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## **Doing business support on the part of the towns: Case study Slovakia**

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### **INTRODUCTION, AIM AND METHODOLOGY**

Development of towns and municipalities is conditioned by development of business activities in primary, secondary and tertiary sectors of the national economy. Towns and municipalities start to become a basis of business activities. More or less favourable conditions for doing business are spatially determined by local general tangible conditions in an existing settlement or in its surrounding which are determined to a certain measure by people activities of a certain community. A level of economic development, employment and a living standard of inhabitants are determined by business activities saturation of the settlement. That is a reason why all the inhabitants of the towns and municipalities are interested in the activities of their representative bodies to provide necessary assumptions for such business activities.

The aim of this paper is to introduce a wide international professional community the results of an empirical research of the representatives of all the towns (138) in the Slovak Republic dealt with doing business support from the part of the towns. We will present the results of the questionnaire inquiry organized in a period from March to July 2008. From all the 138 towns 63 participated in the inquiry (rate of return 45,7 %).

## **DOING BUSINESS SUPPORT ON THE PART OF THE TOWNS; GROUPS OF POSSIBLE INSTRUMENTS**

The towns can use concrete instruments to support their economic development and also the business activities in their territories. They are the instruments which enable positively influence economic development of a business environment.

What are the instruments municipal economic policy can use in market economy to influence behaviour of companies, households (inhabitants) and other persons involved into regional development?

During the last decade in developed countries of the west Europe there has originated a wide complex of instruments of municipal economic policy. Individual instruments differ one another depending on their type, their influence force, recipients they are intended for and also their content (orientation).

Fürst et al. differs these municipal political instruments from a point of view of their types and their influence force:

- ▶ information and consultancy,
- ▶ financial stimulations,
- ▶ infrastructural measures and
- ▶ regulation measures.

**Information and consultancy** are of a minimum intensity. They are the instruments of so called soft influence of behaviour of the people involved. Their influence is dependend on knowledge and a value attitude of individual people involved, whereas all the alternatives of any dealing they let on considering of the person involved and they do not prefer any alternative. This is the way how various profiles of individual towns and municipalities can origin through which the enterpreneurs are informed about strenghts of particular municipalities and towns or about a quality of individual attitudes. Within a technological consultancy the enterpreneurs are informed about advantages of new technologies and about the programmes, which can help them with their implementation into practice. For new formed companies there is the special consultancy offered to help solving specific problems of the enterpreneurs – beginners. For the companies which try to find their business partners to cooperate there are various types of exchanges (e.g. labour, contacts) or consultancy.

**Financial stimulations** exist in forms of contributions, tax privileges or cheap loans. They exceed the informational measures, because they remunerate certain dealings of the companies or the households and so they influence decision making process of individual people involved through an individual calculation of costs and benefits. The increased importance

**Infrastructural measures** have the similar effect as the financial stimulations thanks to lower costs because of the projects for the infrastructure support. Except for that investments into infrastructure also directly influence premises for doing business (founding and settling down of the new companies). It is certain minimum territorial equipment by civic amenities, energetic, transport, telecommunication networks etc. Comparing infrastructural measures and financial stimulations, the infrastructural measures work more like a form of a general improvement of a quality of the town. They have some more permanent effect and they influence more reliable than the financial stimulations and they can improve attractiveness of the place in the long term.

**Regulation and administrative measures** are the harder interferences comparing to informational measures and financial stimulations. They can prohibit some dealing and ways of behaviour. Through these measures it is possible to regulate or to prohibit building and founding the companies (investment control) in ecological valuable or ecological non-stable areas or in the areas overloaded by human activities. The administrative regulation plays an important role by founding the new companies and plants and building industrial halls in connection with production technology used (building act and environmental act).

Other, wider instrumentarium as for its content of possible supportive instruments states Ježek (some of the instruments we have already analysed above). It is the classification into 9 groups with 46 instruments.

**Table 1: Groups of possible doing business support instruments on the part of the towns**

GROUP OF INSTRUMENTS AND MEASURES	INSTRUMENTS
1. technical infrastructure	<ul style="list-style-type: none"> <li>▪ transport infrastructure</li> <li>▪ telecommunicational infrastructure</li> <li>▪ technical infrastructure (energy, water, gas, sewer system etc.)</li> <li>▪ business industrial areas investments</li> </ul>

	<ul style="list-style-type: none"> <li>▪ create industrial parks, innovation centres, incubators etc.</li> </ul>
<b>2. lots and immovables policies</b>	<ul style="list-style-type: none"> <li>▪ buy-out lots and immovables (create development areas)</li> <li>▪ privilege rentals</li> <li>▪ revitalization of industrial premises and waste areas</li> </ul>
<b>3. territorial planning and building regulations</b>	<ul style="list-style-type: none"> <li>▪ remove of the industry and industrial areas to the fringe of the town</li> <li>▪ suit building activity regulations to requirements of the business entities</li> <li>▪ staking out the areas available for business activities in municipal plans</li> </ul>
<b>4. financial support, tax and charge policies</b>	<ul style="list-style-type: none"> <li>▪ subsidies (e.g. cheap lots)</li> <li>▪ providing and interfering loans and credits</li> <li>▪ providing the loans and credits quarantees</li> </ul>
<b>5. promotion</b>	<ul style="list-style-type: none"> <li>▪ support of general consciousness about entrepreneurs entities</li> <li>▪ presentations during regional and supraregional actions</li> <li>▪ consultancy to the plants (comapnies) interested in town investments</li> <li>▪ building the positive image about the town in local businessmen and inhabitants</li> </ul>
<b>6. soft localisation factors</b>	<ul style="list-style-type: none"> <li>▪ total care about the look and attrastiveness of the town</li> <li>▪ development of social infrastructure (housing, education, leasure time etc.)</li> <li>▪ positive attitude of the town representatives and the inhabitants to doing business</li> </ul>
<b>7. consultancy and service</b>	<ul style="list-style-type: none"> <li>▪ regular information to the plants about the town development strategy</li> <li>▪ new technologies and innovations support</li> <li>▪ consultancy focused on the possibilities how to support doing business</li> </ul>
<b>8. improvement of administrative activities</b>	<ul style="list-style-type: none"> <li>▪ transparency, planning and reliability by decision making process about the future of the town</li> <li>▪ flexibility and openness of the town administration to the applications and requests of the business entities</li> <li>▪ problem – consciousness they make decision about</li> </ul>
<b>9. other measures</b>	<ul style="list-style-type: none"> <li>▪ preference for local companies in a case of public procurements</li> <li>▪ transfer an interest of entrepreneurs and inhabitants of the town into the town development strategies</li> <li>▪ minimisation of prohibitions and directions.</li> </ul>

Source: Ježek, J. Komunální podpora hospodářství v teorii a praxi. In: Zborník referátov zo VII. medzinárodného kolokvia o regionálných viedách. MU v Brne, 2004, str. 55 – 56, ISBN 80-210-3549-8

## **DOING BUSINESS SUPPORT ON THE PART OF THE TOWNS ON THE BASIS OF THE RESULTS OF THE QUESTIONNAIRE INQUIRY OF THE SLOVAK TOWNS REPRESENTATIVES**

### **Use of economic and non-economic instruments**

The results of our empirical research show that 49,2 % of the Slovak towns think that they do not have enough economic and non-economic instruments how to effectively support local economic development and doing business. 41,3 % of the towns are persuaded that there maybe such the instruments; only one town is persuaded about the existence of such instruments. According to the resto of the towns inquired (7,94 %), thier activities are of less significance not only from the point of view of their extend, but also the content and influence in comparison with the activities on the regional, national or the European level. The representatives of the towns evaluate their possibilities of how to support local economy as significantly limited (65,1 % of the towns). Only two towns are persuaded about their significant possibilities how to support effectively economic development and doing business in their territories. Most of the towns inquired (88,9 %) are prepared to support their development mainly through knowledge and from the planning point of view, further from the organisational and personal point of view; they are not prepared to support their development via the property or finance.

### **Doing business support success factors**

The most important factors of the success of the municipal doing business support and economy are mostly: high quality managemetn of the town, knowledge and innovation skills, information and communication. Next important factor is the existance of the long-term development strategy.

### **Analysis of the doing business support instruments used**

The key part of the research is the analysis of the individual instruments used in the Slovak towns to support their local economic development. We used experience and data from some of our earlier done researches. The most frequently used instruments to support local economic development are: providing technical infrastructure, building the positive image and the total look of the town as well as development of the transport infrastructure.

### **Doing business support as a part of the strategic documents of the towns**

The strategic documents where it is possible to find a formulation of the starting points for local economic development support are the plans of economic and social development of the towns and the strategies of the industrial development coming out from the National Strategic Reference Framework 2007-2013. The analysis showed that 22,2 % of the local municipalities in Slovakia have elaborated the clear and separate strategy or the programme of the local economic development support. In a case of 69,8 % of the municipalities it is a part of the wider strategy or the program of the social and economic development and usually it is generally formulated. There are also some municipalities (7,9 %) which do not have such the strategy elaborated. The least attention is paid to the question of the activation of the local people involved, although its expression in percentage (73 %) is a relatively high number. On the other hand, the main aim of their creation in the Slovak towns is, depending on our research, obtaining some extra financial resources from the EU Structural funds, and forming the clear aims for the future development.

### **Target groups of doing business support in the Slovak towns**

Within the local economic development support the Slovak towns pay the main attention to the potential investors support (79,4 % of the towns). On the contrary, relatively low attention is paid to the support of the cooperation of the local companies and the support of some concrete branch – only one of the Slovak towns inquired mentioned the support to the selected target group, but without any details about it.

### **Roles of the municipalities in doing business support**

The Slovak towns understand their role mainly in doing business support in alignment of the local development strategies with the regional, national and European strategies with the effort to achieve maximum effect for local communities, and so to create conditions for doing business of the private entities, in alignment of the interests and strategies of the important persons involved from the public as well as from the business and civil sectors with the effort to use more effectively the local resources (horizontal coordination), and then doing business with the lots and immobilities in the town's ownership. The towns understand their weakest role as for providing other functions, e.g. building the infrastructure for new entrepreneurs areas. The less attention is paid to providing other functions (rental measures, building infrastructure for development of new entrepreneurship areas).

## **Evaluation of the doing business support in the Slovak towns**

To evaluate the current situation of the local economic development support we offered some opinions to the towns and asked them to express their ideas – which of them best characterizes the approach of the town leaders to the local economic development support. In most of the Slovak towns (79,4 % of the towns) their representatives think that the doing business support in their territories should be indirect, that means that the towns create the environment, which enables doing business development rather than the certain support to the companies. Almost half of the Slovak towns have elaborated a long-term doing business support strategy including their visions they try to meet by the certain measures – projects in practice. Some Slovak municipalities also try to evaluate their individual measures from the point of view of their effectiveness and efficiency. It was pleasant for us to find out that all the towns inquired were persuaded that it is necessary to support doing business in their territories.

## **SUMMARY AND CONCLUSION**

The results of our questionnaire inquiry offer us a comprehensive view of the instruments and activities of the doing business support, which are implemented in individual towns with a clear aim to create a positive business environment in their interest territories. The number of the instruments and measures is not insignificant. The towns in the Slovak Republic use a whole spectrum of the instruments and measures to support doing business; of course questioned can be a final effect.

The analysis showed us that the representatives of the towns evaluate their possibilities of the doing business support in their territories as limited and with significantly less influence than the measures on the level of the region or the state. The most high quality factor of the successful doing business support from the part of the towns was labeled management of the town, knowledge and innovations and communication, and development strategy. The most frequently used instruments of doing business support from the part of the Slovak towns are providing the technical infrastructure, building the positive image and the total look of the town as well as infrastructure development. In a case of majority of the municipalities a formulation of starting points for municipal doing business support is formulated in the social and economic development programme in a rather general form. The main reason why to form these strategies in the Slovak towns is obtaining the extra financial resources from the

Structural EU funds and forming the clear aims of the future development. The most frequent target groups for the support are foreign investors; on the other hand, relatively low attention is paid to the support of cooperation between the local companies and to the support of the concrete branch. The Slovak towns understand their role in doing business support mainly in alignment of the local development strategie with the regional, national and European strategies with the effort to achieve maximum effect for local communities. The towns understand their weknest role as for providing other functions, e.g. building the infrastructure for new entrepreneurs areas. The representatives of the towns think that the doing business support in their territories should be indirect, that means that the towns create the environment, which enables doing business development rather than the certain support to the companies. Almost half of the Slovak towns have elaborated a long-term doing business support strategy including their visions they try to meet by the certain measures – projects in practice. All the towns inquired were persuaded that it is necessary to support doing business in their territories.

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