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Regional barriers and stimuli of SMEs development in southern Poland

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REGIONAL BARRIERS AND STIMULI OF SMES DEVELOPMENT IN SOUTHERN POLAND

1. Introduction

Competitiveness of economic units, especially small and medium-sized enterprises (SMEs), is co-created by the conditions lied in the closest surroundings, both local and regional, therefore the understanding of proper sources of competitive advantage requires undertaking the analysis on a mezo-economic level. Thus delimitation and identification of regional factors, taxonomy of regional business environment as well as possibilities of optimization is very crucial for understanding the impact of regional environment on small business success, development and growth. A good starting point to a discussion on regional factors as determinants for business success can be Tobler's statement: 'Everything is related to everything else, but near things are more related than distant things'¹. It is a paradigm, that some regions have a more entrepreneurial attitude than others. The Global Entrepreneurship Monitor finds considerable differences in entrepreneurial attitudes between countries². German scientists find that these attitudes vary also in regions within one country³. Studies on regional differences in start-up rates can explain these differences in a large extent on the basis of differences in socio-demographic variables and the regional industry structure. Entrepreneurial attitudes are to some extent dependent on the region of origin, but a number of questions concerning the regional influence still remain unresolved in a theoretical and empirical way⁴, and this was the inspiration of conducting this research.

The aim of the paper is to present regional business framework which affects small and medium-sized enterprises' development. The paper presents results of own empirical research, which were conducted in late-2004 year within two groups: entrepreneurs and local authorities. The research was restricted to two provinces in

¹ Tobler W.R.: A computer movie simulating urban growth in the Detroit region. *Economic Geography*, no. 46 (2), 1970, pp.234-240.

² Acs Z.J., Arenius P., Hay M., Minniti M.: *Global Entrepreneurship Monitor, 2004 Executive Report*. Babson College, London Business School, Babson Park, London 2004.

³ Bergmann H., Japsen A., Tamásy Ch.: *Regionaler Entrepreneurship Monitor. Gründungsaktivitäten und Rahmenbedingungen in zehn deutschen Regionen*. Universität zu Köln, Universität Lüneburg, Köln - Lüneburg 2002.

⁴ Tamásy Ch.: *Determinanten des Überlebens neu gegründeter Betriebe*. Working Paper, no. 3, 2002, University of Cologne, Department of Economic and Social Geography, Cologne.

southern Poland (Lesser Poland Voivodeship - Małopolska and Silesian Voivodeship - Śląsk), which make up one region within the EU NUTS classification (region II). The first research group consisted of 109 micro, small and medium-sized firms random sample and the second one of 150 commune authorities. The empirical study was based on the numerous questions, which thematically can be divided into three groups: local business environment, the entrepreneurial attitude of the owner and the characteristics of the firm as well as the development of a firm.

2. Regional barriers of SMEs development

The most often indicated barrier by entrepreneurs (see table 1) was the lack of suitable financial support offered by territorial authorities (58,7 %). This opinion was confirmed also by local communes, which indicated this factor as second in turn barrier (46,6 %). Local policy (created mainly by communes) in favour of small and medium-sized enterprises was also equally often appointed by entrepreneurs as a barrier (55,1 %). Nevertheless territorial authorities indicated this factor among three the most essential stimuli to the development of small and medium-sized enterprises. Entrepreneurs as well as local authorities indicated further the following barriers: lack of commercial financial support (firms 54,1 %, communes 55,7 %); high business rent (firms 47,7 %, communes 33,6 %); life standard of local community (firms 44,1 %, communes 33,6 %). As a regional barrier of SMEs development entrepreneurs indicated equally often local business support centres (45,9 %), while communes as a regional barrier recognised weak accessibility and low quality of B2B services (32,1 % - 5. rang). Unlike entrepreneurs defined this factor more often as a stimulus (36,7 %) than a barrier (25,7 %).

Table 1. Regional barriers of SMEs development in southern Poland in judgement of entrepreneurs and communes

barrier	firms		communes	
	rang	percentage	rang	percentage
public financial support	1	58,7%	2	46,6%
local policy in favour of SMEs	2	55,1%	14	11,5%
commercial financial support	3	54,1%	1	55,7%
business rent prices	4	47,7%	3/4	33,6%
regional business support centres	5	45,9%	7/8	23,7%
life standard of local community	6	44,1%	3/4	33,6%
regional business associations	7	32,1%	10	17,6%
transport and physical infrastructure	8/9	27,5%	6	31,3%
regional labour resources	8/9	27,5%	15	10,7%
B2B services	10	25,7%	5	32,1%
distance to/from suppliers	11	19,3%	13	13,7%
distance to/from sale market	12	17,5%	7/8	23,7%
image of the region	13/14	16,5%	16	6,1%
supply of business offices	13/14	16,5%	9	21,4%
IT infrastructure	15/16	12,8%	11	15,3%
distance to/from cooperants	15/16	12,8%	12	14,5%

Source: Author's elaboration based on own empirical research

Collating barriers indicated by entrepreneurs with the assessment of regional environment factors accomplished by entrepreneurs (according to worked out research methodology) one can confirm negative impact of financial support on SMEs development in the given region. The majority of entrepreneurs evaluated the available capital and financial support in the region negatively, while most of the communes estimated it positively or did not evaluate it stating as difficult to say. Nevertheless there is a moderate correlation between the mentioned factor and the development of small and medium-sized enterprises. The Pearson correlation is 0,44 at significance level $p < 0,05$, which means that capital availability and financial support in the region impact the development of SMEs. Any significant differences between evaluation of young firms (up to 3,5 years old) and older were not observed using Chi-square Pearson test. This factor in comparison with remaining regional business circumstances was the lowest estimated by entrepreneurs. What is more businessmen pointing out the main barriers of SMEs development indicated simultaneously the lack of suitable public and commercial financial support. This phenomenon is called Macmillan gap, that is a gap between demand for capital from small and medium-sized enterprises side and supply of money to firms, especially on regional level⁵. The division of studied firms on these using external financial sources (54,1 %) and these not using (45,9 %) was almost equal, while bank credits and loans from family and relatives were found as the most popular external financial sources among entrepreneurs (see table 2).

Table 2. External financial sources used by studied firms

Popularity	Type of external financial sources
54,7%	bank credits and loans
29,1%	loans from family, relatives and friends
10,5%	EU Structural funds
3,5%	public subsidy and grants offered by central and local government
1,2%	non-commercial funds (low interests)
1,2%	other sources

Source: Author's elaboration based on own empirical research

Such a barrier was also indicated in different empirical investigations. On the basis of empirical research conducted among 94 enterprises N. Daszkiewicz showed the shortage of financial support as the main barrier of small and medium-sized enterprises development (58,51 %)⁶. B. Nogalski, J. Karpacz and A. Wójcik-Karpacz designate the lack of financial support (36,03 %) as well as the difficulty in gaining financial resources (40,54 %) as main destructive determinants of small and medium-sized enterprises development in Voivodeship of Kielce (Świętokrzyskie)⁷. Similarly K. Krajewski and J. Śliwa draw out similar conclusions based on empirical investigations conducted on a random test of 440 communes from the whole Poland. Accessibility of financial and funding resources in authors' opinion makes up one of main restrictive factors of small and medium-sized enterprise development in Poland in

⁵ Józwiak-Mijał M.: Luka Macmillana a znaczenie średnich przedsiębiorstw dla gospodarki. Problemy Zarządzania, nr 1, 2005, p.49-53.

⁶ Daszkiewicz N.: Bariery rozwoju małych i średnich przedsiębiorstw w teorii i w świetle badań empirycznych. Gospodarka w Praktyce i Teorii, nr 2 (7), 2000, Katedra Ekonomii Uniwersytetu Łódzkiego.

⁷ Nogalski B., Karpacz J., Wójcik-Karpacz A.: Funkcjonowanie i rozwój małych i średnich przedsiębiorstw. Oficyna Wydawnicza AJG, Bydgoszcz 2004, p.121.

regional section⁸. Under this regard Voivodeships of Lesser Poland (Małopolska) and Silesia (Śląsk) are placed in a regional negative forefront of a country, where this factor is especially often indicated as one of main barriers. As far as financial support is concerned M. Kouriloff drew out identical conclusions⁹. It shows that financial support is not only a regional barrier of SMEs development, but what is worth noticing a typical barrier of SMEs development in general not only in Poland but also in other countries.

Research conducted by B. Nogalski and his team among small and medium-sized enterprises from Świętokrzyskie Region confirms also another barrier indicated in own empirical research in southern Poland - local policy in favour of small and medium-sized enterprises and entrepreneurship. According to the quoted research 18,01 % of investigated entrepreneurs recognise low activity of territorial authorities as a barrier of SMEs development, and what is more 18,10 % of them indicated local policy as one of main threats¹⁰.

Research conducted by M. Strużycki and his team in the year 2002 among 300 small and medium-sized enterprises from Voivodeship of Mazovia (Mazowsze) confirm also the credibility the results of own empirical research in southern Poland. The quoted authors indicated among main barriers low absorptency of a local market (42,3 %) as well as difficulty in obtaining credits (33,7 %)¹¹. Similar conclusions are contained in research conducted by K. Krajewski and J. Śliwa. In their opinions insufficient level of demand on wares and services especially in regional perspective is one of restrictive factors of small and medium-sized enterprises development, while Śląsk and Małopolska note average assessment¹². N. Daszkiewicz as a barrier indicate also insufficient demand (53,19 %), which one can identify with life standard of local community, that is one of six main barriers indicated by studied entrepreneurs in the course of this research realization (44,1 %).

2. Regional stimuli of SMEs development

Regional stimuli (table 3) to small and medium-sized enterprises development are in principle convergent both in the entrepreneurs' and local authorities' opinion of southern Poland region (Małopolska and Śląsk). Both studied groups as a stimulus showed telecommunication infrastructure the most often (firms 64,2 % - 1. position, communes 49,6 % - 4. position) as well as closeness of sale markets (firms 54,1 % - 2. position, communes 54,2 % - 1. position). Entrepreneurs additionally indicated remaining resources factors the most often as well as closeness of suppliers (48,9 %) and closeness of the cooperants (45,9 %), under this regard similar opinions presented communes. Local policy in accordance with self-evaluation of communal decision-makers is peaceably one of main stimuli (52,7 % - 2. position), while entrepreneurs had an opposite opinion. Local self-government indicated equally often regional image as a regional stimulus of small and medium-sized enterprises development (52,7 % - 2. position). Evaluation of this factor accomplished by entrepreneurs was somewhat lower

⁸ Krajewski K., Śliwa J.: *Lokalna przedsiębiorczość w Polsce – uwarunkowania rozwoju*. Wydawnictwo Naukowe Wydziału Zarządzania Uniwersytetu Warszawskiego, Warszawa 2004, p.117.

⁹ Kouriloff M.: *Exploring perceptions of a priori barriers to entrepreneurship: A multidisciplinary approach*. *Entrepreneurship, Theory and Practice*, vol. 25, no. 2, 2000, pp. 59-79.

¹⁰ Nogalski B., Karpacz J., Wójcik-Karpacz A.: *op.cit.*, pp.121-124.

¹¹ *Małe i średnie przedsiębiorstwa w gospodarce regionu*, ed. M.Strużycki, Państwowe Wydawnictwo Ekonomiczne, Warszawa 2004, p. 117.

¹² Krajewski K., Śliwa J.: *op.cit.*, p.117.

(36,7 % - 5. position).

Table 3. Regional stimuli of SMEs development in southern Poland in judgement of entrepreneurs and communes

stimulus	firms		communes	
	rang	percentage	rang	percentage
IT infrastructure	1	64,2%	4	49,6%
closeness to/from sale markets	2	54,1%	1	54,2%
closeness to/from suppliers	3	48,6%	6	43,5%
closeness to/from cooperants	4	45,9%	7	40,5%
image of the region	5-7	36,7%	2/3	52,7%
supply of business offices	5-7	36,7%	9	32,8%
B2B services	5-7	36,7%	11	28,2%
regional labour resources	8	35,8%	5	48,8%
transport and physical infrastructure	9	27,5%	8	35,1%
life standard of local community	10	26,6%	12	23,7%
business rent prices	11	19,3%	14/15	19,1%
regional business associations	12	13,8%	13	22,9%
Regional business support centres	13	11,9%	10	30,5%
commercial financial support	14	10,1%	16	11,4%
local policy in favour of SMEs	15	6,4%	2/3	52,7%
public financial support	16	5,5%	14/15	19,1%

Source: Author's elaboration based on own empirical research

Analysing regional barriers and stimuli of small and medium-sized enterprises development it is necessary to stress also, that some entrepreneurs recognised a particular coefficient as a barrier, while the others as a stimulus. Almost the same percentage of answers was noted down for two factors: transport and technical infrastructure as well as services for business (B2B services). These results testify to differentiation of particular enterprises needs taking their age and size or the phase of development into account. Conclusions for regional authorities and regional business environment institutions, which can be drawn out, are obvious. While planning (regional) support policy in favour of small and medium-sized enterprises it is necessary to adopt the instruments to different needs of target enterprises resulted from their specifications.

3. Conclusions

In entrepreneurs' perceptions nationwide factors (96,2%) and entrepreneurial attitude of entrepreneurs (94,3%) matter most on development of small and medium-sized enterprises, but regional factors in entrepreneur's opinions also play a very important role (76,5%). The factors based in regional business environment can be divided into two groups: stimuli and barriers. On the basis of empirical research it is possible to determine upon sixteen barriers and stimuli of small and medium-sized enterprises development, in addition to which it is worth underlining, that they are common for the whole studied community, as only in two incidents statistical essential differences were proved. As far as legal form is concerned differences of financial support evaluation were affirmed ($\chi^2 = 8,43$ at $p = 0,07$, $\chi^2_{YATESA} = 9,05$ at $p = 0,06$).

One-man private enterprises considerably more often than remaining enterprises defined this factor as a barrier. Industrial enterprises in predominant majority (considerably more often than remaining enterprises) defined public financial support as a barrier of small and medium-sized enterprises development ($\chi^2 = 26,2$ near $p = 0,03$), but in addition to which the level of significance in first case is rather weak. Taking additionally the percentages of confirmed dependences into account, which carried out 3% (16 factors x 4 variables characterizing each enterprise) it can be commonly accepted, that the prepared on the basis of empirical research composition of barriers and stimuli is typical for the all studied enterprises, which allow for generalizations in this range (compare table 1 and 3).

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