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**ROLE AND SIGNIFICANCE OF INSTITUTIONS OF BUSINESS
ENVIRONMENT IN DEVELOPMENT OF RURAL
ENTREPRENEURSHIP IN THE CONTEXT OF INTEGRATION
WITH THE EUROPEAN UNION**

1. INTRODUCTION

Development of rural trends requires to be stimulated by means of stimulants enabling to support and intensify the local entrepreneurship. That is because it occurs only as a result of internal dynamism and not the operation of external factors. Innovative enterprises, which can contribute to the economic progress of urban areas seem to be particularly valuable.

However, entrepreneurship of urban areas requires help and support, especially in case of innovative activities. It is very significant because it is based on small-scale enterprises with a vast majority of micro firms, that is entities giving employment up to 5 persons. In many so called landed districts their share in the total number of enterprises exceeds 90% (Kamiński 2004, p. 81). However, their still small significance in the economy of rural areas is disturbing. Basic problems that owners of these firms face are education as well as technological and financial means.

Therefore, we can state that entrepreneurship expansion in rural areas are relatively small. This is because small-scale enterprises have very small funds to take up additional activities. A small rural firm does not have new technologies. It also finds it difficult to build and protect its brand. Thus, it does not have such a potential and opportunity to develop competencies in business like large-sized companies.

Accession to the European Union and entering strongly intensified competition require to strengthen the market standing of small-scale enterprises and stimulate activity of the private sector.

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Therefore, strengthening firms' standing and comprehensive support in order to make the most of their market potential is vital. Undoubtedly, they will require various methods of treating, sometimes very peculiar.

2. CONTEMPORARY CONDITIONS OF ACTIVITY FOR INSTITUTION OF THE BUSINESS ENVIRONMENT

The support for the sector of small-scale rural enterprises is justified by the necessity to compensate some market, system and regulative imperfections. Intensification of pro-investment actions of the government, support from the European Union but first and foremost, the local environment favourable to entrepreneurship are most important. This environment is mainly reflected in the form of institutions of business environment.

The government becomes the moderator of economic processes giving economic entities freedom of actions and at the same time, supporting the entrepreneurship. Within frames of programmes of entrepreneurship supporting lead by state authorities, it is necessary to place bigger accent on improving legal, financial and organisational solutions. They are to regulate functioning of enterprises and systems, which ensure providing advisory, information and training services (Kłodziński 2004, p. 115).

The European Union creates relief programmes for technologically underdeveloped areas in order to improve their enterprising skills. Therefore, the access of small-scale rural enterprises of our country to these funds seems to be possible especially because Poland is classified in the distant place as far implementing new solutions by enterprises. Innovation index (measured by percentage of firms implementing innovative solutions in total number of enterprises) in the EU "Fifteen" amounted to 47%, in Estonia, which is the best among new members in that respect – 38% and in Poland – merely 18% (Zwierzchowski 2005, p. B-1).

In modern conditions, the emphasise is put on improving economic structure of rural areas from the inside and under the influence of the local entrepreneurship. Hence, the role and significance of business environment of the small-scale entrepreneurship in rural areas. The business environment of the small-scale rural entrepreneurship can contain entities generating and popularising it. They constitute the part of pro-enterprise environment defined as the set of institutions favourable to realization of modern and innovative enterprises. Significance attributed to institutions of the local business environment results from the essence of their operations.

These operations are directed towards the support of the entrepreneurship and a diffusion of innovations. The quality of the business environment results from the existence of various entities and net relations between them. Such entities gain bigger and bigger significance in the process of the entrepreneurship development of particular areas.

Subjective diversity of firms' demand for services is the reason why entities of business environment are required to be specialised compatibly with entrepreneurs' needs. It can be manifested in (Matusiak 2001, pp. 252–254):

- supporting the entrepreneurship, self-employment, making the start easier and supporting new firms (promotion and competitiveness improvement),
- creating appropriate conditions for transfers of new technological solutions for economy and realization of innovative enterprises,
- improving quality of human resources thanks to education, professional training and consulting as well as popularization of positive operation models,
- proper administration of resources and realization of infrastructure enterprises,
- creating the system of co-operation and partnership between various entities operating for a stimulation of the prosperity development and residents affluence.

Therefore, we can state that local institutions of business environment are significant for pro-investment operations in rural areas. They create environments favourable to make the most of economic potential. They are conducive to the development of the small-scale entrepreneurship. They are particularly useful when small-scale entrepreneurs cannot cope with problems connected with their activities single-handedly. They offer all interested entrepreneurs some free or partly paid utility collections.

It is emphasised that the role of institutions of business environment increases together with implementing pro-market tools used for developing the region. This pro-market issue included in their operation is reflected in (Stawasz 2001, p. 198):

- transferring their own operations' rationality to the rationality of behaviour of remaining institutions and enterprises by means of competitiveness mechanism,
- stimulating (very often as the only group) the local entrepreneurship,
- strict fulfilling terms of leaders in innovation processes and technological transfers,
- direct participating (considering statute duties) in realizing enterprises of public character, which would not be realised without them,
- indispensability of participation in entrepreneurship processes on account of appropriately specialised activity.

Development of institutions of business environment in Polish rural areas is not very big. At the same time, there exists a simple relation between the level of

the areas urbanization and the level of the business environment development. The weaker the region urbanized, the less favourably the business environment developed (Dominiak 2004, p. 230). Hence, the bigger need to create it because it provides goods and services which are not subjects of interest of commercial institutions. It also supports the process of economic restructuring of the environment of small-scale enterprises.

Creating or supporting the activity of local innovation and entrepreneurship centres by local governments is considered moderate. But at the same time, many small-scale enterprises need development impulses in the form of reliable information, improvement of the access to the capital and professional consulting (Kamiński 2004, p. 81). Most often, clients of such institutions are novice entrepreneurs and unemployed persons using services offered by supportive institutions, mainly within the scope of consulting, information and training.

3. INSTITUTIONS OF THE BUSINESS ENVIRONMENT IN DEVELOPMENT OF RURAL AREAS

More detailed evaluation of institutions of the business environment was carried out basing on results of the poll conducted in the area of Łódź province among employees of institutions of the business environment, local government administration and small-scale entrepreneurs in the year 2004. Research was carried out within wider research project on "Development perspectives of entrepreneurship and innovativeness on weak urbanized areas in the area of Łódź province" realized in the AHE in Łódź under direction of prof. dr hab. E. Stawasz.

In all 162 surveys were carried out. Gained data provide opportunity to insight into activity of the local institutions of the business environment and give prerequisites for drawing the conclusions.

In the light of research the role of institutions of the business environment as the factor stimulating enterprise activities in regions is not considered significant.

Quite few employees of these institutions (20%) indicated well developed business environment. Even more explicitly the weakness of the business environment was emphasised by representatives of the local administration. They stated that it was an insignificant factor of stimulating the enterprises' activity (merely 4.8% of positive indications). The weakness of the sector of supportive institutions was confirmed by comments of firms' representatives. Most of investigated firms did not co-operate with these institutions or co-operated only marginally. Respondents showed their dissatisfaction (60% of

comments) with the operations of business environment entities. The reasons of dissatisfaction mentioned by respondents were as follows:

- too small number or even the lack of institutions of this type in the region (58.2% of comments),
- problems with communicating with supportive institutions, the lack of the information about their functioning and their offers (36.7% of comments), too difficult and troublesome procedures (23.6% of statements), costs of receiving the support (21.8% of statements).

Most employees of institutions of the business environment (75% indications) emphasised the activity of the policy in the region. However, they were not able to describe all symptoms of the policy amounting it to the region's promotion, determining trends of investments and especially indicating the support in the form of consulting. In most cases, technological parks and small business incubators were omitted. Also representatives of the local administration indicated the lack of incubators as the main obstacle to develop enterprises' activity (26.8% of indications).

The basic, and mentioned by respondents as first, methods of supporting the local entrepreneurship are particularly: reducing rates of local taxes (about 30% of statements), consulting (20% of statements), promotion (17% of statements).

It is assumed that the activity of many institutions of the business environment is strongly oriented towards creating new enterprises. Among them, we can identify some legal structures supporting founding processes in the form of consulting, training, the access to preferential loans and small business incubators.

Even though almost 90% of respondents emphasise that in the region they can notice some initiatives aiming at attracting new entrepreneurs but merely 10% of them tell what they consist in. All of them indicate that these are only promotion activities.

These problems are even more reflected in comments which point out forms of attracting new entrepreneurs where consulting and reducing rates of local taxes come to the fore. Moreover, the opportunity to use public property on favourable conditions and promotion campaigns are of great importance.

The comments also indicated barriers of entrepreneurship development. Above all, respondents indicated limited access to financial means (35.2%) as well as underdeveloped business environment (25.5%). They also brought up the issue of little popularisation of knowledge about institutions and instrument supporting the entrepreneurship and the lack of the entrepreneurship environment and appropriate "atmosphere" for doing business.

Inconvenience of mentioned barriers connected with institutions of the business environment, according to most of respondents (about 80%), resulted from firms' locations in rural areas. Most of them emphasised explicitly that the location is exactly what increases these barriers' intensity most. Therefore, it is

assumed that the fact of running enterprises in rural areas increases experiencing existing barriers in operations of institutions of the business environment.

The basic opportunity for economic development of rural areas are modern solutions. Innovations, however, encounter barriers among which underdeveloped business environment is considered most significant (about 30% of indications). This factor is connected with more detailed barriers which are not mentioned that often. These are the lack of the information about technological novelties or hard access to specialists and consultants. Representatives of investigated enterprises expressed it widely. In particular, they criticised the quality of offered professional training connected with innovations. As much as 84.6% of firms did not consider its standard satisfying. In their opinions it was too general and expensive.

Indicating the significance of the information, entrepreneurs mentioned main albeit hard to access items which are essential to firms wanting to implement innovations. These are information about consumers in the background of the market characteristic (the most foreground indications), information concerning competition (ranked second) as well as technology, design patents and licences. Representatives of local governments indicated an inconvenience of deficiency in the information concerning institutions of the business support (68.2% of comments). Entrepreneurs also criticized the quality of available information connected with innovations. They emphasised the incompleteness of given information (60.3% of indications), its too general character (41.3%) and too big costs (29.1%). Firms expect, above all, the support in the access to the information necessary for innovation which concern consumers and the market characteristic (58.8% of comments), financing sources (56.9%) and the competitiveness characteristic (43.1%).

The attention is also drawn to the significance of the support received from institutions of the business environment in co-operation between firms and entities R + D. We can mention the most popular postulates addressed to institutions which can facilitate the co-operation between firms and local entities of the R + D. These are refunds of implementation costs and providing financial incentives to conduct research for firms.

Among postulates concerning financial support in running innovative business, we can find in particular, consulting and refunding employees' training, participating in the EU relief programmes, increasing the number of institutions offering credits as well as broadening credit guarantees. The necessity of bigger access to credits and making their offers more readable for small-scale entrepreneurs is also indicated.

Very often, entrepreneurs indicate that supportive institutions provide not much specialised services especially within the scope of innovations and the transfer of technology. It was emphasised that co-operating with them had the character of formal contracts regardless of their frequency (regular or sporadic

contracts). However, it seems that entrepreneurs do not have enough knowledge within the scope of specialized operations relating to taking up new initiatives, transfer of technology, offers of institutions of business environment and their usefulness in specific enterprises.

CONCLUSION

The activity of institutions of business environment should be directed towards the development of entrepreneurship. Within this scope, their operations should be characterised by moving towards formulating richer and richer services offers directed towards diverse recipients. It constitutes a significant form of support for the activity of small-scale rural firms which do not have appropriate recourses to engage stronger in wider European market. It also gives more stable basis while applying for the subsidy of enterprises with European funds or using accessible ones.

The need to stimulate the entrepreneurship in rural areas requires us to connect our integration process with the European Community. Its favourable development in rural areas will facilitate the connection with European economic structures. Reasonable support from institutions of business environment will facilitate coping with competitive pressure of market forces inside the European Union.

However, harmonious co-operation between institutions of business environment and their clients is essential. What is more, it is crucial to create co-operation based on building up profits of firms functioning in rural areas. It is to improve their competitive position in conditions of abolishing economic barriers in the scale of wide European market.

Small-scale enterprises constitute especially predisposed cell of the entrepreneurship since it is assumed that it should be decentralised, immediate, autonomous and microeconomic. Opportunities for the entrepreneurship are searched for at the very bottom, near events and consumers. It is to serve clients' needs. Therefore, it is necessary to concentrate above all on market strategic aspects.

The entrepreneurship in small-scale rural firms is connected with creating conditions for taking it up. Unfortunately, what we have to cope with is the shortage of suitably wide set of mutually supportive modern interactions connected with technology, organization and finances. The ability to solve these problems is insufficient. Units of business environment have relatively unidirectional structure in rural areas. We have to do with the lack of institutions profiled for developing new technologies and incubators with highly developed backup

and transforming offers programs, which may enable to achieve success on the wide market of the European Union. Hence signals about insufficient preparation of small-scale rural firms devoid of appropriate support in order to come into existence on the European market.

It is assumed that existing threats to small-scale entrepreneurship result not only from negligence in firms restructuring but, above all, from delays in information and institutional business infrastructure. It is particularly visible in research and developmental offer directed towards intensification of innovations of firms so much displayed in Lisbon Strategy. In many cases restricted funds and opportunities restrain small-scale enterprises from conducting research and development of innovation.

Most of enterprises are based on conventional technologies, concepts and resources used in the particular branch. The lack of a wide set of mutually supportive interactions, especially these modern ones which are connected with technology, organization and innovation is visible. Particularly, we have to do with the lack of institutions oriented towards development of creativity and flexibility, so much needed in new European conditions. Growing significance of that kind of institutions results from bigger and bigger demand for information, technologies and financial means which become more and more sought-after recourses in operations of small-scale enterprises. Rural micro-enterprises do not get support adequate to their significance in the development of rural economy and the scale of problems they cope with. Hence the need of the support from organs of administration and off-government authorities comparable with the one that rural areas receive in the European Union. Institutions of business environment should be complementary towards regional economic structures while supporting local communities' activation so that small-scale rural entities do not have worse competitive standing right from the start.

The most essential is the uniform support system enabling to connect potentials of supportive institutions in order to create opportunities to realize ideas and additional fields of activity.

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**ROLA I ZNACZENIE INSTYTUCJI OTOCZENIA BIZNESU
W ROZWOJU PRZEDSIĘBIORCZOŚCI WIEJSKIEJ W ASPEKTCIE INTEGRACJI
Z UNIĄ EUROPEJSKĄ**

Opóźnienia rozwojowe polskiej wsi wskazują na potrzebę dążenia do wyrównania warunków dla działalności gospodarczej w relacji do istniejących w państwach unijnych. Wśród czynników wzmacniających rozwój i konkurencyjność polskich przedsiębiorstw podkreśla się wpływ instytucji otoczenia biznesu ukierunkowanych na intensyfikację tak eksponowanego w Strategii Lizbońskiej rozwoju przedsiębiorczości, wzmocnienie pozycji rynkowej wiejskich przedsiębiorstw. Badania ujawniają jednak niską ocenę działalności tych instytucji. Stąd potrzeba wsparcia, porównywalnego z pomocą otrzymywaną przez wieś w bardziej rozwiniętych państwach Unii Europejskiej. Instytucje otoczenia biznesu winny dawać drobnym wiejskim przedsiębiorstwom oparcie wzmacniające ich pozycję konkurencyjną, aby nie była ona niekorzystna już na starcie.