

THE CONCEPT OF STIMULATION OF ENTREPRENEURSHIP - BENCHMARKING AND CO-EVOLUTION APPROACH

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ABSTRACT

Sustainable economic growth is enabled by the production of wealth i.e. development of entrepreneurship. The opportunities of its development, and so the sources of the country's economic wealth, may be found today not only in the proper level of macroeconomic indicators (labour cost, interest rates' level, currency exchange rate, etc.) but also in regional (effective and efficient use of locally diverse opportunities, development predisposition and co-operation between organisations) and microeconomic conditions (differences in management styles). The *sine qua non* condition of the entrepreneurship development is the effectiveness of actions taken in all the three interrelated levels enabling the achievement of the synergy effect.

The aim of the paper is to present an innovative concept of entrepreneurship, realised in Poland on the basis of the co-operation between science, business, authorities, institutions and media.

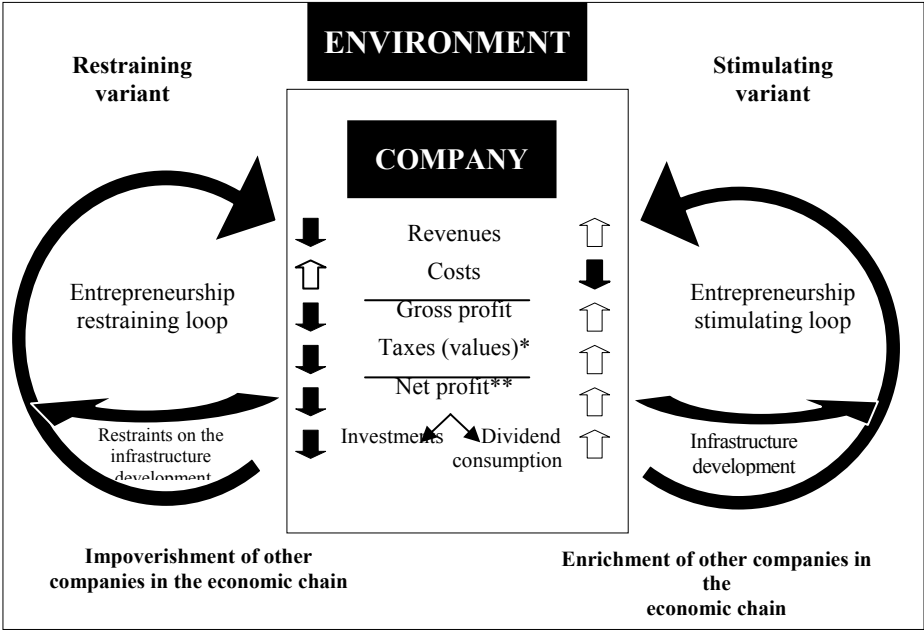
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1. INTRODUCTION. THE MECHANISM OF ENTREPRENEURSHIP DEVELOPMENT AND RESTRAINTS

The worsening economic situation in Poland demonstrated by the growing number of companies going bankrupt, a high unemployment rate, deepening disproportion in development rate in individual regions and the fall of Poland's international competitiveness requires taking radical action to stop the unfavourable tendencies.

Financial and economic analyses of the domestic companies' condition allow to draw the conclusion that we are in a loop restraining the development of entrepreneurship (left-hand side of the figure 1). This phenomenon is characterised by a decreasing dynamics of the companies' revenues and by an increasing dynamics of marginal costs generating a high ratio costs/revenues that gives a low gross profit (even loss) and therefore a small amount of taxes collected.



* covering all the types of direct and indirect taxes and other charges (income taxes, VAT, duty, social security, etc.).

** covering the value for shareholders, income for the owners and salaries (income for the employees)

Figure 1

The mechanism of entrepreneurship development and restraints

The decreasing amount of tax revenues to the State's budget restrain the development of infrastructure supporting entrepreneurship in regions and in the whole country. On the other hand, decreasing profits of individual companies restrain their development potential (lack of resources to finance investments, training, search for new partners, research and marketing, etc.) resulting in a still decreasing quality of their products and services and in the decline in their domestic and international competitiveness. Moreover, the nominally increasing average salaries do not compensate for the current dynamics of price rises resulting in falling purchasing power of employees that restrains the amount of domestic demand. As a

consequence, the reduction of the number of deals closed has a negative impact on the companies' revenues resulting in the impoverishment (often bankruptcy) of subsequent entities in the business chain.

The above-described activities result in a severe crisis, which can be observed in a lower GNP rate, high unemployment rate and a weak purchasing power of the society (cf. Table 1).

Characteristics	Poland	Average for EU countries
GNP per capita	USD 3,881	USD 21.639
Unemployment rate	15%	5.5%
Average monthly gross salary	USD 431	USD 2.490

Table 1. Poland's economic potential - selected macroeconomic characteristics in 1999 (CSO's and Eurostat's data).

Where to search for solution?

2. ENTREPRENEURSHIP AS A RESEARCH CATEGORY AND RESEARCH SUBJECT

In times of intense globalisation, regionalisation, abandoning classical approach to the role of industrial policy to the advantage of regional policy and creating scientific and empirical bases of the theory of clusters (M.E. Porter 2001; M. Abrams (1996), A. Advanti (1997), R. Brealut (1997) et al.) it is the research concerning the entrepreneurship in regions and cities that gains significance. Among Polish researchers the following ones deal with this issue: A. Kukliński 2000, B. Wawrzyniak 2000, B. Jałowiecki (1998), G. Gorzelak (1998) J. Targalski, K. Kuciński et al. The wide interest in the issue related to regions can be observed in the multitude of institutes, departments and other units handling the issue of regional development, established in academic institutions (also outside them). The research carried out by those units focuses mainly on those aspects of regional entrepreneurship (ability to create, accumulate and multiply economic wealth as the manifestation of the economic growth) that stimulate appropriate regulations within the State's regional policy and social-economic policy, e.g. tax policy, the labour code, etc.

The opportunities of the development of entrepreneurship, and so the source of the country's economic wealth, may be found today not only in the proper level of macroeconomic

indicators (labour cost, interest rates' level, currency exchange rate, etc.) but also in regional (effective and efficient use of locally diverse opportunities, development predisposition and co-operation between organisations) and microeconomic conditions (differences in management styles).

Sustainable economic growth relies mainly on a stable development of small (not micro) and particularly medium-sized companies. Statistical analysis and the research carried out so far point out there is much potential in the creation of value added in the whole domestic economy for both groups of entities. However, in Polish economy in the second half of the 1990s a clear decreasing tendency of the number of SMEs is visible, and at the same time the decrease in the number of jobs.

The reasons for this phenomenon, regardless of macroeconomic aspects, should be traced back mainly to the lack of management tools and methods enabling the managers to anticipate and overcome crisis situations, and what's more, to the lack of local and state administration support for development of companies (for the key factor restraining micro companies from becoming small companies is the quality and level of their management systems). Further on, the lack of sufficient professional skills of young managers (since the education system is not adapted to market needs) results in their uselessness, which means the lack of employment in the companies under present conditions.

The tendencies among domestic entities described above question the future socio-economic development of regions, of the whole country, and of Poland's international competitiveness.

3. STIMULANTS OF ENTREPRENEURSHIP – KNOWLEDGE TRANSFER AND REGIONAL PARTNERSHIP

On one hand knowledge and ability to use it in an innovative way is the key source of competitive advantage on the current market. Very close co-operation of the research and business communities that is based on an effective transfer of knowledge, may unlock the hidden entrepreneurial potential of the regions and the cities. Efficiency of the local government may stimulate development of that potential (Bończak-Kucharczyk E.; Herbst K.; Chmura K., 2001).

On the other hand globalisation processes and their results require establishing open companies, with partner relations also with their suppliers, competitors, financial, educational and administrative institutions – relations with the institutions supporting entrepreneurship, etc. Small

and medium-sized enterprises should look for the sources of such a sustainable competitiveness in the co-operation with representatives of their environment, whose characteristics is co-evolution.

The co-evolution concept shows a change of the competition game existing so far. It emphasises the significance of partner network relations. J. Moor (J. Moor, 1996) claims that we are witnessing the end of industry in its previous shape. It becomes a necessity to look anew at the conditions of running a business and to introduce a new term “business ecosystem” (integrated activities of many companies with various business areas and other external stakeholders, e.g. administrative institutions, financial institutions, academic centres, etc. Companies become clients, suppliers, competitors and partners at the same time. They co-evolve in terms of both competition and co-operation. The co-evolution is related to sharing the same vision, establishing alliances, negotiating contracts and establishing complex relations in the field of management and administration.

The concept is presented in the figure 2.

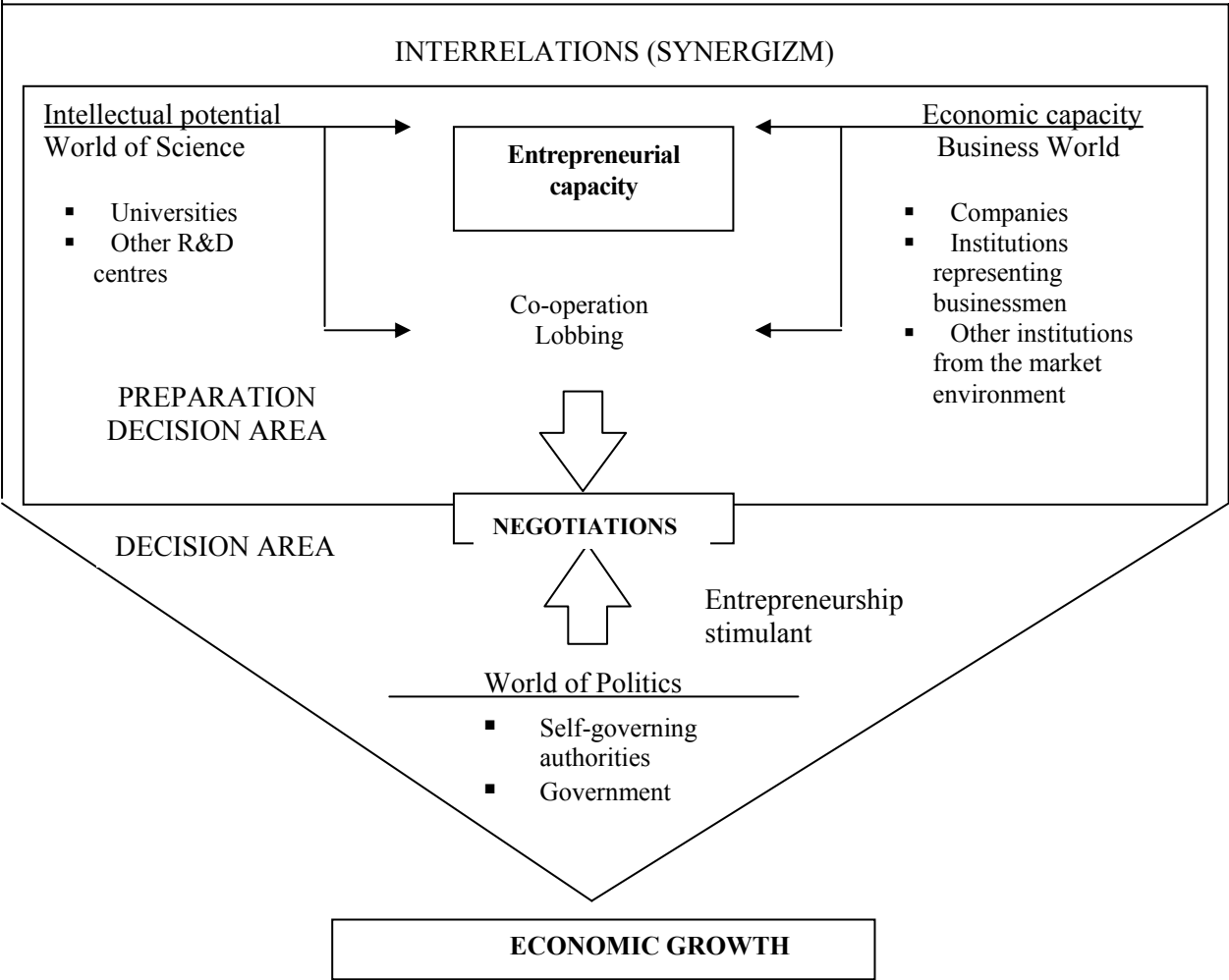


Figure 2. Concept of stimulation of entrepreneurship

The essence of the concept is to identify and analyse main causes of the slow economic growth rates in regions, to prepare tools allowing shaping the regional economic policy, to prepare detailed proposals of co-operation between the representatives of environments involved – academic staff and business representatives as well as local, regional and central authorities.

Why are Universities entrusted with such specific task? It is so, as the University is an institution, whose aims are formulated in the context of socio-economic development of the region and the country in the broad sense of the term. As a scientific centre it possesses the most current knowledge base and highly qualified staff with different specialities which is able to effectively put that knowledge into business practice. In this field it is necessary to continuously enhance the knowledge of the research staff – and not only the theoretical knowledge, but above all the theoretical-and-practical knowledge – through intense development of activities focused on research and implementation.

Interpenetration of research and business practice (business practice allows to formulate research statements, while science allows to put e.g. management ideas and methods into practice) activates the loop of knowledge transfer, continuous learning and improvement. Furthermore University is directed towards business practice what is building its prestige among business and politic circles.

If the University meets the challenges it is facing today and makes use of its potential through realisation of the research project, it may expect the following benefits:

1. Setting a permanent co-operation with the business community that will allow for repeatability of research,
2. Opportunity to make effective use of the potential of the staff – doctoral and habitation theses consisting of projects for solving real socio-economic problems,
3. Opportunity to make effective use of the potential of students
4. Improving the quality of the education process through connection of knowledge, research experience and methodology of the scientific community with the practical experience of the business community.
5. Opportunity to develop an efficient system of identification of future socio-economic needs in order to create new, attractive and desirable courses, e.g. professional management staff, UE lobbying experts and to define the directions of University development

6. Comprehensive development and integration of the research and teaching staff through creation of interdisciplinary teams (problems encountered in real-life business are complex enough to require co-operation of specialists from different fields).

Such an approach to the research will actually stimulate the development of entrepreneurship in cities and regions and will increase their competitiveness.

4. METHODOLOGY OF STIMULATION OF ENTREPRENEURSHIP

In order to improve the economic condition of the West-Pomeranian Region, the Research Team of the University of Szczecin from November 2000 till November 2001 did a research project entitled "General diagnosis of the companies in Szczecin". The aim of the project was to identify the key problems bothering local business entities and to work out co-operation programmes aiming at the improvement of socio-economic condition of both individual companies and the whole region, with an active participation of local authorities, companies and other local institutions due to the implementation of the idea of regional partnership (Lozano Platonoff A.; Sysko-Romańczuk S., 2001).

The increasing interest in the project has inspired the University of Szczecin to share its experience and to take the opportunity of its further development due to the active participation of other Universities and research centres in Poland.

Thus, an initiative of an unprecedented research project has arisen. The project is entitled:

Integration – joint project for development of entrepreneurial regions and cities

The main aims of the project are the following:

- diagnosis of the efficiency of management processes in domestic companies,
- drawing up the conclusions for the rationalisation of those processes,
- supporting academic staff and students in efficient practical problem-solving concerning the implementation of improvement programmes and educational and consulting services,
- prevention of the unemployment among students and graduates and creation of future management elite,
- identification of key restraints and stimulants of the entities', regions' and cities' development,
- creation of appropriate conditions for the co-operation between business, science, institutions and representatives of the authorities,

- proposal of effective tools of economic policy stimulating the development of entrepreneurship in regions, and thus – the growth in the whole economy’s competitiveness.

The phases of the project are the following:

Phase I diagnostic – research

1.1 Preparation of tools and research teams

Preparation of questionnaires diagnosing the situation of the companies, in the co-operation with organisations representing entrepreneurs, academic staff, institutional representatives and authorities, based on the conclusions resulting from the innovative research “General diagnosis of the companies in Szczecin”. A set of questionnaires will be prepared, varying with the companies’ business areas. There are going to be ca. 40 questions for all the companies, ca. 30 questions for the companies of the same business profile (such as trade, production, services or construction) and additional ca. 30 questions for every subgroup of companies. Those tools should enable the team to carry out a causal analysis of present management systems in the context of their inner potential, relations with the institutional environment and the efficiency of the instruments supporting entrepreneurship, applied within the state’s socio-economic policy.

Setting up the work teams consisting of academic staff and students to train them in the organisation of a project, carrying out a questionnaire-based research and interviews with managers. The teams will be made up by academics (regional co-ordinators of the project) and 50 students from each academic centre participating in the programme.

1.2 Carrying out the research

Carrying out the poll in individual regions and cities with the use of the same set of questionnaires in all the regions. Such an approach will enable the team to perform various comparative analyses. The forecasted size of the sample is 10,000 entities, that is about 1,000 in each region.

1.3 Preliminary working out of the diagnosis’ results

Preparation of statistical data and reports for:

- individual business entities participating in the research comparing their competitiveness potential with a group of a similar business profile. A general model of the report prepared in the Szczecin project will be used, but additionally it

will be enriched by the research results of the entities in other regions (additional comparative columns),

- institutions (e.g. customs' offices, tax and financial institutions, etc.) – on the evaluation of the co-operation between those institutions and the companies in a regional depiction (identification of good practice and bottle necks),
- academic centres – on the general evaluation of the present educational system with proposals of its improvement,
- local, regional and central authorities – on the efficiency of the administrative and economic instruments applied so far to support entrepreneurship on various levels.

1.4 Presentation of preliminary regional diagnostic reports

Organisation of regional conferences to present the results of the first phase of the project, during which individual reports for the companies will be delivered to the managers. A proposal of further co-operation will be also presented.

1.5 Presentation of the preliminary national diagnostic report

Preparation of a programme in the national TV, presenting the preliminary summary results of the research carried out and the discussion of those results among the representatives of the environments interested in the project and central authorities.

The support of the 1st phase of the project by the media

Organisation of press, radio and TV conferences, both regional and national, to:

- inform the society of the project gaining more understanding for the processes occurring in transformation economies and to create its responsible civil attitudes,
- raise trust among local entrepreneurs for the research and idea of the project,
- create the university's image as a business partner among local business and acquire the companies to a long-term co-operation in research and implementation works,
- gain support for the implementation of valuable regional and national initiatives.

The media play a fundamental part in arousing the society's involvement in such projects. Along with the project's development, the understanding for it rises among journalists, which results in the media's participation in the project as partners, e.g. Gazeta Wyborcza actively supports the project publishing its results and providing the team with a whole page in the

paper once a month. Also journalist representing the following newspapers and magazines cooperate with the team: Rzeczpospolita, Kurier Szczeciński, Głos Szczeciński, Gazeta Bankowa, Nowe Życie Gospodarcze and others. Polish Television and broadcasting companies produce programs and conferences popularising the idea of the project and its results achieved so far.

Phase 2 analysis – creation of knowledge transfer network

2.1 Regional teams' works

Performing general analyses of the whole group of the companies in question as well as detailed analyses on the levels of individual regions, sectors and individual entities according to a uniform model.

Every centre participating in the project analyses the research results of the companies in its region and draws up a regional research report, similar to the one for the West-Pomeranian region), respecting the conditions and potential of the respective region.

2.2 Interregional teams' works

Organisation of work conferences for the inter-university and interdisciplinary teams working on the thematic and comparative analysis of the issues on the microeconomic, regional and macroeconomic level (e.g. organisational culture, controlling, accounting, taxes, legislation, managerial training, etc.). Those analyses, based on the national sample, will take into consideration the differences between individual regions.

Organisation of a work conference for managers, academic staff and representatives of institution and authorities, during which the results of the analyses will be discussed (plenary sessions in the morning and specialized panel sessions in the afternoon).

2.3 Creation of a co-operation network for a sustainable support of entrepreneurship

Creation of organisational and content-related bases for further co-operation between companies, national academic centres, institutions and representatives of authorities in the area of further research and implementation works (new, specialised research projects).

The support of the 2nd phase of the project by the media

Constant presence of the media at the conferences – informing the society of the research results, publication of papers and books, and the preparation of press, TV and radio conferences. Creation of entrepreneurial attitudes and behaviours in the society.

Phase 3 implementation – support of the companies’ development

3.1 Further training for managers

Organisation of training for managers, providing them with knowledge and management tools for independent preparation of improvement programmes for their companies based on the data from the companies’ individual reports.

Preparation of a proposal of consulting for the companies as services provided by the academics.

3.2 Preparation of future management elite – support of professional involvement of students and graduates

Performing a detailed overview of the companies which agree to further co-operation. Every overview will result in a detailed report on the organisational and financial condition of the company in question along with the proposals of changes aiming at the improvement of that condition. The members of the team performing the overview will pay attention mostly to the key elements of the company’s operations, such as for example its strategy, organisational structure, trade policy, inventories, control system, salary system and the company’s procedures, etc. Such a report (along with the tips on the direction and rules of construction of a restructuring programme for the company) will be delivered to the management of the company. The team will offer the implementation of the proposed improvement programme taking advantage of the involvement of students, who will thus gain valuable experience in management, creating their own workplace in given company. Some of them as soon as during their study period may receive a proposal of a paid job. On the other hand, the employer has an opportunity to get to know his/her future employee. The university establishes closer relations with business practice, on the one hand, acquiring the information and signals on changes in the local labour market what enables it to shape the professional profile of its graduate, and on the other – developing the research and implementation works.

Establishing a close co-operation with the companies to solve the problem identified during the overviews. This co-operation will take the form of internships, during which the student, being a link between the company and the university, would work under the supervision of academics, at least 15 hours a week on the preparation and implementation of solutions to arising problems. The intern would be trained 1 to 4 months, when he/she would be responsible for the realisation of specific tasks. After a positive assessment of his/her performance he/she could be employed by the company. The co-operation with the company

could also concern some individual orders to be performed by the academics (marketing survey, creation of salary systems, etc.).

Organisation of constant training for students to teach them how to solve specific problems in the companies.

3.3 Organisation of lobbying activities

Organisation of meetings with influential people and authorities in order to win their support for the idea of entrepreneurship and strengthening of sound principles of market economy, and at the same time – for the project itself.

Organisation of meetings with the representatives of appropriate institutions (e.g. regional or national authorities, chambers, offices, etc.) to win their support for the proposed changes in the development of individual regions and the whole country.

Organisation of a conference with the participation of managers, academics, representatives of administration and other institutions (e.g. financial, supporting companies) and the media to present and gain support for the implementation of specific solutions supporting the development of entrepreneurship on the regional and national level.

The support of the 3rd phase of the project by the media

Constant publication of the results of the research in scientific and popular science magazines, etc.

Preparation of specific publications and training (for branches, sectors and regions) based on the results of the reviews.

The activities performed in this phase will aim at:

- stimulation of the processes of the society's entrepreneurial and innovative way of thinking,
- creation of highly qualified professional business environment,
- creation of responsible and democratic attitudes of young management elite,
- establishment of a forum of co-operation between entrepreneurs, academics, institutions and authorities,
- popularisation of the idea of lobbying.

Phase 4 institutionalisation of the project – organisation of the system of constant entrepreneurship stimulation

Establishment of centres performing the research and implementation works by academics and students and monitoring constantly the companies participating in the poll (including new entities).

Setting up of an appropriate information system among individual centres enabling a periodic report and benchmarking of the companies' standing (national benchmarking system) and the results of the administrative and economic tools applied (feedback system for companies, academic centres, institutions and authorities), and the response to arising problems.

The support of the 4th phase of the project by the media

Strengthening of the entrepreneurial attitudes of the civil society in the development of market economy due to constant publications and conferences on the subject.

A close co-operation between business, science, authorities and institutions may release the entrepreneurial potential lurking in the cities and regions and help to face the challenges for Poland in the development of democracy and competitive market economy.

The project has won much support not only in the academic and business environment, but also among the representatives of central authorities. The Ministry of Economy has expressed its support for the project and at present negotiations are conducted with various government and private institutions in order to raise necessary funds for the project's further development.

5.CONCLUSIONS. WHERE WE ARE HEADING FOR...

According classical competitiveness theory, profits are only a derivative of the relation of forces between the company, and its clients, suppliers and competitors, in the light of trends of changes in business practice, does not seem to describe the complexity of conditions of today's companies' competitiveness.

The results of the research make up the national and international output in the theory of entrepreneurship, theory of management, theory of strategy and M.E. Porter's theory of clusters for they contribute to the theorems in the framework of the theory of entrepreneurship and verify the assumptions and toolkit of classical branch analyses, new concepts and methods of strategic management in relation to regional conditions regulating the activity of enterprises. Moreover, we are building a base for understanding between various institutions supporting the development of the region, in order to enable them to exchange their knowledge and experience.

The key benefits from the participation in the proposed project will be:

for Universities and research centres:

- access to a rich database that allows to conduct general analysis of the whole group of the inquired companies as well as detailed analysis at the level of a given region, sector or particular company
- verification of the previous concepts of rationalisation of companies' activities through comparison of management systems used in different countries and of factors that determine those systems
- opportunity to develop the undertaking based on the jointly conducted and more detailed comparative analyses of the management fields, e.g. organisational culture, marketing, computer systems etc.
- intense development of the research and development activities - supporting academic staff and students in efficient practical problem-solving concerning the implementation of improvement programmes and educational and consulting services
- opportunity to exchange scientific experience and to compare the research methodology employed in different communities
- integration of the scientific and business communities both within the country and abroad
- establishment of centres performing the research and implementation works by academics and students and monitoring constantly the companies participating in the poll (including new entities)

for Regions and Cities

- analysis of the key limitations and stimulators for the development of entrepreneurship in Regions and Cities
- comparison of processes and procedures employed in the activities of companies in particular Regions in order to search for „economic and administrative best practices”
- search for opportunities for co-operation between home and foreign Cities and Regions through the identification of e.g. market niches

for both sides

- setting up of an appropriate information system among individual centres enabling a periodic report and benchmarking of the companies' standing (national benchmarking system) and the results of the administrative and economic tools applied (feedback system for companies, academic centres, institutions and authorities), and the response to arising problems

- joint lobbying for acceptance of valuable regional initiatives as well as of nation-wide solutions through the reliable results obtained from a large and regionally diverse research sample

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