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## ENTREPRENEURSHIP OF INHABITANTS VS. ECONOMIC ACTIVITY OF LARGE AND MEDIUM ENTERPRISES IN RURAL AREAS OF SELECTED HISTORICAL REGIONS OF POLAND

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**ABSTRACT.** In the past historical periods, each particular region of Poland was developing – in a sense – as separate organism; some of them were achieving a relative rise in the economic hierarchy, whereas some other were plunging in backwardness. These disparities have remained very distinctive until today, especially between the rural areas of different parts of the country. The aim of this paper is to determine diversifications of economic development level in four selected regions of Poland (Little Poland – pol. Małopolska, West Pomerania, Lower Silesia and the Lublin Region), measured as the localisation range and characteristics of big and medium enterprises in rural areas. Another objective was to observe the relation between localisation and characteristics of those enterprises and the general initiative of local inhabitants. The analyses carried out for this paper have served to create a typology of communes, depending on the number of workplaces in big and medium enterprises in this areas, as well as the general initiative of inhabitants, which then enabled the assessment of economic disparities between rural areas of selected Polish regions.

**KEY WORDS:** rural areas, entrepreneurship of inhabitants, large and medium enterprises, historical regions of Poland.

### INTRODUCTION

In the course of historical periods, individual regions of Poland evolved, in a certain sense, as separate organisms; some of them would become relatively advanced in the economic hierarchy, whereas others would become immersed in backwardness. Each of them is characterised by specific features, shaped under the impact of historical factors on the one hand, and on the other of natural factors

(Gorzelać, 2003). In the opinion of some researchers, these factors determine the region's development. According to Cappellin (2004) and the distance concept developed by him, these features can be divided into two basic groups; one of them emphasises geographical distance between regions (including the distance from economic centres, location within physical space), whereas the other determines institutional distance (e.g. branch structure of economy, level of technological advancement, as well as human and social capital, which some researchers treat as the most important contemporary factor of development) (Fukuyama 1997, 2000).

J. Bański (2005: 83) notes that in highly developed countries the process has been of industry being pushed out of the cities into rural areas for over fifty years. In Poland, this process is not as intense as in Western Europe. Industrialisation of rural areas takes place predominantly within the zones of impact of large cities. Despite a small number of economic entities in villages, the 1990s and the first years of the 21<sup>st</sup> century were characterised by a very dynamic increase in their number. This phenomenon may be explained by significantly lower prices of land, which induce the investors to “escape” from the cities.

The phenomenon of transferring economic activity from cities to rural areas has been examined for several years and is called the “urban – rural shift” (Keeble, Tyler, 1995). Originally, it only referred to industrial activity, yet in the course of time the name was extended to include economic activity in general.

According to J. Grzeszczak (1998: 6), the “urban – rural shift” became characteristic for all economically developed countries and may be considered a phenomenon which, in a certain sense, does not depend on the spatial scale and can be traced with respect to entire countries, as well as smaller areas within a given country.

This study has two objectives. The first is to determine differences with respect to economic activity of large and medium enterprises in rural areas of selected historical regions of Poland. The term rural areas encompasses rural communes or country areas of urban/rural communes. The study focuses on rural areas due to the fact that these areas show greatest disproportions on a national scale. The other objective was to capture the relationship between the activity of such enterprises and the general entrepreneurship of inhabitants of rural areas (understood as the number of economic entities registered in the REGON register per 10,000 inhabitants) and to establish a typology of communes on this basis, taking the distance from the province capital (metropolis) and the commune status (rural or urban/rural) into account.

The conducted analyses were used to determine similarities and differences between rural areas of the following historical regions: Lower Silesia (as a part of a larger historical region – Silesia), Lublin Province, Lesser Poland and Western

Pomerania. These regions were selected due to the fact that for several centuries they continued to develop as separate organisms (*inter alia* on account of the distances separating them) and due to the fact that in the partition period, which played a very important role in the intensification of regional differences, they belonged to three different annexing states. In this place it is necessary to note that the Lublin Province, on account of numerous administrative changes, is rarely treated as an independent historical region of Poland, but as a sub-region of Lesser Poland (in its wide historical depiction). Lublin's pre-partition past was closely related with Lesser Poland [www.umcs.lublin.pl]. Being aware of the extensive historical dimensions of the regions selected for research, it was assumed that for the purpose of the study, the individual regions would be represented by the corresponding provinces in contemporary times. Therefore, further analyses were conducted for communes from the following provinces: śląskie voivodeship, małopolskie voivodeship, lubelskie voivodeship and zachodniopomorskie voivodeship (Fig. 1). In the subsequent part of the study, the names of historical regions will be used interchangeably and synonymously with the names of provinces.



Fig. 1. Contemporary administrative division of Poland

## RESEARCH METHOD

In order to determine differences within the scope of economic activity of medium and large enterprises in rural areas, the data compiled in the HBI 2007 database were used. The authors of the study characterise this activity as the number of large and medium enterprises and their size (both in absolute terms and converted per number of inhabitants of a research unit). The basic research unit is a commune; however, a number of analyses were conducted on the provincial scale. Attention was focused on the analysis of all enterprises located in rural communes or in country localities of urban/rural communes, where employment in the last year amounted to 50 people as a minimum. Adoption of this criterion was dictated by the fact that an enterprise is classified as medium starting from 50 employees (complying with the criterion of annual turnover [www.sgh.waw.pl], which, due to incomplete data, could not be analysed in this case). On the other hand, with respect to the general characteristics of entrepreneurship of inhabitants and populational features of rural areas, the data for the year 2007 compiled in the Regional Data Bank of the Central Statistical Office were used.

### CHARACTERISTICS AND DISTRIBUTION OF LARGE AND MEDIUM ENTERPRISES IN THE ANALYSED AREA

In the rural areas of selected regions, there are 528 companies which have 50 employees as a minimum. The largest number of such companies was in dolnośląskie voivodeship; małopolskie voivodeship scored second; zachodniopomorskie voivodeship and the lubelskie voivodeship had a significantly smaller number of such companies. Analysis of the breakdown of data for four provinces clearly shows certain common features (Tab. 1). Lower Silesia and Western Pomerania have more companies with respect to the number of inhabitants, especially in comparison with the Lublin Province (the index value in Lower Silesia is 28 times higher than in the Lublin Province). Moreover, in the two western regions, the companies have more employees on average (the average size of companies in Lower Silesia amounts to 278.6, which is 150 employees more than in the Lublin area). The consequence of the two phenomena listed above is the fact that the number of work places in the analysed enterprises per number of inhabitants is clearly higher in the western regions. Another element differentiating the regions of Lesser Poland and the Lublin Province from western regions is the share of foreign capital, which is definitely smaller in the first group (respectively, 7.8% and 7.1% of companies from these provinces constitute the property or a joint

property of foreigners), whereas in Lower Silesia and Western Pomerania this index exceeds 21%. The difference with respect to the share of the Treasury is only slight, running on the level of 5–7%, whereas it is necessary to draw attention to the fact that in Lesser Poland and in the Lublin Province, there are more companies with the share of the Treasury than there are companies with foreign capital share.

Table 1. Characteristics of enterprises with 50 employees as a minimum in rural areas, divided into voivodeships

	małopolskie	lubelskie	dolnośląskie	zachodnio-pomorskie	Total
Number of enterprises*	170	90	176	92	528
Number of inhabitants of rural areas	1,680,149	12,132,212	850,869	524,158	4,268,388
General entrepreneurship index of rural population	73.89	44.10	65.91	79.33	63.33
Number of enterprises* per 100,000 of rural inhabitants	10.12	0.74	20.68	17.55	12.37
Number of work places in enterprises* per 10,000 of rural inhabitants	154.88	12.53	291.69	199.30	193.43
Average size of enterprise*	128.11	128.60	278.60	239.11	180.86
Foreign capital share (% of all enterprises*)	5.9	6.7	21.6	21.7	14
Treasury share (% of all enterprises)	7.1	7.8	5.1	7.1	7.6

\* Only large and medium enterprises

The analysis of the legal personality of enterprises once again draws attention to the similarities between western regions. It is also possible to observe a dominant number of limited liability companies and similar proportions in the case of other legal forms. Such analogies are not present with respect to the remaining two areas. Lubelskie voivodeship has a relatively high share of budgetary units and cooperative associations, which together constitute 20% of all enterprises. On the other hand, private companies are most infrequent here (only 8.9% of all companies). Małopolskie voivodeship is exceptional with respect to the fact that almost 1/3 of all units are private enterprises.

Medium and large companies in rural areas of the four regions were established in various periods. The youngest entities, established after 2000, do not disclose

any significant differences between provinces; however, the remaining ones reveal differences which are noticeable. Lesser Poland has the highest share of oldest companies (36.2% of all companies were established before 1990); the Lublin Province also scores high in this respect owing to the fact that a relatively high percentage of companies here have their roots before WWII. On the other hand, Western Pomerania is dominated by enterprises established after the transformation of the political system. These companies are also numerous in Lower Silesia. This state of affairs may be connected with the fact that in western regions of Poland, especially in the areas of Western Pomerania, state-owned farms (PGR) used to exist in the period of real socialism; the major part of the rural population was employed at such farms. After the fall of that system, a definite majority of these large-size farms was dissolved and only then did new entities start to emerge.

Historical and natural conditions shaped diverse economic structure of individual parts of the country. This fact is illustrated by the industry structure of analysed enterprises. In all the examined provinces, most large and medium enterprises rely on the existing natural resources (Fig. 2). This is visible especially in the case of the lubelskie voivodeship and zachodniopomorskie voivodeship. In the first case, almost 50% of all companies deal with production of food or

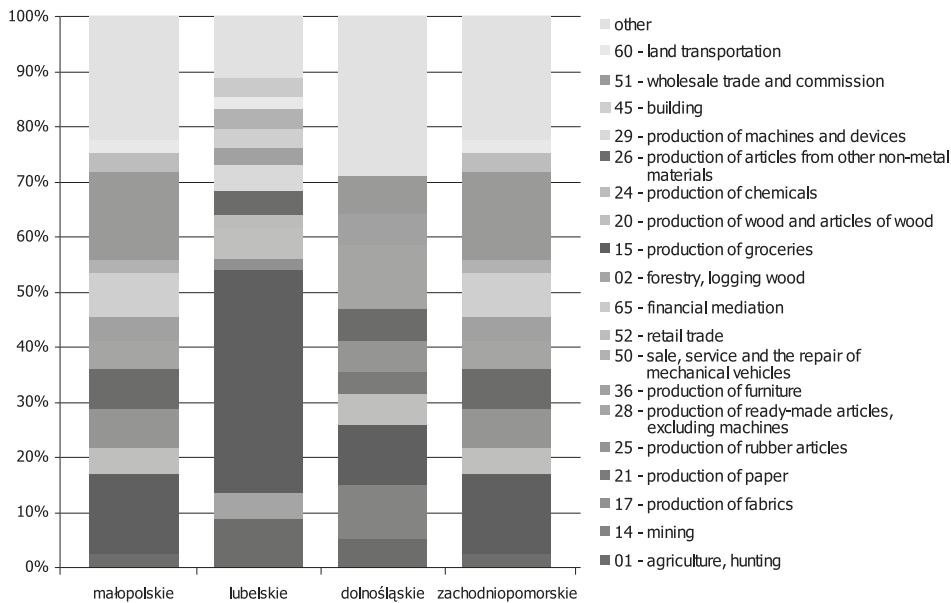


Fig. 2. Industry structure of large and medium enterprises in rural areas

with agriculture (these are mainly agricultural cooperative associations). The next group of companies focuses on obtaining timber and its processing. These companies rely primarily on non-skilled cheap labour force. Therefore, the profile of activity of companies in Lublin villages is not an impulse to revive the region and to motivate the people to increase their qualifications or to change their qualifications and leave agriculture. Zachodniopomorskie voivodeship has a very similar structure; here, over 50% of all companies conduct activities relying on the agricultural production and processing of agricultural products or obtaining and processing of timber. In this case, the structure of analysed enterprises is much more diverse. Two other regions, namely Lesser Poland and Lower Silesia, are characterised by a much greater diversity of enterprises. In Lower Silesia, natural resources are more important than in Lesser Poland. Lesser Poland occupies a leading position with respect to trade enterprises. Despite a significant share of companies producing food, there are many construction companies and companies dealing with the production of rubber products, metal products and non-metal materials.

### **RELATIONS BETWEEN GENERAL ENTREPRENEURSHIP OF INHABITANTS AND ECONOMIC ACTIVITY OF LARGE AND MEDIUM ENTERPRISES**

An important issue from the point of view of the conducted research is answering the question about the relationship between local entrepreneurship and economic activity of large and medium enterprises. It can be assumed that a certain number of companies are established by the inhabitants of the regions and in this case, the selection of location is determined not so much by investment attractiveness of the region but more by certain subjective issues. Moreover, the level of entrepreneurship has its reflection in the general operation of a commune and therefore it may be a factor attracting or repelling the investors. On the other hand, the establishment of such companies in rural areas with a low level of entrepreneurship may be perceived as a stimulus for economic activity of the inhabitants, especially when the profile of their activity is not related to agriculture.

The conducted statistical analyses do not show a direct relation between the number of large and medium enterprises and their size in individual provinces and the general entrepreneurship recorded in communes (Tab. 2). Weak dependence is shown with respect to the index of work places per 10,000 inhabitants, in companies employing at least 50 people. This dependence is most clear in Lower Silesia.

Table 2. Dependencies between general entrepreneurship of inhabitants and economic activity of large and medium enterprises in selected voivodeships (measured by Pearson correlation coefficient)

	małopolskie	lubelskie	dolnośląskie	zachodniopomorskie
General entrepreneurship index of rural areas	1.00	1.00	1.00	1.00
Number of large and medium enterprises per 100,000 of rural inhabitants	0.14	0.14	0.11	0.21*
Average size of large and medium enterprises	0.05	0.09	0.03	0.11
Total number of workers in large and medium enterprises	0.15	0.05	0.13	0.11
Number of work places in large and medium enterprises per 10,000 of rural inhabitants	0.10	0.20**	0.30**	0.23**

\* statistically significant dependence assuming significance level at  $\alpha=0.01$

\*\* statistically significant dependence assuming significance level at  $\alpha=0.05$

### Commune Typology

Taking into account the differing level of general entrepreneurship of inhabitants of rural areas in rural and urban/rural communes and referring it to the work place index in large and medium economic units per 10,000 of inhabitants, commune typology was performed. The selection of this last index was dictated by the fact that it reveals the most real impact of these enterprises onto rural areas. Six following types of communes were differentiated (Tab. 3):

Table 3. Commune typology depending on the general level of entrepreneurship and work place index in companies employing at least 50 people

Types of communes	General level of entrepreneurship	Work place index in large and medium enterprises
type 1	below average*	lack of enterprises
type 2	above average	lack of enterprises
type 3	below average	below average **
type 4	above average	below average
type 5	below average	above average
type 6	above average	above average

\* the average value of general entrepreneurship index for rural population of rural and urban/rural communes amounts to 63.33;

\*\* the average value of the work place index in large and medium enterprises for rural and urban/rural communes featuring such companies amounts to 177.9



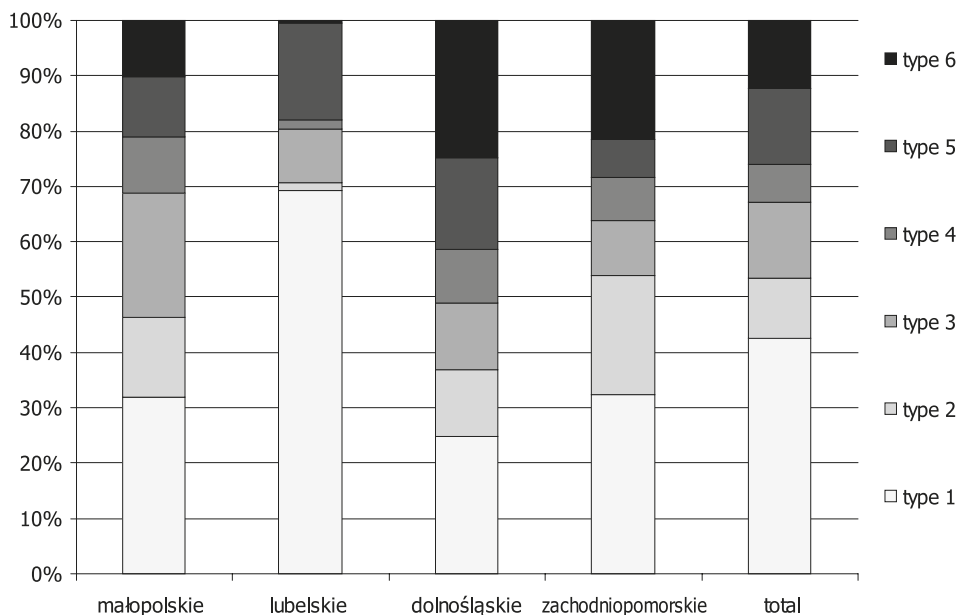


Fig. 3. Share of individual types of communes in provinces

Each of the analysed regions has a different share of individual types of communes; the Lublin Province is clearly different from the rest (Fig. 3, Fig. 6). Due to the very low entrepreneurship of inhabitants, types 2, 4 and 6 constitute only a marginal value. Clearly dominant are communes included under type 1 (69.1%), i.e. communes with low entrepreneurship of inhabitants, where there are no companies employing at least 50 people. Other territorial units have such enterprises within their area which, on account of low entrepreneurship (only 44.1 per 10,000 of rural inhabitants), allows for classifying them under type 3, or, more often, under type 5. In other provinces, type 1 communes are also dominant; however, their dominance is nowhere else so significant.

In zachodniopomorskie voivodeship, where the highest index of entrepreneurship of rural population is observed (79.3), a number of communes also belong to type 4 or 6, whereas units where high level of entrepreneurship is accompanied by a high level of work places constitute over 20% of all units. This share is slightly lower in comparison with dolnośląskie voivodeship. This region is characterised by relatively small share of type 1 communes. In a breakdown prepared in this manner, małopolskie voivodeship scores average; within its area, type 3 communes are numerous. Despite a relatively high entrepreneurship index, many medium and large companies operate in areas where the general entrepreneurship of inhabitants is rather low.

## SIGNIFICANCE OF COMMUNE LOCATION IN RELATION TO THE PROVINCE CAPITAL

Comparing the above typology with location of communes in relation to the main urban centre of the region, several important dependencies were observed (Fig. 4). First of all, areas located within metropolitan zones (distance up to 30 km from the province capital) are characterised by a great diversity of types, with a high share of the types 2, 4 and 6. Western Pomerania is an interesting case; its metropolitan zone has only communes of these classes. It is also worth noting that in Lower Silesia over 80% of communes are included in the group of highest values of both indices. The zone closest to Wrocław has many large enterprises which, combined with a high level of entrepreneurship, illustrates this fact. Lublin is the only province where even the zone closest to the metropolis features numerous communes with low entrepreneurship level, and deprived of larger companies (type 1). The next group with respect to size are communes with a low entrepreneurship level, where companies employing at least 50 employees are located (type 5).

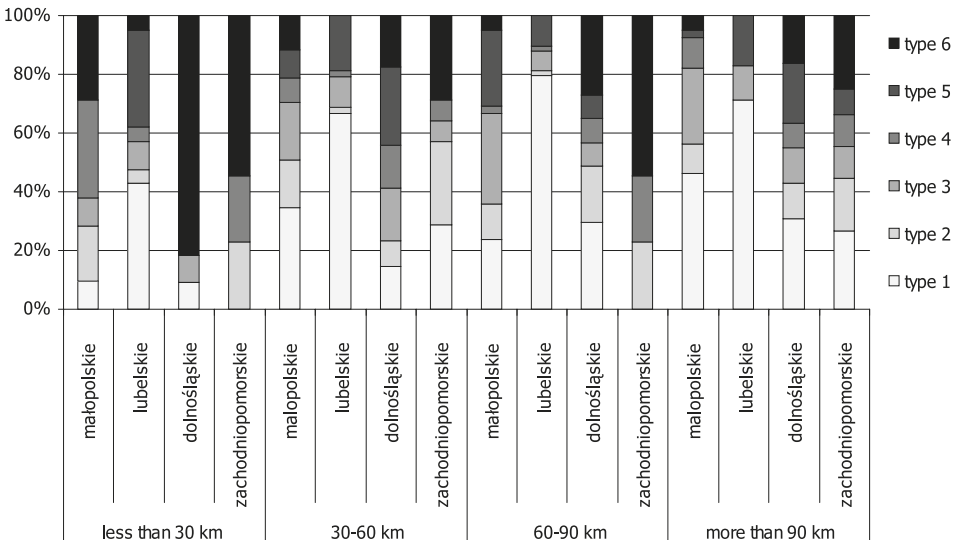


Fig. 4. Typology of communes in relation to the main urban centre of the province

The Share of communes type 1, 3, 5 grows along with the increase of distance from the province capital; however, this is not a general dependence. The zone located within the distance of 60 – 90 km from Szczecin is characterised by an

interesting structure; it is almost identical as in the zone directly adjoining the city, even though in the intermediate area (30–60 km) appearance of type 1 communes was recorded. This is undoubtedly related with the specific character of coastal areas with a high level of local entrepreneurship and certain features attracting the investors.

### SIGNIFICANCE OF COMMUNE STATUS

Interesting conclusions are provided by an analysis of the status of commune (rural or rural/urban). Contrary to the assumptions, it turns out that in three out of four regions (with the exception of Lesser Poland), the structure in rural communes has a lower share of type 1 and higher share of type 6 communes than in urban/rural communes (Fig. 5 and 6). It is probably due to the fact that urban centres constitute a place of employment for people from the surrounding areas and on the other hand the outlet market for agricultural produce (which explains the lower level of entrepreneurship in rural areas). On the other hand, these local centres are competitive for the surrounding villages at the moment of making a decision about the location of an enterprise; rural areas often lose this competition. The different situation in Lesser Poland may be explained by the fact that a significant part of all urban/rural communes is located in the zone

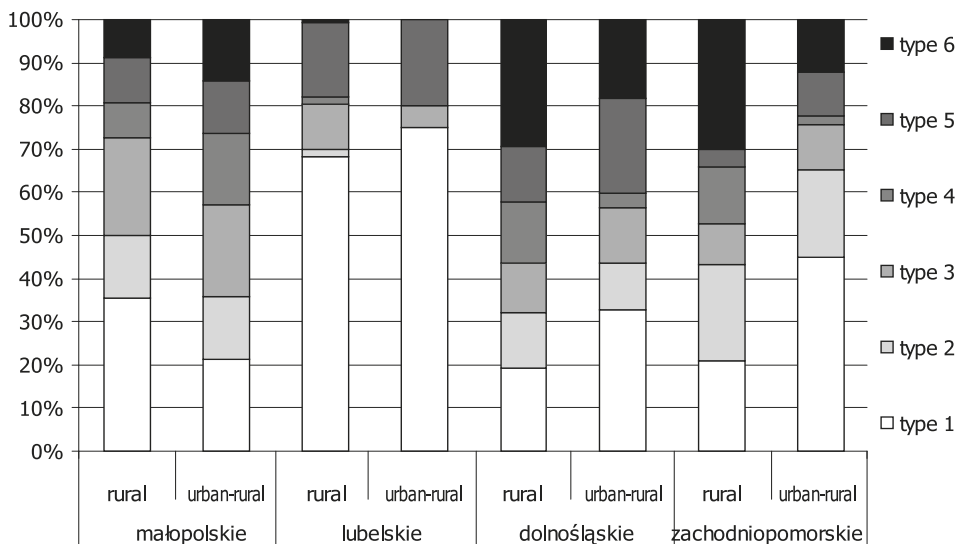
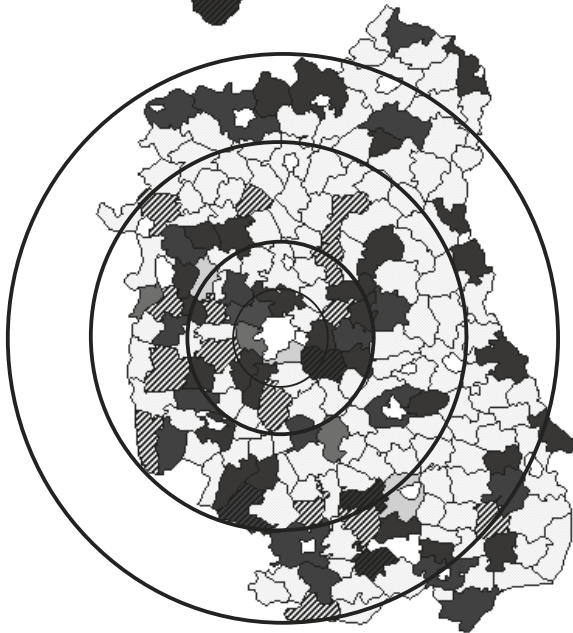


Fig. 5. Share of individual commune types according to commune status in individual provinces

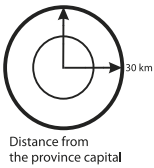
A



B



Legend:

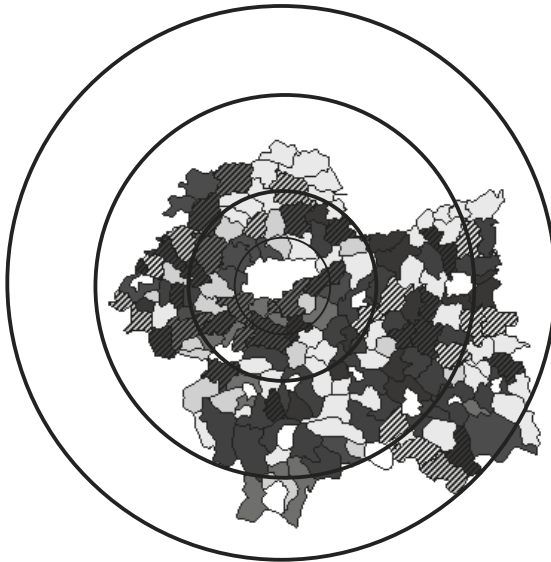


 Urban/rural commune

Commune typology:

-  Type 1
-  Type 2
-  Type 3
-  Type 4
-  Type 5
-  Type 6
-  Urban communes

C



D



A – dolnośląskie voivodeship, B – lubelskie voivodeship,  
C – małopolskie voivodeship, D – zachodniopomorskie voivodeship

Fig. 6. Typology of communes per voivodeship

of direct impact of Cracow and in the zone between Cracow and the Silesian agglomeration. This area is willingly chosen by the investors and at the same time it is characterised by high level of entrepreneurship. It seems probable that this specific location of urban/rural communes determined the fact that the presented dependences are different in Lesser Poland than in the remaining regions.

## CONCLUSIONS

Rural areas of the compared regions are strongly diversified within the range of economic activity of large and medium enterprises in rural areas. With respect to the number of people and the size of companies, there is a clear dominance of Lower Silesia. Taking into account the number of inhabitants of individual regions selected for examination, indices for Western Pomerania are also positive. There are more similarities between these two western regions, such as the high share of foreign capital, analogies within the scope of the dominant legal personality of enterprises and the traditions of existing companies. Moreover, certain common features connect Western Pomerania with the Lublin area, i.e. within the scope of the absolute number of companies and the not-so-favourable industry structure. However, it is necessary to emphasise strongly that the Lublin area definitely scores worst among the four analysed provinces, both with respect to the above-mentioned number and size of the existing enterprises, as well as other features taken into account, including the high share of the Treasury. Lesser Poland scores average in this respect with a notably low share of enterprises with foreign capital and very high percentage of private companies.

No clear dependences have been observed between the level of general entrepreneurship of inhabitants and the economic activity of large and medium enterprises. The typology of relations between these two variables allows for stating that communes with a lower level of inhabitants' entrepreneurship are often more attractive for investors than the second category. On the other hand, it is interesting to note that rural areas of three out of four provinces located in urban/rural communes have fewer medium and large enterprises than rural communes, at the same time having a lower general level of inhabitants' entrepreneurship.

Significant disproportions within the scope of economic activity of large and medium enterprises and the general level of the inhabitants' entrepreneurship between rural areas of individual regions can be explained by natural factors on the one hand and historical ones on the other. Differing natural conditions with respect to the development of agriculture in individual parts of the country has led to the fact that in certain areas agriculture is the only form of activity of the rural population and in other areas alternative ways of living are searched for. In areas where farming the land has not been profitable enough to ensure a proper

life for a family, people have tried to look for additional forms of income which has contributed to the development of local entrepreneurship and in consequence diversified the activity in rural areas (e.g. Podhale). Moreover, the above-mentioned diversification was also induced by the existence of natural resources, whose exploitation has constituted an alternative for farming the land.

On the other hand, historical factors have played an important, or even very significant, role; they have determined the diverse economic development of rural areas of individual parts of Poland. The partitions constituted a decisive moment in history. The conducted research has confirmed the existence of several similarities between the western regions which remained within the borders of the German partition for many years, differing from the others by a culture of labour and relatively good living conditions. At the same time the Lublin Province, which was within the borders of the old Congress Kingdom of Poland, clearly stands out from other regions; the comparison between rural areas reveals a huge economic abyss with respect to the western part of the country. Over a century of tsarist rule submerged the eastern areas in backwardness; economic stagnation was accompanied by a certain atrophy in the attitude of the inhabitants. Today the Lublin region, similarly to the majority of areas in the east of Poland, is not able to compete with the western regions of the country on an economic level, due to much lower human capital (which is expressed by a low level of education) or infrastructural shortages.

The situation of Lesser Poland is very complex. The Lublin region has a relatively homogenous picture of the rural area (typically agricultural with very weak manifestations of economic activity), but Lesser Poland is not so uniform. First of all, conditions for the development of agriculture are, in the contemporary area of Lesser Poland, very diverse; secondly, its territory was divided between two annexing countries and the situation in a Galician village was much better than in areas under Russian partition; this border is still perceptible today.

The communist period also played a role in deepening regional differences between rural areas. This was the period of the development of large-area agricultural farms. The places where such farms existed (Western Pomerania) have much shorter traditions of large and medium enterprises; such enterprises started to be established after the fall of the system.

Currently, the development of economic activity of large and medium enterprises is strongly influenced by the geopolitical location of various parts of the country and in a slighter degree also by the size of the region's centre. The vicinity of the western border contributes to the fact that Lower Silesia and Western Pomerania have a greater share of foreign capital, which undoubtedly stimulates their development. The huge role of the contemporary city-formation processes also exerts an impact on the development of rural areas. The greatest

economic changes are taking place in the zones of impact of large urban centres whereas the size of the urban centre determines the intensity of impact of the discussed processes on the rural area.

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