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“BE OR NOT TO BE”: A DILEMMA OF BUSINESS POLICY SUPPORT ON A REGIONAL LEVEL

Šebestová, J., Krejčí, P., Šiška, P.

Regional authorities implement national priorities in business policy according to the current local requirements in their regional development strategy. Unfortunately, their effort to support entrepreneurial spirit and innovations is not as effective as it could be; its tools and institutions are not as well used as they intended. The question arises: where does the problem lie, is it in the means of communication or in the entrepreneurial requirements at the regional level? The main goal of this paper is to demonstrate some of the missing points or the weaknesses of institutional communication. These conclusions are based on a regional study in the Moravian-Silesian Region, Czechia. The paper is based on a quantitative study using a questionnaire-based survey, including 164 respondents – owners of small and medium-sized companies in the Moravian-Silesian Region. It was found that the most important tools for local entrepreneurs were subsidies for job creation and consultancy. A matrix of problems to be solved on the regional level was presented to open wider discussion.

Keywords: Business Policy, Moravian-Silesian region, Regional business support, SME

JEL classification: L53, M13, R58

1. Introduction

Business policy on a national level reflects problematic entrepreneurial areas in a general way. The economic activity of business units in the regional context seems to be an important indicator for the evaluation of the effectiveness of the regional policy. The stability of regional growth attracts new investors and new start-ups, which could drive the chosen region toward value added growth and welfare growth in the regional society (Malikov et al., 2015). Business activity is closely connected with a suitable regional policy model and business models (Ács et al., 2014, Dvouletý, 2017a). In contrast to this, Delfman and Koster (2012) stated that the economic impact of new start-ups on regional growth is impossible to quantify due to the diversity of the urban and rural areas of the region, so the importance of the municipal policy in promoting entrepreneurship therefore increases. They also commented that businesses operating in depopulating regions cause an indirect effect in terms of labour productivity and innovation growth at the point when they are between eight and ten years from start up.

An earlier version of this paper has been presented at the 6th International Conference Innovation Management, Entrepreneurship and Sustainability (IMES 2018).

Domestic author's studies (Zich, 2010; Syrovátková & Verl, 2011; Školudová, 2015; Zapletalová et al., 2015; Mandysová, 2016) have shown that regions across Czechia have much the same problems – small and medium-sized companies are getting older, becoming less connected with public governmental bodies, do not make much use of the publicly available business support, and link with regional business support (Lukeš et al., 2013).

A research dilemma was solved in that paper in the form of three research questions: (1) Is there any barrier preventing business owners from using public support for their business? (2) What supporting tools do entrepreneurs prefer most? (3) Which problematic areas must be solved on the regional level?

2. Methods and Data Sample Description

The primary quantitative research between SMEs was used to obtain relevant data. The aim of the questionnaire survey is to identify important factors which cause barriers in doing business and actively using business support in the Moravian-Silesian Region. Data collection started in February 2017 in the form of an electronic questionnaire. This electronic questionnaire was distributed by e-mail to business entities located in the Moravian-Silesian Region after earlier phone contact.

The questionnaire consisted of 24 questions, where questions 1, 2, 3 and 4 had multiple answers. In the first part of the questionnaire, the questions were designed to identify the reasons behind the start-up. The second part of the questionnaire focuses on mapping barriers to entrepreneurship development and evaluating the use of business support by entrepreneurs in the Moravian-Silesian Region. The last part of the questionnaire focused on basic business information (business size, business age, number of employees, etc.).

Our research methodology had two phases:

- In the first phase, primary data were collected and described with basic statistical methods. As an output, we obtained a useful set of indicators for second phase of the study.
- In the second phase, we worked with a deductive logic (Yin, 1994) to set up study-proposition of a matrix of problems. We aimed to fit a preselected theoretical framework (effectiveness of SMEs support).

2.1 Data Sample Description

A questionnaire survey was distributed to all of the 3,300 SME owners in the selected region in February 2017. The survey had 164 valid responses. It obtained a representative sample at a confidence level of 95 % with a 5% margin of error (within the total business population in the region). Most companies in the sample were carrying out business in the trade sector, namely 37.1%, 24.6% of companies worked in construction, 17.4% in industry, 6.6% in transport and 3% in agriculture. The remaining 11.4% of companies operated in other areas than those mentioned above (e.g. tourism and services).

The number of small businesses, namely enterprises employing up to 50 employees that took part amounted to 93.1%, where enterprises employing up to 10 employees

amounted to 69.3% and enterprises employing 11-49 employees 23.8%. Medium-sized enterprises (between 50 and 250 employees) were represented in 6.9% of cases.

Table 1 | Data sample description based on company size

		Company size (number of employees)		
		1-9	10-49	50-249
		[percentage]	[percentage]	[percentage]
Business age (years)	< 2	7	0	0
	3-5	11.5	5.1	9.1
	6-9	14	7.7	0
	> 10	67.5	87.2	90.9
	Total	100	100	100
Business cycle	Start up	5.3	0	0
	Growth	43.4	47.4	81.8
	Peak	9.7	13.2	9.1
	Stagnation	29.2	26.2	0
	Crisis	12.4	13.2	9.1
	Total	100	100	100
Export activities	Yes	32.5	55.3	90.9
Information about support	Yes (2007-2013)	44.2	77	72.7
	Yes (2014-2020)	31	61.5	72.7
Support use	Yes (2007-2013)	8.7	15.5	45.5
	Yes (2014-2020)	6.3	23.0	18.8

Source: Own research

A general description of the sample demonstrates the main problems, which have to be answered by deeper analysis. When businesses are in a growth business cycle, why are they not tempted to actively use the business support offered by the regional authority? The share of knowledge (64.6%) of support possibilities is greater than its active use (23.2% units in total).

3. Regional Business Policy Support: Case of the Moravian Silesian Region

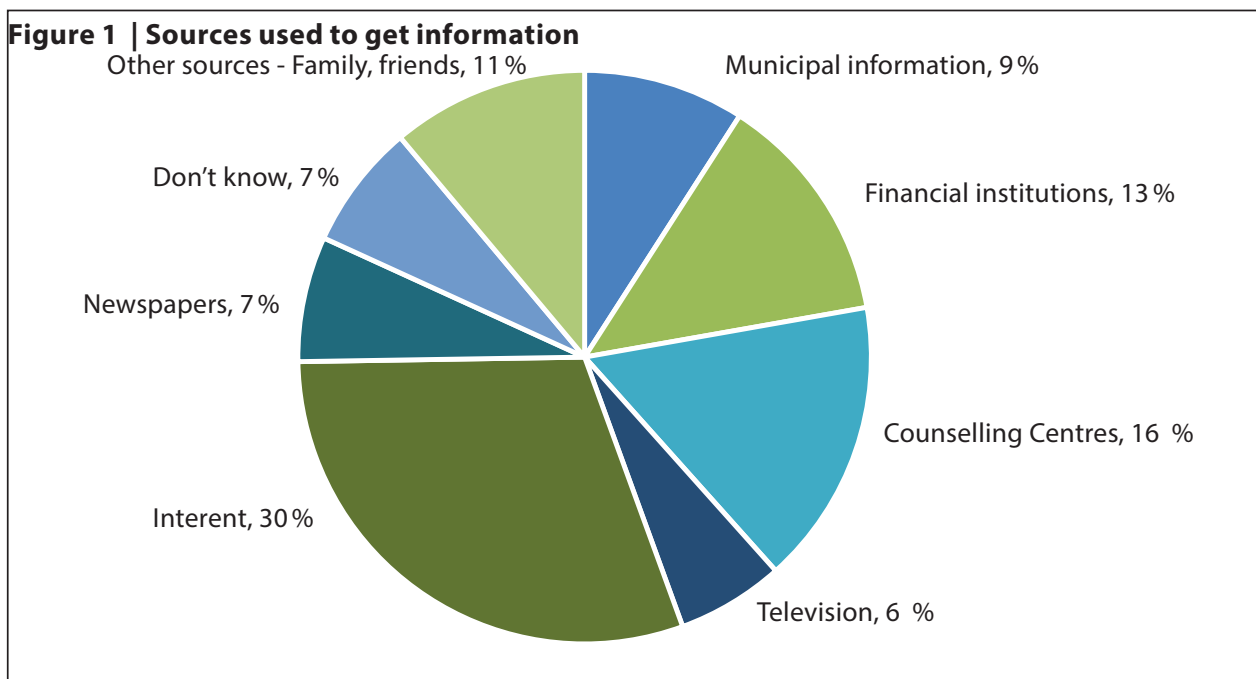
Regional bodies in the Moravian-Silesian region make use of many supporting activities,

which help them to implement two main strategic documents: the Regional Strategy for Innovations (RIS3, 2010-2020) and the Strategy for Regional Development (2009-2020). Institutional support is connected with cooperation with the Agency for Regional Development (ARR), Business Centres and the Association for the Development of the Moravian-Silesian Region. Regional government supports small and medium-sized businesses by own grants for innovations, research and other key community areas. It provides a special website for entrepreneurs to acquire actual information on one site (MSR, 2015).

Results obtained from the survey are structured into three sections to answer followed research questions (RQ) and to get problematic areas have to be solved on the regional level according to research findings:

- RQ 1: What is a main source for getting information about SME support?
- RQ 2: Are entrepreneurs satisfied with the portfolio of supporting tools?
- RQ 3: Which supporting tools affect businesses the most?

The first step in the data analysis showed us, that internet sources (30%) are most used for data mining (Figure 1), which are mainly used by businesses employing 11 to 49 employees (70%), where micro companies prefer personal contact with specialists from business centres or members of financial institutions (80%). Both mix their informational sources and use on average three or four of them. In contrast to this, medium-sized companies stick to using internet and consultancy companies.



Source: Own research

To be successful in business support, a proper informational channel must be used. It was confirmed by earlier results (Table 1 and Figure 1).

Secondly, current barriers and a level of satisfaction with a regional business policy must be identified. At the present time, the most problematic areas in entrepreneurship activities were described as unstable legislative system (32.9%). The problem of business regulation, which is still changing, has a negative impact on the quality of the business environment. Other frequent problem, identified by entrepreneurs, was bureaucracy (26.2%), and finally a quarter of respondents (25.8%) pointed out the problem of insufficient business support.

SME owners evaluated personally areas of business support. The Likert scale was used (where 1 is satisfied, 5 means dissatisfaction) to measure level of current satisfaction in key areas of business policy (Table 2).

Table 2 | Satisfaction of entrepreneurs with supporting tools

Supporting tool	Company size (number of employees)			Average score
	1-9	10-49	50-249	
Loans	3.78	3.54	3.64	3.74
Quality of information	3.58	3.53	3.91	3.59
Cooperation with Incubators/Centres	3.72	3.78	4.09	3.77
Subsidies for workplaces	3.44	3.41	3.55	3.44
Counselling	3.53	3.49	3.73	3.54

Source: Own research

The result showed that each area of support is rated nearly mark four, that means that SMEs in the Moravian-Silesian Region are mostly disappointed by current approach to regional business support, especially in segment in size till 10 employees. The question is, what else could make an influence on business support? A Cramer's V coefficient of Association was used to be able to evaluate the most statistically significant factors (Table 3).

Previous analysis indicated problematic areas, which could answer the last question about problematic areas – which are namely web pages for entrepreneurs (in relationship to the age of business), support of an international cooperation and financial support. In relationship to those results, survey showed some interesting information. The best benefit for entrepreneurs is subsidies for jobs (38.2%) in area of financial support, followed by collaboration with business centres and incubators (16.1% of respondents) and in 14 % of cases it was support of export activities. The offer of “quite new” forms of business support such as accelerators (4.3%) and coworking centres (1.6%) were hardly ignored by SME owners. According to that, we summarized into a matrix of problems, using Tague's (2009) method of main areas to be solved in the regional level (Table 4).

Table 3 | Relationship between business characteristics and supporting tools

Supporting tools	Number of employees		Life cycle		Age	
	Cramer V	sig.	Cramer V	sig.	Cramer V	sig.
Loans	0.178	0.313	0.281	0.004	0.165	0.455
Cooperation with Incubators/ Centres	0.160	0.567	0.275	0.015	0.244	0.008
Subsidies for workplaces	0.158	0.551	0.186	0.707	0.144	0.747
Counselling	0.161	0.514	0.280	0.006	0.207	0.079
Quality of information	0.123	0.879	0.262	0.020	0.163	0.487
Knowledge of web section for entrepreneurs	0.355	0.000	0.366	0.000	0.713	0.000
Use of information form websites	0.167	0.307	0.188	0.449	0.188	0.289
Company age	0.295	0.000	0.240	0.000	-----	---
Branch	0.593	0.000	0.113	0.000	0.445	0.003
Life cycle	0.593	0.000	0.319	0.000	---	---
International cooperation	0.346	0.000	0.517	0.000	0.503	0.000
Number of employees	---	---	0.482	0.000	0.295	0.000

Source: Own research

Table 4 | Matrix of problems based on survey (RL=regional level, NL = national level)

Problematic area		Importance	Difficulty	Expected Costs	Score Σ
Insufficient business support	RL	5	5	4	14
	NL	4	3	4	11
Insufficient range of alternative financial resources	RL	5	4	4	13
	NL	4	3	4	11
Insufficient information base for Entrepreneurs	RL	5	2	2	9
	NL	5	2	2	9

Support of International Cooperation	RL	5	3	4	12
	NL	5	3	3	11

Source: Own research, scale: 1-low, 5-high

One of the biggest problems in the examined region is the inadequate or poorly targeted support of small and medium-sized enterprises that have been operated on the market for several years. Survey and data analysis has found that more supporting schemes are available for start-ups or larger enterprises employing nearly 250 employees. Small businesses with up to 10 employees reported that they often insufficient financial resources and information. A creation of an intelligent and continuously functioning business support system would help to unify all the information necessary to obtain business support. Within this system the region could support internationalization activities in one site to do not miss the opportunity to support business development on regional level.

4. Discussion

Based on presented results it is possible to easily evaluate regional support as insufficient because they have not been successful in regional problems or innovative performance as main goal mentioned in Hookana study (2011). Stoklasová (2018) in line to that confirmed significant relationship between direct supporting tools of SMEs and business environment in EU28 regions. For example, the study compared labour productivity and research and development support, and a 1% increase in labour productivity will cause an increase in R & D investments by 0.121%. The impact of regional business policy could be evaluated from a wider context based on regional long term experience with supporting tools and individual operational programs in the regional economy (Jałocha, 2012; Pădurean, et al., 2015; Wolińska, et al.; 2010; Šebestová et al., 2016).

The impact of supporting tools could be presented in set of indicators on national or regional level which have to cover impact, product and result layer to explain effectiveness of that aid (Potluka & Liddle, 2014; Šebestová & Palová, 2016). In logical tie to the results Dvouletý (2017b) compares business support, entrepreneurship start-ups, and unemployment across Czechia regions. These results confirmed that Moravian-Silesian Region is really concerned on the reduction of unemployment by self-employment support, and not to business growth in line of innovation.

As mentioned before, the biggest problem of the Moravian-Silesian Region is the insufficient support for business. Based on the research carried out, we can assume that small and medium-sized enterprises in the Moravian-Silesian Region are slowly but surely aging. There are no new businesses because small and medium-sized businesses are under-supported and potential entrepreneurs do not have the necessary incentives to develop their activities. There is also a problem with the introduction of innovations, as older businesses are more conservative than younger ones in the region. Unfortunately, the situation has not changed, as it was seen in the survey published two years ago (Tvrdoň et al., 2015), which revealed that only 18.6% of enterprises, compared to 16% in current research, want to use EU regional aid or support programmes. Based on this

information, it can be assumed that there will be no further development of innovative business in the Moravian-Silesian Region. In comparison in to other studies, made in regional level it is clear that local business environment plays a significant role in entrepreneurial satisfaction and entrepreneurial support consumption (Šúbertová et al., 2014; Scholman et al., 2014). Opposite to that Criscuolo et al. (2010) shows that beneficiaries of supporting tools from SMEs show greater benefits in the form of job expansion and innovation creation than large enterprises that have also received support. The optimum size of a small and medium-sized enterprise that study confirmed on 150 employees, which was confirmed with results in the Table 2 also. On the other hand, Bondonio and Martini (2012) or Czarnitzki et al. (2011) found that support SMEs are more efficient when smaller projects and actions are connected to one large action in regional policy. This result was confirmed in the Table 3, when small actions presented on specialized website could affect satisfaction with the supporting policy. General business environment of the 21st century is mainly characterized by rapidly changing regional factors which are needed to be addressed. Among the main factors that pushed the growing needs of supporting activities in SMEs are according Rylková (2012): (1) Shortening life cycles of products and the need to develop constantly new and better ones. (2) Technological progress (nanotechnologies) is new opportunities for businesses (3) turbulent market globalization and the presence of new competitive threats, which means that missed opportunity becomes threat to businesses. (4) Demands of customers (cheap, quickly, high quality). Those factors could affect a direction of supporting policy on regional level and its managerial implication.

5. Conclusion

Summarizing presented impacts, we propose to promote cooperation between existing associations in the region and as an example for practical implication we demonstrate the matrix of cooperation in Moravian- Silesian Region (Table 5), which would promote better information ties, creates opportunities for supporting tools promotion and fulfils the criteria of input, output and impact indicators.

The impact of the matrix of cooperation could increase the possibility of job creation and the creation of new products in form of innovation (as active participant of knowledge base of that matrix). Cooperation is not limited to cooperation within the region; SMEs could benefit from cooperation with cross-border organizations in the Moravian-Silesian Region and they could share their knowledge capacities to benefit from supporting tools.

The systematic support of SMEs on regional level has a long tradition in the Moravian-Silesian Region. More systematic research and evaluation is needed, not only on a central level, but on a local level to support bottom-up innovations and support activities, not only centralized activities.

The analysis is fully transferable between all regions in the Czech Republic when the same system of data collection and methodology of survey will be kept. The results and level of satisfaction are valid on the regional level only, when they describe subjective opinion of each respondent. Results could serve as a basis for comparative study within

other regions, which are interested in level of satisfaction with business policy.

Table 5 | Matrix of cooperation

Goal		Indicator	Institution
Supporting tools	Input	Information growth	Moravian- Silesian Region local government Local agencies/incubators Coworking centres
	Output	Growth of support	SMEs , Counselling, Trade chambers
	Impact	Growth of workplaces	SMEs, local clusters
Cooperation	Input	Establishment of networks	Young entrepreneurs Local agencies/incubators
	Output	Entrepreneurship development	SMEs
	Impact	Growth of workplaces, innovations	SMEs
Economic Growth	Input	Economic growth	Local government
	Output	Growth of financial sources	Ministry of Finance (CZ) , Local government
	Impact	Wage rates, unemployment reduction	Moravian- Silesian Region SMEs

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Authors

Jarmila Šebestová

Silesian University in Opava
School of Business Administration in Karvina
Karviná, Czech Republic
sebestova@opf.slu.cz

Petra Krejčí

Silesian University in Opava
School of Business Administration in Karvina
Karviná, Czech Republic
krejci@opf.slu.cz

Petr Šiška

Silesian University in Opava
School of Business Administration in Karvina
Karviná, Czech Republic
O150627@opf.slu.cz