stands at 16.5 hectares. The share of people working in agriculture is the lowest in Poland and stands at 9.3% of the population per 100 hectares. More than a half of individual farms in the region earn its income from producing for the market.

In the *powiats* of Giżycko, Pisz, Olsztyn, Mrągowo, Ostróda and Ełk, fishing plays a significant role. Sea fishing takes place in the areas located on the coast of the Vistula Lagoon (Zalew Wiślany).

The region of Warmia and Mazury is an attractive destination for tourists. It boasts the Land of Great Mazurian Lakes, the Vistula Lagoon (Zalew Wiślany), Iława Lakeland, Olsztyn Lakeland, Ełk Lakeland, and vast forests (Puszcza Piska, Puszcza Borecka, Lasy Taborskie and Lasy Iławskie). Those areas do not fully benefit from their natural richness because their tourist infrastructure is not sufficiently developed. What is characteristic of this region is that its tourist facilities are concentrated by the lakeside, and that the number of tourists depends on the period of the year. Out of 55,600 sleeping places offered by 900 tourist facilities in the Province, only 15,000 are available all year round.

There are 91,000 businesses in the region. Most of them operate as sole proprietorships under the Polish Civil Code (73,181), representing 79.9% of all businesses in the region. Companies operating under the Polish Code of Commercial Companies and Partnerships constitute merely 3.3% of businesses in the Province. There are 62.5 businesses per 1,000 inhabitants of the Province, out of which 50 operate as sole proprietorships.

The Province of Warmia and Mazury is much less industrialized than most other provinces in Poland. The Province's share in the total value of industrial production sold stands at 2.5%. The Province also represents 2.9% of the total employment in Poland. It hosts about 9,900 production companies and its industrial production is dominated by the production of food, furniture, wood products and tyres.

The Province of Warmia and Mazury is lagging behind in terms of technical infrastructure. However, it is the provision of water and electricity that are in the best condition. All of the cities and *gminas* have access to water intakes and operate water distribution networks. Access to the water supply system in the rural areas ranges from 20% to 100%. Fortunately, the deficiencies of the system are gradually eliminated. However, the development of the water supply network is not accompanied by an increased investment in sewage management. Some towns and most *gminas* do not have a developed sewage management system. Holiday resorts dotting the lakesides, which do not have a proper sewage management system, are a significant source of problems.

Some areas of the Province are connected to gas networks. The supply of natural gas in the rural areas is scarce. Only 51% of the cities and 3% of the villages are connected to the gas network. The arrangement of roads in the province includes connections of regional and national importance. The road network in the province ensures good internal connections. However, only 21% of the local roads are paved (compared to the national average of 46%). The road network in the Province is in a poor technical state.

Conditions for the development of medium and small enterprises (SMEs) in the Province

The SWOT analysis was used in the formulation of the development strategy of the Province of Warmia and Mazury. It was used in order to determine the conditions for the development. However, the strategy does not include a separate SWOT analysis concerning the conditions for the development of medium and small enterprises (SMEs).

Some of the strengths of the province of Warmia and Mazury, listed in the strategy, facilitate the development of SMEs either directly or indirectly. The following factors influence the development of this sector in a direct way:

- natural conditions favourable to the development of tourism, agrotourism and the so called „clean industry”,
- potential for production of high quality food products,

- diversified industry,
- ample labour resources.

The conditions influencing the development of SMEs include:

- location near the border – in the future it will be the border of the EU,
- access to the Baltic Sea,
- available, and as yet not utilized, investment areas,
- regular distribution of towns of a regional, rather than only local, importance,
- closeness to the planned A1 and Via Baltica motorways.

Among the factors limiting the growth of the SME sector in the Province of Warmia and Mazury (weaknesses) are, and will be in the near future, the following:

- location far from business centers of national importance,
- poorly developed industry,
- poor technical infrastructure, particularly in the rural areas and small towns,
- insufficiently developed tourist infrastructure,
- high unemployment rate,
- insufficient level of inhabitants' education (which does not meet the local needs),
- lack of highly-qualified personnel,
- poor communication networks both within the Province (railway, bus system) and with the rest of the country,
- lack of business information centres, investor relations centres and institutions promoting export.

Most of the factors mentioned above will directly influence the entrepreneurial potential of the Province.

While designing the strategy, apart from determining internal factors (strengths and weaknesses), it is crucial to determine those conditions in the environment which positively influence the development of SMEs in the region (opportunities), and those which limit their development (threats). Similarly to strengths and weaknesses, opportunities and threats can have a direct and indirect influence on the development of SMEs. The following factors can be identified as direct threats:

- economic slowdown or a crisis in Poland,
- inconsistent and unstable legal framework,
- lack of a stable government policy supporting SMEs.

The following factors can have an indirect influence on the development of SMEs:

- lack of legal, economic and financial preferences and incentives for tourism,

- lack of interest from companies from outside the region to create jobs in the Province
- economic crisis in neighbouring countries,
- flight of foreign capital and a lack of interest from new foreign investors.

The SWOT analysis included in the strategy of the Province mentions the following direct and indirect opportunities for the development of SMEs in the region:

- economic boom caused by an increased interest from foreign investors,
- development of ecological farming and food processing (attraction of new investors),
- increased domestic demand for tourism and recreation in the region all year round,
- inflow of highly-trained people to the region,
- development of ecological education through the development of agrotourism,
- development through increased cooperation with foreign partners,
- membership in the European Union.

The conditions presented in the SWOT analysis should be used in the decision making process with respect to the future of the SME sector, and should help the decision makers to choose the activities influencing the development of this sector in both a direct and indirect manner. When making decisions and choosing solutions, the local authorities should remember about four basic guidelines connected with the SWOT analysis:

- we should build on our strengths,
- we should improve our weaknesses,
- we should avoid the threats,
- our success may depend on how well we respond to the opportunities in our environment.

Those guidelines and a detailed analysis of the regional economy should be the basis for the formulation of the strategic goals.

Strategic goals of the province connected with the support to SMEs

One of the strategic goals of the Province concerns entrepreneurship. It is called a 'well-developed entrepreneurship'. From the point of view of the formulation of strategic goals, it is formulated in the wrong way. From the methodological point of view it does not meet the basic criteria for strategic goals. It is neither measurable nor achievable. On top of that, it is also not specific enough. We can assume that this was caused by the application of the Method of Active Strategic Planning (Metoda Aktywnego Planowania Strategicznego) in designing the strategy. This method assumes that a strategic goal is, at the same time, a result which is achieved when the operational goals are met. Within such a strategic goal

the operational goals are chosen, and they are to lead to a decrease in unemployment and a rise in the standard of life of the inhabitants of the Province. In this case, those responsible for the formulation of the strategy were inconsistent because the strategic goal defined by them is different, and does not necessarily involve a decrease in unemployment or an increase in the standard of life of the inhabitants. The designers of the strategy departed from the method of strategy formulation.

Operational goals (whose role is to help achieve the strategic goal) concerning the development of entrepreneurship, are listed below:

1. An effective policy for supporting SMEs at the local level. It takes the form of: helping SMEs comply with the norms, standards, ISO management systems (management of quality, environment, health and safety at work), Total Quality Management (TQM) used in the EU; facilitating access to training, information and technological innovations; partnership with the business self-government at the local and regional levels; creating a network of organizations supporting entrepreneurship and cooperating with the local authorities; obtaining EU funds (pre-accession and structural) for the promotion of entrepreneurship and assistance for fledging entrepreneurs in setting up and initial management of their businesses; stable and long-term tax relieves in *gminas*; supporting activities aimed at increasing exports, with particular attention paid to Kaliningrad Region. Economic relations with Kaliningrad Region, owing to its location are a significant opportunity for the development of SMEs in the Province of Warmia and Mazury; supporting the development of the Research and Development (R&D) infrastructure available to SMEs.
2. A large number of domestic and foreign investors. The goal is to be achieved through an increased inflow of capital into the region. To attract the capital, it is necessary to: create a consistent programme promoting investment in the region; prepare and develop the territory in which the investment will take place; create a system of investor service, coordinated on the regional level and responsible for preparation of professional investment offers; promote and ensure effective operation of the special economic zones. The special economic zones should be home to companies operating in those economic sectors which are new to the Province, or are few in number; create promotion strategies and PR campaigns aimed at external investors.
3. Creation of the right climate for an active society. This goal will be achieved through: fostering entrepreneurial and innovative attitudes and business activity; introduction of suitable teaching programmes at schools; fostering local leaders – identification of outstanding individuals, training, and creation or working conditions for them and monitoring of their achievements; training the local authorities with respect to cooperation with potential investors, local social groups, and NGOs.
4. An increase in the economic potential, in particular of SMEs, and improvement in their competitiveness. Numerous activities are aimed at increasing the economic potential of the Province and they have been already planned. However, an increase in the number of businesses is not, in itself, sufficient. Those businesses must be able to compete successfully on the market. In this case, innovation and access to capital play a decisive role. Therefore it is necessary for the Province of Warmia and Mazury to:
 - establish regional innovation centres and ensure the transfer of new technologies,
 - create innovative local segments and develop business consulting organizations. Bodies responsible for agricultural consulting should also advise on the implementation of new technologies,
 - create cooperation centres initiating and facilitating development of regional cooperation,
 - create a technology park,
 - support initiatives from local businesses and persons interested in designing, production or use of renewable energy,
 - found a regional economic information centre,
 - implement the ‘Regina’ programme for the promotion of quality,
 - establish accredited certification bodies responsible for the certification of products, services and systems in terms of quality and environmental management,
 - build a trade and conference centre,
 - organize regional fairs for products and services,
 - support and create financially strong and universally available credit guarantee funds and launching a subsidy and microfinance funds,
 - support the development of fishing in the Vistula Lagoon.

5. Development of the information society. In the modern economy, information is just another factor of production, along with resources, capital and labour. The regional programme for increased access to the Internet will help to overcome the existing information barrier. It will help companies and business institutions to collect information about the sources and ways of raising capital.

Apart from the operational goals leading to the achievement of the strategic goal concerning the development of entrepreneurship, the development of SMEs is also included in other strategic goals. The achievement of the goals related to education, technical infrastructure and restructuring of the rural areas will translate into the development of the sector of SMEs as well.

With respect to the education, the strategic goal is to create an efficient education system adjusted to the needs of the region's economy and supporting the development of human resources. In the modern market economy the competitiveness of a region is highly dependent on the quality of its human resources, understood as professional qualifications, skills and the general knowledge which enable individuals to change their jobs during the span of their career life. To achieve this strategic goal, the following operational goals have been formulated: creation of the educational system matching the needs of the labour market (a bank of information on the needs of the labour market and possibilities of vocational learning will ensure direct connection between the educational system and the needs of the labour market).

The following goals concerning the development of technical infrastructure influence the development of SMEs: development of infrastructure in the rural areas (basic technical infrastructure plays an essential role in the economic development of rural areas, which means better technical state of roads, farms' access to the water supply network, good sewage management, proper storage of manure, development of telecommunications services and access to natural gas); infrastructure on the borders of the country meeting the needs of trade and tourism (efficient border crossing points with access roads in a good state of repair, favourable political climate between the bordering states will enliven international cooperation with Europe and strengthen trading cooperation with Kaliningrad Region, a situation which is a tremendous opportunity for the province of Warmia and Mazury which has cooperated with Kaliningrad Region for many years).

The realization of the goal related to creating new posts outside agriculture will also positively impact the development of SMEs. This goal assumes that the

number of businesses in rural areas will increase by 2% and employment will rise by 1.5% annually.

The strategy of the Province of Warmia and Mazury also includes goals connected to the restructuring and development of urban areas creating the environment for new types of business activity. Those goals assume that, in Elbląg, Olsztyn and Ełk, which are considered urban centres playing a significant role in the development of the Province, there are some areas (development areas) which require restructuring and modernization, or new investment in order to create conditions for the development of new kinds of economic activity. Transformation of those development areas will influence the restructuring process of the Province and will increase its competitiveness. Therefore the authorities should improve access to those urban development areas, support investment in order to create conditions for the development of business activity and promote environmentally sound investments (elimination of environmental conflicts).

Conclusions

When designing a strategy, it is important to remember about all the functional areas influencing the development of entrepreneurship. However, it should also be remembered that it is the programme for the development of entrepreneurship that has the biggest influence on the development of a region. Therefore, the lack of such a programme can be considered as a serious disadvantage of the development strategy of the Province of Warmia and Mazury. Such a programme will be probably designed in the future. On the other hand, an extensive approach to the development of the SME sector is a great advantage of this strategy. The strategic goals pertaining to this sector can be found in the areas which are not directly linked to this sector.

The development strategy should strengthen the development of SMEs, or "home business", rather than attract new branches or change the location of existing businesses (Luke, 1988). All the instruments strengthening and supporting local business environment should be aimed at the development of SMEs, and particular attention should be paid to the newly created SMEs, or those in the development phase. The development of entrepreneurship brings the local community both social and economic benefits. Among those benefits are: improved standard of life through increased income, an increase in the number of companies operating in the areas which are most needed in the local environment, creation of jobs, increased entrepreneurship of the local citizens, integration of the local business environment, a decrease in labour outflows (Krukowski, Mioduszewski 1999).

We should carefully monitor the realization of provincial strategies because the achievement of the goals constituting those strategies should translate into an increased quality of life in the local communities. We should also remember that it is not enough to merely formulate the programmes for the development of entrepreneurship, but it is crucial to allocate the physical and financial resources necessary for the realization of those programmes.

References

Krukowski K., Mioduszewski J. (1999) Promocja przedsiębiorczości w strategiach rozwoju gmin,

w: Uwarunkowania rozwoju przedsiębiorczości gospodarczej na obszarach wiejskich w kontekście Integracji Europejskiej - Olsztyn, University of Warmia and Mazury.

Luke S.J. and other (1988), Managing Economic Development – A Guide to State and Local Leadership Strategy - San Francisco, Jossey – Bass Publishers, 1988.

Strategia rozwoju społeczno-gospodarczego województwa warmińsko – mazurskiego do roku 2015 (2000) - Olsztyn,.