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## **DEVELOPMENT OF RURAL REGIONS IN POLAND IN THE ASPECT OF INTEGRATION WITH THE EUROPEAN UNION**

**Abstract.** The desire for acquiring and keeping a good competitive position on the EU market imposes a constant search for new ways of development. Rural regions develop economically if the diversity of their economic tissue intensifies. The basis for such a development is an orientation towards improving the spatial access to the innovative process and the process of introducing innovations in peripheral rural areas as such. For the development of the countryside in the European Union bottom-up, local innovational factors influencing this development are particularly crucial.

**Key words:** development of rural regions, innovativeness.

### **1. INTRODUCTION**

The accession to the group of states associated within the European Union creates broader development possibilities, but at the same time intensifies competitive actions that force the intensification of economic measures. Economic development takes place under competitive conditions, which is especially perceptible in a situation of competitive pressure from strongly developed EU countries.

This is particularly important for rural areas that require accelerated development. The drive towards development, the improvement of civilization conditions, progress in everyday life and economic activity are permanent and natural motives for acting within a market-oriented economy. Therefore, particularly economically delayed rural regions must strive for more and more intensive development in order to acquire the appropriate place within their environment.

The purpose of this study is to present the foundation and importance of the development of rural areas in Poland from the viewpoint of accessing the European Union.

Regions develop economically if the diversity of their economic tissue intensifies. Membership to European Union states and enhanced accessibility to

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the broad EU market create the appropriate conditions for this. The creation of a diversified economic profile enhances competitiveness and possibilities of broadening contacts through the business activity of companies functioning in the region. The desire for searching for and keeping a good competitive position on the EU market imposes a constant search for new ways of development.

Special emphasis is placed on innovative manifestations of such diversification. The effectiveness of innovative processes is of crucial significance for the possibilities of region development. Different development forms are possible just now, when after admission to the European Union modern information technology can compensate for the inconveniences connected with running a business and living in the country that result from large distances and little population density.

## 2. COMPETITIVE ABILITY

The basis for region development in a free market economy is the ability to shape your own market position and to reap profit resulting from market competition. Competition comes into being as a result of the ability of potential buyers to make alternative decisions in reference to the diversified products that are being offered.

The scope and intensity of competitiveness depend on the scope of offers from other regions and the will of that business entities to compete for usable segments of consumers and investors who make a choice within a given area by comparing the attractiveness of alternative, regional resources. The scantiness of the means of investment results in a situation where it is impossible to satisfy the investment needs of all rural regions. Spurring development stimulates competition between these entities in order to gain the given investment (Zalewski 2006, p. 23).

Entities also compete for keeping previous associations and institutions within the area of a given territorial unit and for attracting new ones. They strengthen the structure and image of the supply offer, both for internal and external recipients. This manifests itself in competing for secondary school education, the location of public institutions, health centers, hospitals, as well as people, which facilitates gaining national and EU funds and means of support.

Competitive ability is the result of certain actions resulting from a given activity and present conditions. They are influenced by three basic groups of factors:

- factors of company activity, including structural factors and behavior determinants, such as: equipment components, technological level, monetary impulses, protectionism, law regulations etc.;



- the success of company activity, expressing itself among others as mobility of production factors, scope of specialization, investment and innovation strategies;

- company activity effects in the form of profits, market share, exchange balance.

The above factors characterize the mutual connections. A close connection between the elements of equipment, technological level and demand factors is perceivable. The elements of equipment have for instance an influence on human capital, a technological advantage may lead to innovative investments, which in turn may influence the improvement of the elements of equipment. All these factors have an impact on the real income that stimulates demand. There are feedback effects connected with the actions of market participants, the effects of competitive ability and structural factors.

Globalization processes gain more and more importance for the evaluation of competitive ability. They are reflected, among others, through direct external investors, the creation of new companies abroad or the export of services etc.

Presently, attention is paid to the ability of price competitiveness that highlights abilities of technological competitiveness (research and development, innovations, human capital) and aspects of the so-called framework conditions (tax burden, law regulations, restricted market access).

Changing framework conditions force a broader look on competitive abilities through broadening the stress from price to quality and technology. Economic development of rural regions is more and more dependent on modernizing and updating of economy. It will allow necessary structural changes. The basis of these changes are pro-development activities. They are conducive to the market improvement of competitiveness of these regions. Innovative activities are the basis of competitiveness of economy. Competitiveness takes place to a greater and greater degree not so much through prices, but through introducing new solutions and products and improving their quality. In a functioning market system competition creates an incentive for investments in the field of knowledge and innovation development which allow to reach competitive advantages and benefits (Chyłek 2006, p. 68). Under present economic conditions different aspects of "quality competition" gain significance, such as: carrying out market research, product diversification in accordance with customer expectations, quality, service efficiency, innovation and especially development.

### 3. DEVELOPMENT OF RURAL REGIONS

Rural regions should be subjected to a more comprehensive range of pro-development activities. The accession to the European Union, and thus entering conditions of particularly intensified competition requires the strengthening of

the market position of companies located in the country, especially the smallest ones. Therefore the need arises for searching for and introducing diversified but effective means of their revival. Rural development becomes even more important from the viewpoint that over 14.5 million people live there. Securing an appropriate standard of living for them is of crucial importance. Besides, there are no rational factors for restricting the number of country inhabitants and allowing the depopulation of rural areas. On the contrary, they should be fully used for the development needs of the whole country. At the same time it is predicted that within the next twenty five years Poles will be more and more willing to leave big, expensive cities and move out to the country ([www.onet.pl](http://www.onet.pl) 15.02.2007). This is considered to be a possible real wave of internal migration.

The basic problem of Polish country development under the conditions of the integration with the European Union is economy development delay which hampers the restructuring and development of non-agricultural business activities in the country. It also restricts pro-enterprising attitudes of country inhabitants. Therefore it is necessary to revitalize companies in a way which is oriented towards adjusting these entities to the conditions of competition in the rest of the country, and most importantly in the European Union (Strużycki 2003, p. 5).

Small entrepreneurship is considered the main stimulant for rural economy development. This is of significant importance for economic and civilization progress through introducing the element of innovativeness and spreading its attributes in rural communities. This positively influences changes in the economic structure, activates the use of local resources, increases the competitive position of rural areas.

The development of economic potential thanks to impulses from the integration carries along certain values and ensures the diversity of the roads of development and its dynamism through:

- giving chances to gain novelties, absorbing and using them;
- a strongly developed economic tissue which makes it easier to adapt rural companies to changes that take place in their environment;
- creating a large and diversified net of contacts through manifold forms of activity that contribute to generating further manifestations of activity.

The comprehensive diversification of production and service entities makes it possible to create a rich structure enhancing the attractiveness of rural areas for external partners and broaden the possibilities of undertaking diverse economic activities.

The adaptation of rural companies to the changing conditions requires not only keeping the previous, but also introducing new, potential development factors. Actions enhancing the economic position of the Polish countryside are recommended. They may be based on specialization, selective development, and especially innovativeness.



Innovativeness contributes to creating progress and entrepreneurship in individual environments and thus influences their development. The regions' competitive abilities are first and foremost stimulated by innovation possibilities, their development and adaptive ability. This makes it possible to enhance the economic structure and spatial development, to intensify the development and competitiveness of the offer. This manifests itself in positive changes in the rural space, especially in the revival of local economic activity sources through: promoting entrepreneurship, vocational training for rural employment, searching for and creating additional income sources without the need to leave the countryside.

Development makes it necessary to change the economic structure. It is not enough to confine oneself to previous products and achievements. It is necessary to introduce diverse innovations that do not have to be connected with technological changes. It is the innovational processes taking place in companies, their ability to adopt original solutions that give an impulse for the development of areas in which they are localized. They trigger off human creativity and enhance competitive abilities, spreading wider and wider sectors of economic activity. The real value produced by the entrepreneur is no longer restricted to the technological processing of raw materials and resources. It also entails the creation of new, specific service concepts.

#### **4. INNOVATIONAL ABILITY FOR CREATING A COMPETITIVE EDGE**

Innovativeness is one of the most important conditions for including the countryside into the structures of a modern, competitive economy. Competitive entrepreneurship is identified with the cyclic introduction of innovations to the market, the activity connected with a new product, its varieties, new production methods, the opening of a new market, securing new supply sources and new organizational solutions (Włodarczyk, Janczewski 2005, p. 26).

That is why innovativeness is so important during the development of business entities and for the regions created by them. It is an integral part of their proper development. Using innovation is a way to enhance the potential of rural regions. Innovativeness creates conditions for intensifying competitive attitudes which, despite a number of difficulties, are an important factor for stimulating them. The degradation process of many rural areas may be stopped and the diversity of companies will rise. This will be conducive to running a rational, permanently balanced business activity based on economic (market) principles.

Innovativeness enhances economy and creation of various ways of rural areas development through:

- increasing the abilities to absorb and use new technological and organizational solutions;
- strengthening and modernizing of economic tissue, facilitating adaptation of rural regions to changes occurring in the environment;
- enhancing, thanks to the improvement of cooperation conditions, preservation, development and generating further signs of activity and setting up new firms.

Traditional management manifestations require the introduction of innovations and novelties on a continually broader basis. Innovations are the basis for keeping the competitive edge and holding the market position. Innovativeness is one of the most important conditions for including the countryside into the structures of a modern economy. However, this requires a form of economic activation. Conducive to that process may be the support from European Union funds for manifold activity directions in order for companies to become more competitive, that is innovative, dynamic and pro-developmental.

It turns out to be especially essential for small firms where the level of outlays on innovation is low (Grządziel, Poznańska 2003, p. 80]. Only 5 per cent among the researched firms assigned means for research and development activity. Moreover, these amounts were not big, for almost two thirds of firms spending on this aim, they did not exceed 20 thousand zloty. Only 6 per cent of researched small, local firms declared cooperation with the research and development sphere.

It may turn out to be especially valuable to direct innovative activities to small firms and facilitating them production based on modern highly effective technologies. It will allow for activation of small, innovative firms that can expect assistance in the phase of production creation and expansion of various products. It is even more important because the range of activity level of small and big companies was on the level 1:5.4 while in the old EU member states 1:2 (Grządziel, Poznańska 2003, p. 79)

It is generally accepted that innovativeness is one of the basic pillars on which a company's business activity is based. It is therefore (besides autonomy, risk taking, pro-activity and entrepreneurship) one of the basic attributes of competitive orientation in the countryside.

Innovations are connected with openness for new ideas, with perceiving them as an aspect of cultural development. An entity's innovativeness does not mean that it is innovative in all fields. Each entity has its own preferred style, creativity and way of decision-making that variously influence its actions at different stages of its development, as well as its tendency to choose between adaptation and typical innovativeness.

The introduction of innovations depends on fulfilling many condition. First and foremost an appropriate technological potential and an infrastructural foun-



dition are necessary. Also sufficient financial means for research and development purposes and capital intensive innovations must be available. If this is not the case, a missing inflow of capital comes to light which is essential however for financing innovations within the current business activity, and especially for undertaking innovative development investments. Especially the missing access to credit conveniences is particularly negatively perceived. Facilitating access to external financing sources enhances the ability to absorb and use knowledge generated outside the company and becomes the key factor for the development of small, innovative companies (Żynel 2004, p. 97). Assistance from the European Union financial means is also possible. Within the framework of the Union planned expenditure for the years 2007-2013 about 7 billion euro are designed for support of innovative undertakings in economy (within the Operational Programme Innovative Economy).

Possibilities of creative knowledge and information processing are also essential as basis for introducing innovations. Currently, however, under the conditions prevailing in rural areas, this is restricted by an insufficiently developed telecommunication and infrastructural network, as well as capital shortages and insufficient qualifications of the human factor.

It should be noted that these factors are insufficiently developed in Poland (especially in the countryside), which makes the conditions for running businesses and introducing innovations difficult. This is accompanied by economic, universal development obstacles of a general nature, such as market and social obstacles, as well as difficulties resulting from an insufficiently pro-innovative economic policy and legal requirements that are not fully conducive to innovations. These difficulties confirm the results of the ranking referring facilities improvements in the field of running business, published in the report of the World Bank "Doing Business 2007". Poland was classified on the 75<sup>th</sup> position. Our country was overtaken among others by Georgia, Namibia, Botswana and Pakistan ([www.onet.pl](http://www.onet.pl) 6.11.2006). The degree to which they are perceived in rural areas is particularly intensive, although it should be stressed that this degree is different depending on the given field and the specific local microeconomic conditions.

As a consequence, Poland takes a distant rank with regard to using innovations. The innovativeness index (measured as a percentage of companies introducing innovative solutions in their total sum) of the old 15 EU member states equals 47%, in Estonia, which takes the highest rank among the new members, it amounts to 38%, and in Poland to merely 18% (Zwierzchowski 2005, p. 31). Due to technological delays with regard to contracting parties in the European Union there is even the danger of a technological gap.

The betterment of this situation makes some significant effort and a number of improvements necessary. Small, rural companies need help and support. The

participation in the structures of the European Union gives the Polish countryside a chance for faster economic development. Using this chance is connected with the necessity to improve competitiveness. This is the only factor that will make a long-term development under open economy conditions possible. Its key element becomes the use of innovation. The innovative ability of regions does not only depend on the capability of creating new, hitherto unknown innovative solutions, but also on their commercialization. This does not only concern the unique character of innovations, but a steady, long-term trend of business activity backed up by the practical use of the ideas created (Weresa 2003, p. 97).

This will determine the chance of competitiveness growth based on an innovative basis, supported by activity and creativity, with such trumps as the absorptive ability for technological knowledge and progress.

## 5. CONCLUSION

The huge structural transformations and the fast technological development in the European Union increase the importance of innovative processes in the countryside. At the same time, however, the occurring transformations lead to spatially very diversified conditions of innovativeness in countries of the European Union. Conducive to fast agglomeration growth, they have a slower pace with regard to structurally weaker peripheral areas. In specific, slower developing rural areas (especially in new member states) innovation barriers occur which contribute to the deepening of existing disproportions. This makes a new orientation of the regional development in the Polish countryside necessary in order to level out the innovation abilities.

This especially concerns the innovation development among small and mid-sized companies that are located in rural areas.

From the viewpoint of rural areas it is important to strengthen the internal, endogenous competence, which will allow to keep up pace with the technological structural changes. It is important to level out the development level, improve the spatial access to the innovative process and the process of introducing innovations in peripheral rural areas as such. A greater decentralization when supporting innovativeness is especially advisable.

The developing process of innovative progress is based on changes of relatively various character, both technological, organizational as well as economic. Using them in the new, changing environment by companies and institutions of rural areas requires acceptance of market orientation.

Innovation should be based on the supply of usefulness which is of real value. In the view of the fact that it is to serve customers' needs, attention should



be concentrated not only on strategic aspects but above all on market ones. Only profitable innovations will ensure companies success.

An innovation-oriented policy for the development of rural areas in Poland may use the following possibilities offered within the economy of the European Union:

- reducing organizational barriers and increasing absorptive abilities;
- expansion of the existing innovative potential of a given rural region through increasing the technological abilities by means of selectively developing intensive innovativeness;
- supporting innovational conditions through removing regional/local innovativeness bottlenecks, creating a favorable climate for innovations (especially including the mutual complementarity of local production and service companies, as well as well-developed contacts and cooperation between companies and different business support institutions in rural areas – financial support, innovational consultancy etc.);
- cooperation with companies from outside rural regions based on different partnership forms in order to acquire innovative solutions.

Such solutions may bring considerable potential benefits, especially in industries characterized by little innovativeness and low competitiveness on the market.

To sum up, one may say that the innovational orientation with regard to rural areas in Poland requires an improvement of the framework conditions in the realities of the European Union. Peripheral rural areas that are delayed in their development, with innovational barriers leading to spatially undesirable effects, require state support. For the development of the countryside in the European Union, however, bottom-up, local factors influencing this development are the most crucial. Therefore, the entrepreneurs' own initiative requires the strongest support, while at the same time it becomes necessary to enhance the market driving forces. Of crucial importance is the support of innovational undertakings which will improve the spatial disparities through mobilizing internal development forces. They are the main factor of keeping up the development ability and competitiveness of individual rural regions.

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### **ROZWÓJ REGIONÓW WIEJSKICH W POLSCE W ASPEKCIE PRZYSTĄPIENIA DO UNII EUROPEJSKIEJ**

Dążenie do pozyskiwania i utrzymania dobrej pozycji konkurencyjnej na rynku unijnym wymaga ciągle poszukiwanie nowych dróg rozwoju. Regiony wiejskie rozwijają się pod względem ekonomicznym wtedy, gdy potęguje się różnorodność ich tkanki gospodarczej. Podstawę takiego rozwoju stanowi orientacja zorientowana na poprawę przestrzennego dostępu do procesu innowacyjnego i samego procesu wprowadzania innowacji na peryferyjnych obszarach wiejskich. W warunkach Unii Europejskiej dla rozwoju wsi ważne są zwłaszcza oddolne, lokalne czynniki innowacyjne rzutujące na ten rozwój.

**Słowa kluczowe:** rozwój regionów wiejskich, innowacyjność.