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## **ENTREPRENEURSHIP AS A FACTOR STIMULATING THE COMPETITIVENESS OF LOCAL LABOUR MARKET**

### **Abstract**

Entrepreneurship level is one of key determiners of labour market competitiveness. It is equated with, among other things, starting and organizing new business activity, creating new jobs and outlet or shaping customer needs. Furthermore, in the context of developing globalization, entrepreneurship is becoming the main element that determines the competitiveness of national economies.

The article is aimed at presenting rural entrepreneurship in Zachodniopomorskie voivodship (West Pomeranian voivodship) in the context of improving the competitiveness of regional labour market. The analysis will be based on the literature on the subject and empirical data derived from Regional Data Bank of Central Statistical Office in Szczecin.

**Key words:** competitiveness, entrepreneurship, enterprise, entrepreneur, labour market

### **Introduction**

Entrepreneurship is one of factors determining the competitiveness of regional labour market. It is most often equated with the process consisting in starting and developing business unit, and also with changes occurring within organization. In 1996, the European Commission presented and thoroughly characterized the influence of self-employment on labour market competitiveness<sup>1</sup>. The Commission has put the emphasis on the ability to create and maintain high production factors income through: growth in productivity, openness to international competition to a large extent, and ability to create and stimulate employment. The aforementioned intensification of actions, oriented to making the society more active, is reflected in the creation of new jobs through setting up enterprises. Taken the above into account, entrepreneurship is becoming the main element of the competitiveness of the economy, industry and entities functioning on local and national labour markets.

The present article discusses the most important determinants of entrepreneurial processes that significantly affect the competitiveness of regional labour market. The analysis will be based on the literature on the subject and empirical material concerning rural entrepreneurship in Zachodniopomorskie voivodship.

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<sup>1</sup> A. Zielińska – Głębocka, Teoretyczne koncepcje konkurencyjności – próba systematyzacji, in : Potencjał konkurencyjny polskiego przemysłu w warunkach integracji Europejskiej, A .Zielińska – Głębocka (ed.), Wydawnictwo Uniwersytetu Gdańskiego, Gdańsk 2005, p. 33

## Entrepreneurial process

Contemporary research on entrepreneurship is based on processes and attitudes taken by enterprising individual who can notice chances arising in environment and seize them. As far as analyses conducted are concerned, three economic theories about entrepreneurship, based on Cantillon's teachings, are usually referred to, namely

1. Schumpeter's theory presenting entrepreneur as the creator of changes and person introducing innovations,
2. Knight's theory analyzing enterprising individual as the main factor aimed at reaching market equilibrium,
3. Austrian School's theory describing abilities that entrepreneur has and thanks to which he/she can notice new market opportunities and can foresee and adjust to existing needs<sup>2</sup>.

On the basis of the aforementioned assumptions, entrepreneurship may be defined as noticing and creating new economic opportunities together with making decisions about locating and using certain resources and factors found in environment<sup>3</sup>. In this sense, enterprising individual is to bring about internal and external changes improving the effectiveness and developing environment in which he/she is functioning, and also improving the competitiveness of regional labour market.

In the literature on the subject, entrepreneurship is quite often presented as a process that involves setting up and running an enterprise. As for the former, entrepreneurship is equated with actions taken by individual, as a result of which new organizational unit is established or internal changes occur. Take the latter into account, it is treated as the way of managing business activity.

Research on entrepreneurship, reflected in the creation of new undertakings, was conducted by, among others, Adamczyk who distinguished the following stages in the phenomenon under consideration:

1. innovative idea,
2. motivation,
3. means of implementation,
4. implementation,
5. effects<sup>4</sup>.

The first stage (innovative one) consists in producing new ideas aimed at changing the present-day reality. This stage is primarily based on innovative and creative idea preceded by reflections and conclusions, and ending in identification<sup>5</sup>.

The second stage refers to motivation expressed as willingness to gain benefits accruing from the implementation of a particular undertaking. It must be plausible to bring about the desired effect in given conditions. The following factors are mentioned among those determining the motivation for embarking on new undertakings:

1. existential and material needs as well as needs of higher order,
2. family and religious factors, system of values,
3. socio-economic conditions,
4. personality traits of an individual,

<sup>2</sup> A. R. M Wennekers, L. Uhlaner, A. R. Thurik, Entrepreneurship and its conditions: A macro perspective, *International Journal of Entrepreneurship Education* 2002, Vol.1, p. 28.

<sup>3</sup> A. R. M Wennekers, A.R. Thurik Linking entrepreneurship and economic growth, *Small Business Economic* 1999, Vol. 13, pp. 27 – 25.

<sup>4</sup> W. Adamczyk, *Ewolucja form i typów przedsiębiorczości*, Akademia Ekonomiczna Poznań, Poznań 1995, p. 10.

<sup>5</sup> W. Adamczyk, *Przedsiębiorczość próba definicji*, *Przegląd Organizacyjny*, 1995, no 5 p. 13.

### 5. market opportunities<sup>6</sup>.

The aforementioned factors result from the correlation between personality traits displayed by a human being and situation favouring the development of entrepreneurship. Furthermore, these factors affect the extent to which different people are active, and develop their action plans<sup>7</sup>.

The third stage analyzes means of implementation thanks to which it is possible to put innovative idea into practice through motivating a human being to take actions. These means are diverse and their type depends on a particular undertaking. Human factor, which, together with financial capital, is considered one of the most important means for the realization of plans, is of profound significance. Taxes, marketing and market size are another in a row<sup>8</sup>.

The fourth stage involves the implementation of a given undertaking. It mainly consists in the realization of ideas and plans. This is a stage at which not only a new product or service, but also new methods of production, management and organization (that will be employed later on) are being created<sup>9</sup>.

The last stage in the process of entrepreneurship consists in generating the effects that are indicators of entrepreneurial activity of an individual. On the basis of the result obtained which is most often expressed in the form of profit or loss or other non-material values, entrepreneur defines his/her satisfaction with the undertaking implemented. Furthermore, this stage also includes the assessment of effectiveness of actions taken and formulation of conclusions as to the realization of future plans.

The above formula analyzes entrepreneurship as a sequential system of stages. Each stage is determined by a number of economic, psychological and system factors as well as existing risk and uncertainty. Moreover, all the stages affect shaping of idea and creating one's motivation for implementing the undertaking. Omitting or changing any stage makes enterprising individual stop implementing the undertaking and makes him/her less active<sup>10</sup>.

Apart from equating entrepreneurship with a process aimed at starting new business, it is also examined in the context of managing the organizational unit. It was Drucker who created the concept. He claimed that undertakings implemented by an institution that would not introduce innovations and had no knowledge of management were doomed to failure<sup>11</sup>. According to him, every organization should be managed by creative individual who seeks new market opportunities thanks to which innovative actions could be taken. On the basis of managerial skills demonstrated by a particular individual, Drucker distinguished the following three kinds of entrepreneurial management:

1. entrepreneurial management of large enterprise,
2. entrepreneurial management of new enterprise,
3. entrepreneurial management of public institution<sup>12</sup>.

All the above kinds of management were aimed at creating new value of economic entity and improving its competitiveness in a given environment.

The analysis of entrepreneurship as a process shows that success achieved by an individual, understood as reaching a desired, universally accepted and plausible aim, is

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<sup>6</sup> T. Bławat, *Przedsiębiorca w teorii przedsiębiorczości i praktyce małych firm*, Gdańskie Towarzystwo Naukowe, Gdańsk 2003, p. 167.

<sup>7</sup> B. Piecek, *Portret zbiorowy przedsiębiorców*, w: *Kapitał ludzki i zasoby społeczne*, red. K. Szafraniec, IRWiR PAN, Warszawa 2006, p. 222.

<sup>8</sup> M. Okólski, *Między państwem a rynkiem*, PWN, Warszawa 1994, pp. 81 – 85.

<sup>9</sup> F. Kapusta, *Przedsiębiorczość teoria i praktyka*, Wydawnictwo Wyższa Szkoła Zarządzania i Bankowości w Poznaniu, Poznań 2006, p. 26.

<sup>10</sup> W. Adamczyk, *Przedsiębiorczość ....op. cit.*, p. 14.

<sup>11</sup> P. Drucker, *The New Realities*, Mandarin, London 1990, p. 219.

<sup>12</sup> H. Rębacz, *Przedsiębiorczość we współczesnej gospodarce i społeczeństwie*, *Studia i prace Kolegium Zarządzania i Finansów*, SGH, Warszawa 2000, Zeszyt nr 12, p. 79.

affected by various socio-economic determinants to a large extent. Nevertheless, macroeconomic and microeconomic determinants play a crucial role in implementing new business undertakings. Therefore, it is vital to carry out the analysis of entrepreneurship in Western Pomerania in the context of local labour market competitiveness.

### Rural entrepreneurship in Zachodniopomorskie voivodship

Analyzing the entrepreneurship in rural areas in Zachodniopomorskie voivodship, it should be stressed that available statistical data does not allow to carry out a thorough analysis of entrepreneurship for urban and rural areas individually. However, it seems appropriate to present general – regional trends, though rural and urban enterprises function in different development conditions.

As it appears from statistical data shown in Table 1, at the end of 2007, 210 750 entities were registered in REGON (NUTS classification) in Zachodniopomorskie voivodship, and 3 685 508 in the entire country. The number of entities registered was subject to increase in 2007 (by 15.65% and 17.95% respectively) compared to 2000.

Taken the analysis of economic entities by ownership sectors into account, it should be noticed that private sector dominated both in the entire Poland and in Zachodniopomorskie voivodship. In 2007, 202 212 firms were registered in the region, which constituted 95.9% of all the entities in Western Pomerania. This number was smaller in the case of public sector and amounted to 8538 entities, which constituted 4.1% of all the entities. It ought to be added that people conducting business activity represented the majority in private sector registered in REGON (NUTS classification). At the end of 2007, the share of the aforementioned group amounted to 81.11%. In the case of public sector, state-owned and local self-government budgetary units represented the largest percentage, namely 33.81%.

Table 1. Entities of the national economy registered in REGON (NUTS classification) in Zachodniopomorskie voivodship by ownership sectors

Years	Total	public sector		private sector	
		in thousand	%	in thousand	%
<b><i>Poland</i></b>					
2000	3186 704	100 581	3.16	3 086123	96.84
2007	3685 608	139 505	3.79	3 546103	96.21
<b><i>Zachodniopomorskie voivodship</i></b>					
2000	180 002	6 033	3.4	173 969	96.6
2007	210 750	8538	4.1	202 212	95.9

Source: own elaboration based on Regional Data Bank of Central Statistical Office.

Comparing the dynamics of changes occurring with reference to economic entities which had the largest share in public and private sectors in the period 2000 – 2007 in Zachodniopomorskie voivodship, it should be stated that the number of natural persons conducting business activity increased by 19 900 (i.e. by 13.8%), whereas the number of state-owned and local self-government budgetary units increased by 819 entities (i.e. by 39.6%). It also seems interesting that the number of state-owned enterprises decreases every year. At the end of December 2000, there were 145 such units, whereas at the end of December 2007 this number amounted to 29 entities (- 80%).

Analyzing the structure of enterprises by PKD (Polish Classification of Activity) sections in Zachodniopomorskie voivodship, it should be stated that increase in the number of

entities was recorded in nearly all sections in 2000 (Table 2). Only in the case of enterprises registered in the section *agriculture, hunting and forestry*, the number of entities decreased by 2.6% in 2007 compared to 2000. The following PKD sections were characterized by the greatest upward trend and dynamics in 2007 compared to 2000: education (+46.01%), other community, social and personal service activities, (+40.59%) as well as real estate, renting and business activities (+33.95%)<sup>13</sup>. Analyzing the structure of entities registered in REGON (NUTS classification) in rural areas in Zachodniopomorskie voivodship by PKD sections (Table) with the use of available data, it can be noticed that (just in the entire region) increase was reported in nearly all sections in 2007 compared to 2002<sup>14</sup>. Only in sections *fishing, agriculture, hunting and forestry* as well as *transport, storage and communication*, downward trend was noticed. It should be stressed that the decrease was larger in the case of the former section. As for sections characterized by the upward trend, the most considerable increase was reported in sections such as *construction* (55.15%) and *other community, social and personal service activities* (45.32%).

Table 2. Entities of the national economy registered in REGON (NUTS classification) in rural areas in Zachodniopomorskie voivodship by PKD (Polish Classification of Activity) sections in the period 2002 – 2007

	2002	2003	2004	2005	2006	2007	2007/2002
Altogether	35 350	37 191	36 775	38 370	40 192	41 598	17.67%
Agriculture, hunting and forestry	3 755	3 874	3 248	3 392	3 461	3 531	-5.97%
Fishing	352	358	312	292	280	285	-19.03%
Mining and quarrying	38	35	37	40	40	41	7.89%
Manufacturing	3 627	3 727	3 777	4 010	4 235	4 366	20.37%
Electricity, gas and water supply	70	75	70	68	66	77	10.00%
Construction	3 486	3 562	3 567	3 997	4 677	5 409	55.16%
Trade and repair	10 173	10 730	10 657	10 803	10 936	10 940	7.54%
Hotels and restaurants	3 460	3 798	3 813	4 002	4 160	4 358	25.95%
Transport, storage	2 470	2 504	2 389	2 389	2 386	2 442	-1.13%
Financial intermediation	879	948	952	935	938	1 008	14.68%
Real estate, renting and business activities	3 330	3 582	3 722	3 916	4 106	3 960	18.92%
Public administration and defence; compulsory social security	337	358	408	436	452	475	40.95%
Education	640	706	719	760	787	805	25.78%
Health care	1 147	1 211	1 284	1 375	1 490	1 600	39.49%
Other community, social and personal service activities	1 582	1 719	1 816	1 951	2 176	2 299	45.32%

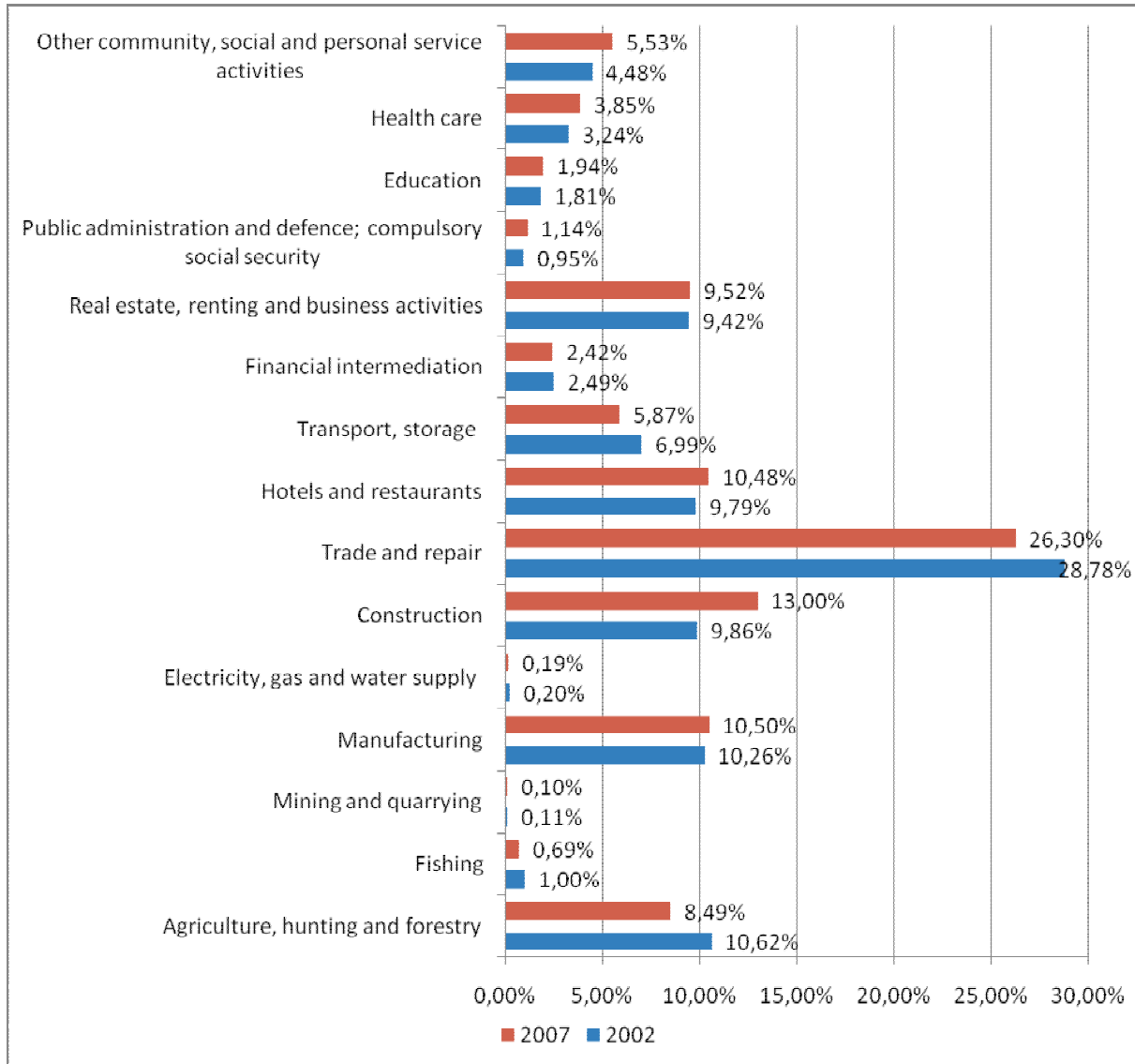
Source: own elaboration based on Regional Data Bank of Central Statistical Office.

<sup>13</sup> Data derived from "Statistical yearbooks of Zachodniopomorskie voivodship 2001 – 2004", Statistical Bulletin of Zachodniopomorskie voivodship, 4th Quarter of 2007, Statistical Office in Szczecin, March 2008, pp. 52 – 53.

<sup>14</sup> Due to the fact that before 2002 there was no division into urban and rural entities in PKD sections, the analysis of rural entities was carried out for the period 2002 – 2007.

It was natural that the growth in the number of entities registered in rural areas in Zachodniopomorskie voivodship determined their structure with reference to PKD section they represented (show in Chart 1).

Chart 1. Structure of economic entities in rural areas in Zachodniopomorskie voivodship in the period 2002 – 2007 by PKD sections



Source: own elaboration based on Regional Data Bank of Central Statistical Office.

Taken PKD sections into consideration, entities from *trade and repair* section represented the largest number of entities registered in rural areas and constituted 26.30% of all the entities in 2007. Another section was *hotels and restaurants* that had a share amounting to over 10%. Entities from *electricity, gas and water supply*, *mining and quarrying* as well as *fishing* sections represented the smallest percentage in the total of entities registered in the period under examination. All the aforementioned sections did not embrace more than 0.8% of entities registered in rural areas in Zachodniopomorskie voivodship. Furthermore, it should also be noticed that in the period 2002 – 2007 increase in the number of entities of the national economy functioning in rural areas in Zachodniopomorskie voivodship was recorded

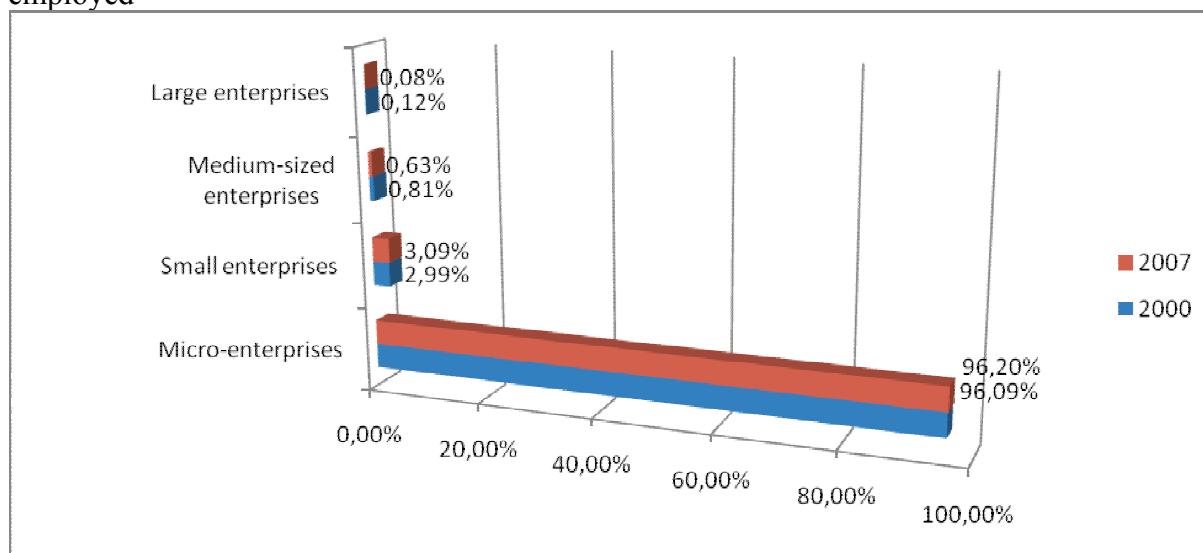
in the case of the following PKD sections: *construction, other community, social and personal service activity, hotels and restaurants, education, health care, public administration and defence; compulsory social security* as well as *manufacturing*. The share of enterprises functioning in the remaining PKD sections was subject to reduction.

As for the assessment of competitiveness level in Zachodniopomorskie voivodship, it is interesting to analyze the structure by employment levels. It is a particularly important issue taken account of the rise in the number of people active in the labour market as well as effective use of labour force on local labour market.

As it appears from statistical data shown in Chart 2, so-called micro-enterprises, i.e. enterprises employing less than 10 people, represented the majority in Zachodniopomorskie voivodship in the period under examination<sup>15</sup>. Their percentage share in the total of entities registered in NUTS classification in Zachodniopomorskie voivodship amounted to 96.20% in 2007 and hence increased by 0.11 percentage point compared to 2000. It should be added that in 2007, the region under analysis was characterized by the highest number of micro-enterprises (in the total of entities) among all the voivodships (the average for Poland amounted to 95.03%).

Small enterprises represented another group of entities functioning in Pomorze Zachodnie (Western Pomerania). Their share increased slightly from 2.99% in 2000 to 3.09% in 2007. In the period analyzed, growing number of micro-enterprises and small enterprises was reflected in the structure of entities of the national economy, namely medium-sized and large enterprises had smaller share in the total of economic entities. As for Zachodniopomorskie voivodship, the share of medium-sized enterprises was reduced from 0.81% in 2000 to 0.63% in 2007, whereas the share of enterprises employing more than 250 people declined from 0.12% to 0.08% in the analogous period.

Chart 2. Structure of economic entities in Zachodniopomorskie voivodship by the number of employed



Source: own elaboration based on Regional Data Bank of Central Statistical Office.

<sup>15</sup> The definition of small and medium-sized enterprises has been provided by the Regulation issued by European Commission on February 25, 2004. Micro-enterprises have been included since January 1, 2005. According to the Regulation, micro-enterprise is a firm that employs less than 10 people and its annual turnover does not exceed 2 million Euro. Small enterprise employs less than 50 people and its annual turnover does not exceed 10 million Euro. Finally, medium-sized enterprise employs less than 250 people and its annual turnover does not exceed 43 million Euro. Although the Regulation has not defined *large enterprise* category, a firm that employs 250 or more people should be considered such.

Taken the quantitative dynamics of change in the absolute number of entities of the national economy into account, it ought to be stated that it increased by 26.33% in 2007 compared to 2000. As it appears from data shown in Table 3, similar tendency was observed among micro-enterprises and small enterprises, the number of which grew by 26.48% and 30.48% respectively in 2007 compared to 2000.

Table 3. Entities of the national economy by the number of the employed in Zachodniopomorskie voivodship in the period 2000 – 2007

Number of the employed	Number of entities in particular years								
	2000	2001	2002	2003	2004	2005	2006	2007	2007/ 2000
Altogether	166828	179915	195 282	200 626	201 956	206 776	209 478	210 750	26.33
9 and less	160298	173137	187 506	192 783	194 093	198 871	201 532	202 745	26.48
10 - 49	4980	5174	6 127	6 277	6 324	6 389	6 453	6 516	30.84
50 - 249	1348	1400	1 423	1 374	1 354	1 339	1 319	1 322	-1.93
250 and more	202	202	226	192	185	177	174	167	- 17.33

Source: own elaboration based on Regional Data Bank of Central Statistical Office.

Unlike micro-enterprises and small enterprises, the number of medium-sized and large enterprises decreased during the period under examination. The share of enterprises employing from 50 to 249 people was reduced slightly, i.e. by 1.93%. Large enterprises reported a more dramatic decrease as their number dropped by 17.33% in 2007 compared with 2000.

The above analysis can be supplemented with data on age structure and education received by natural persons conducting business activity. Attention should be paid to the fact that these entities are characterized by the largest share in private sector. The above data has been presented by Central Statistical Office from a national perspective, without division into particular regions and into urban and rural areas. Nonetheless, it surely enables one to observe certain tendencies displayed in Zachodniopomorskie voivodship.

As it appears from Table 4, self-employment is more and more popular among young people as well as people with secondary and higher education. In spite of the fact that conducting business activity may create a number of barriers and limitations, people aged under 30 constituted 33.4% of the total. Then, persons aged 30 – 39 represented 30.4%. People aged 60 and more constituted the smallest percentage.



Table 4. Structure and index showing the ability to last demonstrated by enterprises managed by natural persons, set up in 2003 and still functioning in 2007 by owner's characteristics

Specification	Structure	Index showing the ability to last demonstrated by enterprises set up in 2003 and still functioning at the end of 2007
Owner's age		
aged under 30	33.4	36.9
aged 30 - 39	30.4	40.2
aged 40 - 44	11.8	35.3
aged 45 - 49	8.2	47.6
aged 50 - 59	10	38.5
aged 60 and more	6.1	36.5
Education received by owner		
primary	2.2	20.5
vocational	21.2	34.9
secondary	45.9	39.1
higher and post-secondary	30.8	43.1

Source: Conditions in which enterprises have been established and have been functioning as well as development prospects for Polish enterprises set up in the period 2002 – 2006, Central Statistical Office, Warszawa 2008, p. 38.

Investigating the age structure of owners, it ought to be noticed that the majority of entrepreneurs are people with secondary education (45.9% of the total) as well as higher and post-secondary education (30.8% of the total). On the contrary, persons with primary education represented the smallest percentage. However, analyzing the above data, attention should be paid to the fact that in Poland the years 2003 – 2006 were a period when there was so-called apparent employment consisting in the fact that firms began to work with partners conducting their own business activities instead of employing full-time workers<sup>16</sup>. By reducing employment costs and making use of market advantage resulting from excessive labour supply, decision made by entrepreneurs about employing a person often depended on his/her self-employment in the period under consideration.

## Conclusion

Summing up the above discussion on entrepreneurship in Zachodniopomorski region, it should be stated that the dynamics of changes, both in the number and structure of economic entities functioning in the voivodship under analysis, seems to be an important determinant that can shape the competitiveness of regional labour market, particularly in the context of making rural community active in the aforementioned market. It is beyond any doubt that self-employment is one of the most significant elements in eliminating socio-economic differences between urban and rural areas. It contributes to a decline in the number of unemployed living in rural areas and is also a strong incentive to curb the process of rural community marginalization. It leads to the creation and development of multifunctional rural area that would enrich the traditional models of business activity thanks to effective allocation

<sup>16</sup> M. Mażewska, *Przedsiębiorczość ludzi młodych na wsi*, in: *Sytuacja ludzi młodych na rynku pracy na obszarach wiejskich w Polsce* red. I. Kołomyjska, M. Mażewska, FDPD Warszawa, Warszawa 2007, pp. 37 - 46.

of natural resources and labour force. In the light of arguments put forward, it seems extremely vital to create and develop infrastructure that will support the development of population's professional activity, particularly population living in rural areas, which will improve the competitiveness of regional labour market.

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