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Entrepreneurial activities of communes in creation of competitive advantages at regional
investment markets

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Local development studies outline the role of competitive advantages needed for effective competition of communes, which are NUTS V classification territorial units in Poland. Competitive advantages of communes enable them to attract resources interested in regional investment market, which are *sine qua non* condition of local development process¹. Resources enabling communes new investments are investors, tourists and inhabitants and the capital they bring to the territorial units of their destination. The capital they bring may have financial and also non-financial character, as in case of intellectual or social capital². The dissertation is dedicated to specific kind of activities of communes, which impact the creation of competitive advantages and growth of communes' competitiveness in relations to their size, administration type, relative investment attractiveness and location³.

Author of the dissertation is aware about the broadness of the subject of entrepreneurial activities of the communes. Subject matter literature indicates entrepreneurial activities of communes relating to financial management, risk management or making investment decisions⁴. Nevertheless Author of the dissertation is particularly interested in entrepreneurial activities, which in non-reactive way can be recognized by every stakeholder of the commune. In times called often the information age, Author recognizes such activities in management of information and communication activities of the communes. The main objective of the dissertation is working out of possible approach in modeling of competitive advantages at regional investment market adequate to communes' size, administration type, investment attractiveness and its location.

¹ J. Olszewska, Strategia kreowania wizerunku gminy turystycznej, *Ekonomia*, no 3, 2001, p. 147-148.

² In dissertation investors are understood as economic entities and individuals, who own financial capital possible to be invested in considered location increasing the gross value of tangible assets of the location. As the tourists Author defines individuals not linked with defined location within fixed basis, visiting defined location in non-financial purposes, and investing their non-financial capital there, which is capital of their time, and also financial capital related to costs of living and visiting the place. As inhabitants Authors defines current, fixed citizens of defined place, and potentially new inhabitants, who are at interest of local administration in context of joining their territorial unit. Inhabitants bring both, financial and non-financial capital to the communes.

³ Entrepreneurial activities of the commune should be referred in the work to the sphere of local administration activities, not the commune itself, which as an abstract term cannot be personified.

⁴ B. Filipiak, *Finanse samorządowe. Nowe wyzwania bieżące i perspektywiczne*, Difin, Warszawa 2011, p. 104-139 and 261-322.

Identification of distinguishing entrepreneurial activities and answering the question which activities impact on competitive advantages of commune can have influence on active management of local development, as well as management of region, including its strategy and objectives of regional government⁵. Main objective of the dissertation formulated above should prove the main thesis and support theses formulated as follows:

- Main thesis – Entrepreneurial activities of commune are basis of advantages related to creation of competitive advantages;
- Supportive thesis 1 – The most important competitive advantages at regional investment market are costs of setting up new economic activity, and advantages related to economy of scale and economy of scope;
- Supportive thesis 2 – Management of information and knowledge, creation and promotion of investment, tourism and residential product, stimulation of local entrepreneurship and support cooperation and creation of network organizations impact on emerging of competitive advantages at regional investment market;
- Supportive thesis 3 – Entrepreneurial activities of commune can be the basis for working out a model of commune as entrepreneurial organization being a reference point for modeling of competitive advantages at regional investment market.

Author states that entrepreneurial activities of commune can contribute to achievement of competitive advantages of commune, to which belong cost advantages, and also advantages relating to economy of scope and economy of scale. These are classic competitive advantages in and position school and resources and competences school of position in strategy of organization.

⁵ The advantages of relating ones position to position of another entity considered as the best i class is, to which one may aspire are pointed out by R. Giffinger, G. Haindlmaier and H. Kramar, who indicate possibilities of learning and deriving from the best examples of already implemented activities in terms of communes, which are cities – „*On the other hand, it allows specific benchmarking with other cities with regard to given types of profiles. Based on this typology, any city can be compared with cities belonging to the same type, or indeed to any other type to which a city wants to belong (...)* For instance, it would not make sense to learn and to transfer policies or strategies from cities that have completely different profiles. For that reason, it is highly recommended that cities should learn from cities that are relatively similar in their strengths and weaknesses.”, R. Giffinger, G. Haindlmaier, H. Kramar, The role of rankings in growing city competition, Urban Research & Practice, Vol. 3, No. 3, November 2010, p. 310.

In view of the Author, so called position school and resources and competences school can be referred to communes in terms of their positions at regional investment markets and resources and competences they have within the context of competition for local development factors⁶. The dissertation consists of introduction and seven chapters, which content have been summarized in below part of the summary

First chapter introduces commune as a member of regional investment market, which by entrepreneurial activities can actively impact on creation of its competitive advantages and by this, on its competitive position at this type of market. The main objective of the chapter is diligent review of Polish and foreign subject matter literature, and to place the dissertation in its research context. By analysis of contemporary public sector reform paradigms Author points out that commune as participant of regional investment market is able to actively take up entrepreneurial activities. Chapter proves that active and targeted attracting of investors, tourists and inhabitants by the communes is a phenomenon gaining its importance in the recent years⁷. Author recognizes entrepreneurial activities of communes as not enough explored in the subject matter literature with reference to communes location, size, administration type, and investment attractiveness. As a conclusion Author found identification, classification and validation of these kind of activities within the dissertation as scientifically justified. In context of the dissertation subject, Author explores in particular the topic of new institutional economics and transaction costs, which refer to potential investors interested in investment processes in the communes.

⁶ Defined in dissertation advantages relate to costs of access to information, set up and conduct of economic activity, and possibilities of satisfying different needs of stakeholders. In view of the Author, these advantages had been traditionally related to sphere of economic entities, however in context of competing for development factors by communes at regional investment market, they can also be used in reference to communes, K. Oblój, *Strategia organizacji*, Polskie Wydawnictwo Ekonomiczne, Warszawa, 2007, p. 105-106, 126-127, and M.E. Porter, *Przewaga konkurencyjna. Osiąganie i utrzymywanie lepszych wyników*, Wydawnictwo Helion, 2006, p. 39-43.

⁷ Following W. Dziemianowicz competition for external resources, investors, tourists, and inhabitants is core dimension of competition of communes. W. Dziemianowicz recognizes the following types of communes – active communes, which are professionally managed, and which compete effectively by being prepared, active communes, which promote their amenities, but with no chances for competition, as per too broad approach toward promotion, and communes, which are passive and only reactive to attraction of new development resources, M. Pytlak, *Konkurencja i współpraca – komplementarne działania władz lokalnych (na przykładzie wybranych gmin zachodniego pasma aglomeracji warszawskiej)*, [in:] W. Rakowski (eds.), *Rocznik Żyrardowski poświęcony sprawom globalnym, regionalnym i lokalnym*, vol. VIII, Wyższa Szkoła Rozwoju Lokalnego w Żyrardowie, Mazowieckie Towarzystwo Naukowe, Żyrardów 2010, p. 400 i 404.

These types of costs include costs of access and gathering the information, costs of search of economic partners, costs of negotiations, and costs of sealing new contracts⁸. In view of Author, the level of transactional costs of economic entities in the communes depend on information management and approach toward public communication of the communes administration. Therefore entrepreneurial activities related to management of information need to be classified as important in contest of creation of competitive advantages. Representatives of new institutional economy, incl. D. North, O. Williamson, K. J. Arrow, or L. DeAlessi point out that individual decisions of economic entities are impacted by their external barriers and activities of institutions. As pointed by M. Gancarzyk, institutions are in the most cases of public sector character, which in the dissertation need to be related to communes' councils and communes' administration⁹.

In differentiation to the objectives of communes, which are defined by law, Author assumed that communes undertake additional activities, which realization significantly widens offer of commune toward its stakeholders, and can maintain and also attract new capital needed for local development. These type of activities are proposed to be called entrepreneurial activities. In relation to J. Schumpeter, the essence of entrepreneurial activity is its relation with showing initiative, searching and implementing solutions perceived as new, unconventional, or risky when compared to general solutions functioning in the reference group¹⁰. In other words, the objective of entrepreneurial activities of the commune is to achieve competitive advantages by them over other regional investment market participants and to become more attractive place of investments, visits and accommodation. Subject matter literature points out, that policies of transparency oblige public sector entities to active publication of information and establishment of mechanisms enabling getting answers to questions asked to communes by their stakeholders.

⁸ S. Rudolf, Konkurencyjność przedsiębiorstw w świetle teorii kosztów transakcyjnych, [in:] S. Rudolf (eds.), Nowa ekonomia instytucjonalna. Aspekty teoretyczne i praktyczne, Wydawnictwo Wyższej Szkoły Ekonomii i Administracji im. prof. Edwarda Lipińskiego w Kielcach, Kielce 2005, p. 48-50.

⁹ M. Gancarzyk, Wsparcie Publiczne dla MSP. Podstawy teoretyczne a praktyka gospodarcza, Wydawnictwo C.H. Beck, Warszawa 2010, p. 17, 42, 51 and 55.

¹⁰ A. Panasiuk, *Ekonomika Turystyki*, Wydawnictwo Naukowe PWN, Warszawa 2006, p. 200.

The major challenge related to information technologies enabling minimization of transaction costs are the costs of investments in initial infrastructure and competences of people responsible for its service. Literature presents arguments that implementation right to information is initially cost consuming in terms of financial, personal and time resources¹¹. In the discourse related to meaning of information management M.A. Saar points out that appropriately prepared and attractive website can impact on economic prosperity by provision of information to large number of stakeholders, savings of time in acquiring the information or new forms of communication, as in case of videoconferences¹². According to M. A. Saar, technical development and current economic competition results in new undertakings of delivery of fast and precise information. In view of M.A. Saar Internet resulted in new way of thinking, activities and changed the boundaries characterizing traditional investment markets. Arguments for usage of Internet as the main mean of communication with commune's stakeholders include its global reach, interactivity enabling two way communication and leading the dialogue, low costs of usage and its speed¹³. With reference to that literature outlines particular attention to information management activities of communes led by their official website portals.

Second chapter of dissertation covers methodological approach and quantitative results of Author's researches within the group of Polish communes, including identification and selection of research population and also differentiation among entrepreneurial activities performed by communes. In multilayer research group selection processes 50 communes from Poland indicating initial entrepreneurial activities were identified as the group for further research. Selected by Author set of research methods and techniques included methods and techniques of non-reactive character, using raw existing data, and also these of reactive character, resulting in creation of new data.

11 "A wave of new transparency policies and practices is sweeping the globe. These policies involve governments proactively releasing information, as well as establishing mechanisms for individuals to request information from governments. More than 80 countries currently have some form of established right to know or freedom of information standards (...) Carrying out the implementation of freedom of information laws and regulations is costly. Finding, processing, and releasing government documents is an expensive process, and one that takes time.", S. J. Piotrowski, Y. Zhang, W. Lin, W. Yu, Key Issues for Implementation of Chinese Open Government Information Regulations, Public Administration Review, Vol. 69, Supplement to Volume 69: Comparative Chinese/American Public Administration, 2009, p. 129 and 134.

12 M.A. Saar, Jak samorzędy lokalne mogą wspierać rozwój przedsiębiorczości, CeDeWu, Warszawa 2011, p. 122, 133.

13 Ibidem, s. 135.

The basis for identification of analyzed phenomena and establishment of existing state of the knowledge were literature studies focused on Polish and international review of text books and scientific magazines. In relation to analyzed communes, Author assumed that in second decade of 21st century, the basic, comprehensive and trustworthy source of complex information for communes investment, tourism and residential stakeholders is the official website of the commune, together with required by law Bulletin of Public Information¹⁴. Thus the electronic audit method in the research side of dissertation was applied, and Author thoroughly analyzed content available at official websites of the communes, incl. archives of sections dedicated to commune current news management for the period of 12 months backward the day of electronic audit.

In own research Author used also mystery client method relating to preparation and sending electronic communication to the communes from the position of potential investor interested in setting up economic activity in the commune. Factors measured included quality and time of the reply and also openness for continuation of dialogue initiated. Reactive research methods were complemented with survey with formal questionnaire sent to representatives of Polish communes. Time of research performer by Author referred to the following stages:

- Electronic audit research of official website portals of communes and their Bulletins of Public Information 7th of October 2013 – 3rd of November 2013;
- Survey with representatives of communes using structured questionnaire - 25th of August 2014 – 3rd of November 2014;
- Mystery client method research – 1st of September 2014-15th of September 2014.

Electronic audit of official website portals of the communes used structured questionnaire, applying the same methodology to each of websites audited. As result of the research the following findings have been made:

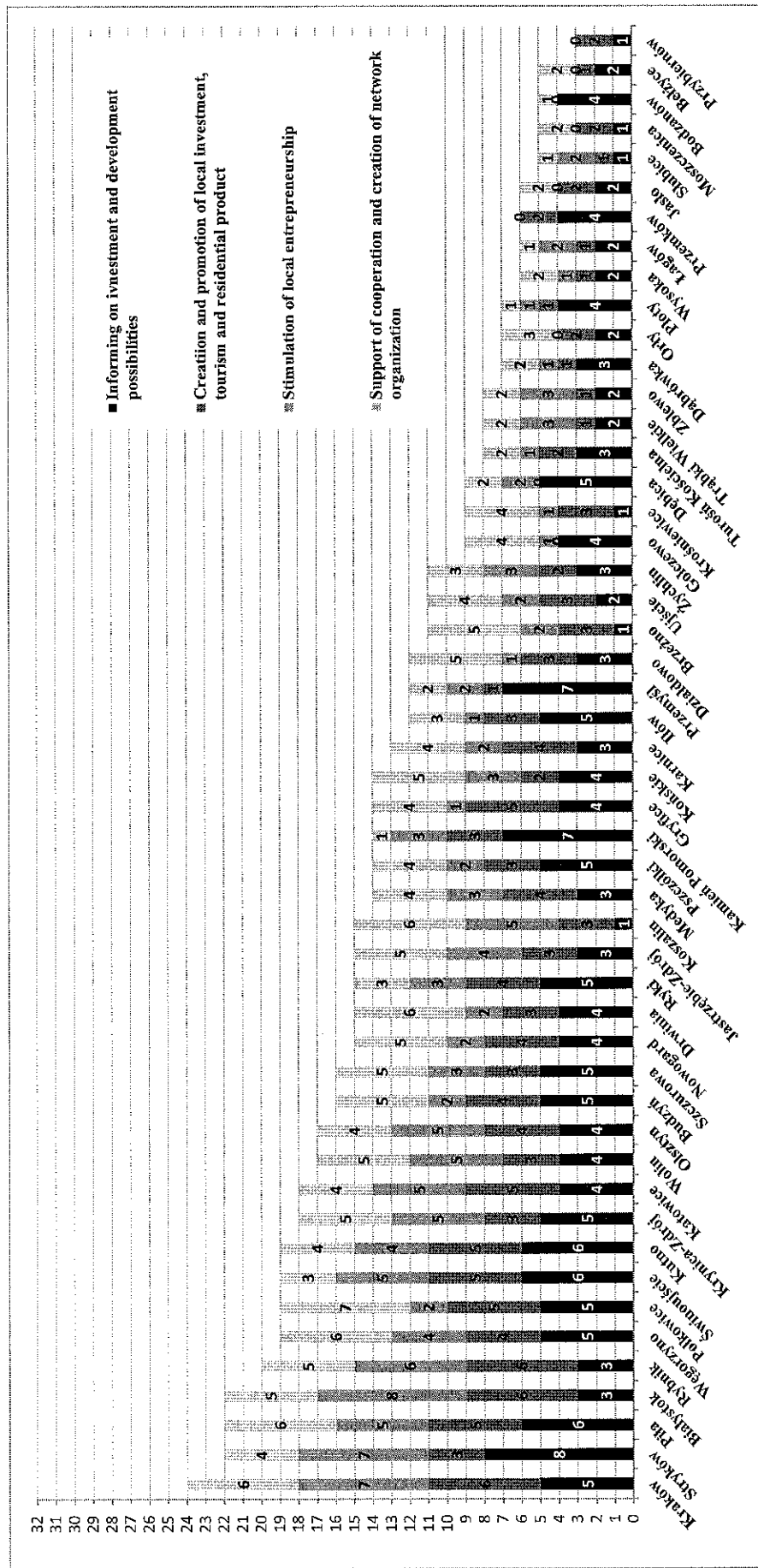
- 145 examples of entrepreneurial activities related to informing about investment and development possibilities in the communes were identified,

¹⁴ Bulletins of Public Information are minimum source of public information of the commune are regulated and required by Polish law, Rozporządzenie Ministra Spraw Wewnętrznych i Administracji z dnia 18 stycznia 2007 r. w sprawie Biuletynu Informacji Publicznej, Dz. U. 2007 nr 10 poz. 68, with further amendments.

- 122 examples of entrepreneurial activities related to creation and promotion of local investment, tourism and residential product were identified,
- 173 examples of entrepreneurial activities related stimulation of local entrepreneurship were identified,
- 125 examples of entrepreneurial activities related to support of cooperation and creation of network organizations were identified.

Distribution of particular activities identified in the population, which had been analyzed in the dissertation with details, have been presented below.

Chart 1. Intensity of entrepreneurial activities of communes basing on research on 50 communes with usage of electronic audit method.



Source: Own research.

In addition to 565 entrepreneurial activities identified in electronic audit research method, Author received 19 replies to electronic communication sent within mystery client method and 8 surveys filled by representatives of communes. Gathered and differentiated material enabled detailed exploration of activities identified including search of similarities and universal mechanisms among them.

Third chapter of the dissertation is dedicated to one of the most important type of entrepreneurial activities of commune supporting creation of its competitive advantages, which is information management. Chapter explores differentiation of engagement of communes among implementation of entrepreneurial activities related to management of information, presents examples of information management instruments, and mechanisms identified within the research. Author indicates similarities and differences in approaches used by communes of different characteristics and explores their universality in terms of impact on potential competitiveness of the commune. In view of the Author in era of electronic economy, examples presented in the chapter prove that all types of communes can effectively establish and develop interactions using electronic channels of communication, no depending on their location, size, administration type or attractiveness of the commune. Information management activities of communes were mostly identified in medium and big size communes.

In relation to small and medium communes, located with no direct access to network of national roads, active usage of information management creates competitive advantages related to availability and time of access to the information. Majority of identified entrepreneurial activities is rather low cost in terms of resources needed for their preparation and implementation what can contribute to implementation and impact on growth of potential competitiveness of communes, including small size communes in particular. Identified activities ranged from actively led current information sections at official website portals of communes to direct information sessions of commune representatives with potential investors and communes' stakeholders.

Chapter four focuses on examination and presentation of differentiation within entrepreneurial activities of communes related to creation and promotion of local investment, tourism and residential products. These activities in view of the Author may partially derive from information management activities,

however they are different by its intention of impact of change of attitudes and behaviors of commune's stakeholders. Author presents essence of explored mechanisms and they applications for communes.

Explored activities in most of the cases were performed by communes of medium and big size. Part of identified activities has universal character, whereas part of them first requires direct access to technical, environmental infrastructure or additional financial resources enabling their implementation. A special attention is given to small size communes, which had been identified as one of the most creative and original ones in terms of creation of local territorial products. Activities identified can range from identification and recording information on existing territorial products or creating new territorial products in the commune to be able to communicate them to commune's stakeholders to activities of more complex character related to creation of brand and brand promise of the location.

Chapter five concentrates on examination and presentation of tapestry instruments and types of engagement of communes in implementation of entrepreneurial activities related to stimulation of local entrepreneurship. This type of entrepreneurial activities belonged to the most popular types of activities identified within the research. These activities concentrate on stimulation, development and retention of existing economic entities in the commune and thus can have active impact on local development process. Author presents differentiation of activities taken up by the communes and their applicable character in context of increase of attractiveness and potential competitiveness of communes. Activities examined in this chapter belong to activities represented in the majority of examples by small and medium size communes.

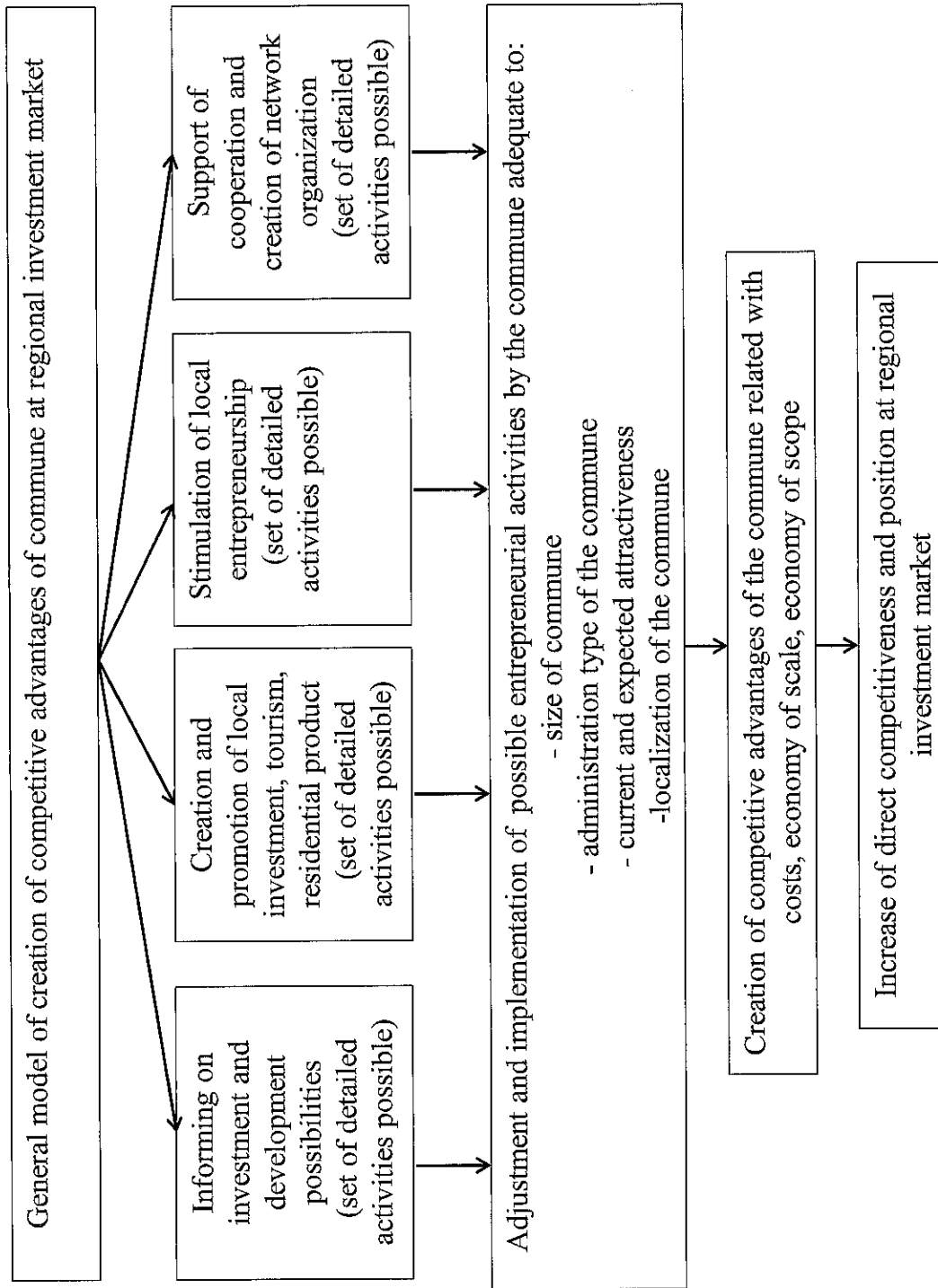
These type of activities belong to activities requiring information management resources, and also incentives types of instruments and behavior patterns change types of instruments. Activities explored in the chapter can range from information and promotion of work places created by local companies in the commune via official website portal of the commune to implementation of specified administration support in setting up and conducting economic activity in the commune.

Chapter six of dissertation focuses on exploration of tapestry instruments and types of engagement of communes implementing entrepreneurial activities related to support of cooperation and creation of network organizations.

These types of activities are focused on engagement of new actors of local development and may create additional activities related to scale and scope of commune's offer to its stakeholders. Author presents selected types of activities and their application character in increase of attractiveness and potential competitiveness of communes. Activities of that type were in majority of examples performed by medium and big size communes. Scope of these activities can range from active recognition of needs and expectations of local development stakeholders to exchange knowledge and know-how by administration of the commune with stakeholders, and to establishment of cooperation among commune and external stakeholders to achieve selected, measurable goal. Phenomenon, which might be linked to this type of activities is co-optition, which refers to simultaneous cooperation and competition. Network organizations created by communes can result in advantages not possible to be achieved in situation of activities focused only at internal resources of commune.

Chapter seven synthetizes entrepreneurial activities of the communes explored in former chapters of the dissertation and is concluded with proposition of model of entrepreneurial activities of the commune, which can be used in working out set of activities possible to be performed by the commune in order to increase its potential competitiveness. Basing on selected communes Author verifies applicability of the model, including presentation of the model data in visual interface. In view of the Author the tool presented in the chapter can be useful in diagnosis, planning and implementing of activities related to conscious increase of attractiveness and competitiveness at regional investment market. General model, which each group of activities had been detailed in form of sub model in the dissertation have been presented below.

Scheme 1. General model of creation of competitive advantages of commune at regional investment market.



Source: Own research.

Dissertation ends with conclusions related to entrepreneurial activities of small and medium communes, which justify implementation of focused group of activities, and big communes, which due to resources within their reach are able to implement full range of possible and also more sophisticated entrepreneurial activities. Due to intentionally narrowed down subject of the dissertation, and focus on information management type of activities Author recognizes and proposes further research topics related to the field explored.

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