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Author: Adrian Cybula

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Entrepreneurship and the Modernization of an Old Industrial Region: The Case of the Katowice Voivodship,¹ Poland

Adrian Cybula

*University of Silesia
Katowice*

1. Introduction

Market transition in post-communist countries brings about both tangible and intangible social adverse effects. Undesired – albeit unavoidable – consequences of reforms are much more broadly dispersed and intensive in comparison with social problems generated in developed countries by information revolution, globalization and the crisis of the welfare state. Old industrial regions are especially disadvantaged in this respect (Cybula and Szczepański, 1997; 74–84).

The core area of the Katowice Voivodship is still dominated by hard coal-mining, iron and steel metallurgy, coke industry – and to some extent by heavy machinery industry. On 2.1% of Polish territory, inhabited by 10.2% of Poland's population, operates 10.2% of state-owned enterprises – let alone all but one hard coal-mines. The regional economy covers 9.7% of the country's work-force, as well as 16.7% of industrial production (see Table 1).² Non-Polish reader might be puzzled by relatively low unemployment rate (8.4% in comparison with 13.6% for Poland) – but the main reason of that is postponed downsizing of the traditional sector. One may thereby expect, that the worst is still to come.

It cannot be neglected that since 1989 structural changes in the regional economy have been in progress, but so far their effect is no substantial enough to outweigh

¹ Voivodship is an equivalent of Western European department or province. Right now Poland is divided into 49 such administrative units. Their number will be reduced to 16 since January 1999.

² Details concerning the structure of the regional economy may be found in: Błasiak, Nawrocki and Szczepański (1993); Nawrocki and Szczepański (1997: 85–103).

Table 1

The role of the Katowice Voivodship in the Polish economy (1996)

Indicator	Number	% of Poland's
Area	6,650 km ²	2.1
Population	3,918,4 thou.	10.1
State enterprises	394	10.2
Commercial law partnerships	10,488	9.1
among them:		
fully controlled by Polish private capital	8,311	9.9
with the share of foreign capital	1,761	6.2
Establishment of natural persons and civil partnerships	216,1 thou.	9.9
Public enterprises under privatisation procedure	458	8.2
Bank headquarters	47	2.7
Banks' branches	113	6.9
International fairs	28	
number of local and foreign exhibitors	4,076	
Employment	1,477,7 thou.	9.7
Number of unemployed	138,7 thou.	5.9
Industrial production sold	46 billion PLN	16.7
Average monthly net wage and salary	883,35 PLN	124.4
Strikes	3	14.3
Strikers	31,1 thou.	72.1

Source: *Rocznik statystyczny województwa katowickiego 1997* [The Statistical Yearbook of the Katowice Voivodship 1997]. Katowice 1997.

cumulated effect of nearly two centuries of heavy industrial development. It is becoming evident that extracting and smokestack industries ceased to be "locomotives" of the regional economy, but it is not yet clear, whether alternative ones are emerging. One possible candidate is the automobile industry. Even before 1989 a big passenger car plant operated in one of the region's medium-sized towns – Tychy (since privatization in 1992 controlled by FIAT). After the establishment of Special Economic Zone in 1996, General Motors decided to locate its greenfield plant in Gliwice. Attracted by the same factor, Isuzu, a Japanese multinational, will build an engine plant in Tychy. The rush of car-manufacturers to invest in the Zone is so impressive that some regional analysts suggest elaboration of investment-attraction policy resulting in more diversified economic structure – warning that otherwise the outcome will be a new monoculture, like old one dependent on external demand.

Foreign direct investments surely speed up modernization. However, inflow of capital must be supplemented by other factors to secure the persistence of this process over time. In submitted paper I will deal with one of such factors – entrepreneurial attitudes and abilities of the regional community.

Four points support the thesis on the importance of entrepreneurship for modernization in old industrial regions. First, as Schumpeter pointed out, the presence of entrepreneurs is essential for creative destruction; a process of replacement of an old economic structure by a new one. Second, successful entrepreneurs might be-

come a reference group for those yet employed in the declining sector, showing them an alternative way of making a living and heightening self-esteem. Third, entrepreneurs create jobs. Fourth, an individual empowered with entrepreneurial attitudes and skills is mentally and professionally prepared to cope with the challenges brought about by modernization. Entrepreneurs trigger changes, serve as examples to be followed and create opportunities for others. Widespread presence of the entrepreneurial personality enhance adaptation to changes on the part of those adversely affected.

The answer to the question, whether entrepreneurship might become an important factor speeding up modernization of the Katowice Voivodship, should be, therefore, threefold: (1) Is there a substantial group of entrepreneurs in the region? (2) If there are entrepreneurs, are they followed by those still employed in the traditional sector? (3) Are the latter prepared to act as entrepreneurs? I will deal with these questions respectively.

2. Private sector in the Katowice Voivodship: An overshadowed parallel world?

In stereotypical outlook the Katowice Voivodship is still regarded as the stronghold of anti-reformist *technostructure* (in J.K. Galbraith's sense) and mighty trade unions, where no substantial changes are taking place. Indicators invoked earlier suggest that such a viewpoint is at least partly justified. One could note, however, substantial development of private sector – though by no means impressive in comparison with Poland (see Table 2). One criticising still unimpressive share of the private sector in the regional economy should take into account that at the early stage of transition its position in the regional economy was inferior in comparison with the whole country. There are other, more optimistically-looking indicators, however. The voivodship covers not only a tenth of Polish state-owned enterprises – but also 9.9% of commercial law partnerships fully controlled by Polish private capital and 9.9% of establishments of natural persons and civil partnerships³ (see Table 1 again). The latter group of private firms has increased impressively during analysed period: from 130,0 ths. to 216,1 ths. Therefore, the contribution of the regional community to the development of private sector is comparable with the contribution of Poland's population in general.

³ Practically, establishments of natural persons and civil partnerships are one-man or small businesses, whereas commercial law partnerships are larger corporate bodies (limited liability and joint-stock companies). Number of the former type businesses is thereby a good indicator of intensity of entrepreneurial attitudes in particular community.

Table 2

The share of the private sector (in %)

Indicator	The Katowice Voivodship		Poland	
	1991	1995	1991	1995
Employment (1991–1996)	29.0	46.4	54.3	65.1
Sold production of industry	10.0	22.0		45.2
Income (1992–1995)	15.0	29.0	36.5	53.7

Source: *Rocznik statystyczny województwa katowickiego 1997* [The Statistical Yearbook of the Katowice Voivodship 1997], Katowice 1997; *Rocznik Statystyczny 1996* [The Statistical Yearbook 1996], Warszawa 1996.

Despite these advantages, development of private sector is still overshadowed by dominant state-owned enterprises. Overdeveloped heavy industry simply weights more when average economic indicators are computed, than initially disadvantaged private sector. The situation might change only after at best several years of rapid private sector development, combined with further decline of the traditional industries. There is, however, a danger of slowdown in the expansion of private sector, due to the lack of (1) entrepreneurial attitudes and (2) entrepreneurial skills in the regional community. Presence of these factors is essential for very simple fact that to expand private sector one need people simultaneously (1) willing to set up and operate private businesses, and (2) empowered with know-how proper for that task.

3. Entrepreneurial attitudes

Prior to 1989, attitudes of the regional community towards entrepreneurship were decisively shaped by two factors: by (1) technological requirements of heavy industry and, in the period 1945–1989, by (2) the characteristics of centrally planned economy and semi-totalitarian political system. Mining and metallurgy – as well as traditional manufacturing industries – do not require entrepreneurial personality on the part of shop-floor workers – and to great extent also on the part of lower and middle-rank managers. Instead, the most congruent with extracting and smokestack industries are such mental characteristics as: compliance with strictly defined rules and standards, indisputable respect for those placed higher in organizational hierarchy, strict execution of managers' decisions, high esteem of hard (and sometimes risky) work. Such traits are more or less spreaded in every industrial society. In the Communist countries, central planning and deliberate suppression of every independent grassroots initiative had additionally contributed to the weakness of entrepreneurial attitudes. (One should keep in mind in this context that the founder fathers of Soviet-style central planning were strongly influenced by the organization of their

Table 3

Traits of entrepreneurial personality among unemployed and endangered by unemployment

Traits of entrepreneurial personality	Out of 356 surveyed, particular trait declared:					
	TOTAL		women		men	
	no.	%	no.	%	no.	%
Initiative	84	23.6	47	18.7	37	35.2
Ability to influence	31	8.7	17	6.8	15	14.3
Elasticity	46	12.9	20	8.0	26	24.8
Creativity	46	12.9	22	8.8	24	22.9
Independence	60	16.9	33	13.1	27	25.7
Ambition	97	27.2	60	23.9	37	35.2
Ability to solve problems	63	17.7	34	13.5	29	27.6
Imagination	77	21.6	36	14.3	41	39.0
Leadership skills	40	11.2	22	8.8	18	17.1
Diligence	112	31.5	70	27.9	42	40.0
Self-confidence	79	22.2	44	17.5	35	33.3

Source: A. Cybula, 1996.

time Western heavy industry.) Consequently, industrial hired worker and lower-rank manager from the post-Communist country is badly prepared for independent activity in the competitive and rapidly changing environment – even in comparison with his colleague from the West.

This point is exemplified by the evidence derived from the questionnaires prepared and distributed by the team organizing in 1990–1991 the first enterprise incubator in the Katowice Voivodship after the breakdown of the Communist system. Though this attempt turned to be unsuccessful, the organizers managed to collect 356 questionnaires, filled in by persons endangered by unemployment, unemployed, as well as by schools' graduates.⁴ As Table 3 shows, only ca. 15% of the surveyed declared entrepreneurial attitude. Moreover, key traits of this attitude were declared by even smaller number of respondents (e.g. ability to influence, ability to lead, elasticity, creativity and independence). Two traits (diligence and ambition) were chosen more frequently than average, but such a limited self-esteem is insufficient to classify an individual as a would-be entrepreneur.

More than half of the surveyed declared disinterest in running his/her own business. However, more than half of men declared interest in self-employment; whereas less than a quarter of women made such statement. Totally, 30.9% of the surveyed are interested in setting up small business (see Table 4).

The analysis revealed strong correlation between interest in self-employment and traits of entrepreneurial personality. Those declaring particular trait overwhelmingly expressed interest in self-employment (from 63.4% in the case of diligence

⁴ The leader of this group was Mr. Janusz Firla. I would like to thank him very much for giving me access to the questionnaires. The research is extensively reported in: Cybula (1996).

Table 4

Interest in self-employment among unemployed and endangered by unemployment

Surveyed:	TOTAL		Women		Men	
	No.	%	No.	%	No.	%
is interested in running his/her own business	109	30.9	56	22.5	53	51.0
is undecided	59	16.7	44	17.7	15	14.4
is not interested	185	52.4	149	59.8	36	34.6
TOTAL	353	100.0	249	100.0	104	100.0

Source: See Table 3.

Table 5

Education level and interest in self-employment

Surveyed:	Education completed									
	Basic vocational or lower		Secondary vocational		Secondary grammar		Post-secondary school		Higher	
	l.b.	%	l.b.	%	l.b.	%	l.b.	%	l.b.	%
is interested in running his/her own business	19	20.7	51	31.1	9	23.1	3	14.3	27	73.0
is undecided	16	17.4	26	15.9	4	10.3	8	38.1	5	13.5
is not interested	57	62.0	87	53.0	26	66.7	10	47.6	5	13.5
TOTAL	92	100.0	164	100.0	39	100.0	21	100.0	37	100.0

Source: See Table 3.

up to 82.6% in the case of creativity.⁵ Moreover, interest in self-employment is positively correlated with the education level. 73% of the surveyed with completed higher education declared interest in running business (see Table 5).

Survey representative for the adult inhabitants of the Katowice Voivodship, conducted in 1995 (Bartoszek and Gruszczyński, 1996: 85–86),⁶ revealed, that for the majority of the regional community (51.8%) a state-owned enterprise was still the most desired place of work in case of being in need of finding new job. However, more than one third (35.7%) pointed at his/her own firm.⁷ Interestingly, even greater sympathy towards self-employment declared respondents in danger of being made redundant. 39.3% preferred his/her own firm and only 29.3% strongly rejected such an option.

To sum up this section, at worst one third of the adult inhabitants of the Katowice Voivodship (even those endangered by unemployment) are sympathetic towards would-be self-employment. However, even bigger group – possibly a slight majority

⁵ Ibidem.⁶ The sample of 1,100 respondents, was representative with respect to sex, age, education and place of residence.⁷ However, only 5.4% of the surveyed actually ran business.

– still insists on working for state-owned enterprise. It is also doubtful, whether substantial faction of these declaring self-employment possess mental powers essential for running private business.

4. Human capital

Scarcity and poor quality of human capital further diminish chances of successful self-employment. In 1995, among the inhabitants of the voivodship older than 15 years, 67% completed only basic vocational school or lower, unimpressive 27% completed secondary vocational or grammar schools and mere 6% completed higher education. These percentages speak for themselves, but it is necessary to stress that even people with secondary and higher education probably possess very limited entrepreneurial knowledge, in comparison with their counterparts from the West. Curricula in basic vocational and secondary vocational schools did not include (and mostly do not include even now) subjects providing pupils and students with knowledge necessary in market economy (economics, business, management, commercial law, information technologies, public relations, foreign languages, etc.) Moreover, the quality of teaching of general subjects was extremely low, especially in basic vocational schools. Generally, in grammar schools invoked subjects were not taught as well – with the exception of languages. Apart from improper curricula, teaching staff did not reward entrepreneurial behaviour of pupils and students.

Unemployed and endangered by unemployment are the worst prepared for activity in the emerging competitive environment. Referred to in the previous section analysis of the questionnaires from the years 1990–1991 exemplifies that overwhelming majority of such persons possessed neither technical nor economic nor managerial knowledge essential for successful running of small firm. Even those declaring interest in self-employment mostly lacked proper knowledge – and even a rough idea of what product might supply their would-be business (see Table 6). The reader should take into account that data presented in the table is based on declarations of the respondents; consequently actual entrepreneurial knowledge was probably much lower. This supposition is justified by the analysis of answers to the request for short, few sentences long, description of respondents' plans. Only a few out of 109 declaring interest in self-employment managed to give answer suggesting that they might eventually construct consistent business plan.

Unfortunately, as authorities from the Labour Administration admit, to great extent this dark picture is still valid, despite eight years of market transition. Unemployed and endangered by unemployment are still the least empowered for entrepreneurship. The only problem to be disputed is whether the group with presented characteristics has been diminishing, and – if so – at what pace.

Table 6

**Possession of entrepreneurial knowledge
(Declarations of unemployed and endangered by unemployment)**

Kind of knowledge	TOTAL		Surveyed:					
			is interested in running his/her own business		is undecided		is not interested in running his/her own business	
	No.	%	No.	%	No.	%	No.	%
TOTAL	353	100.0	109	100.0	59	100.0	185	100.0
Technical knowledge	83	23.1	50	45.7	15	25.4	18	9.7
Economic knowledge	59	16.5	35	32.1	16	27.1	8	4.3
Managerial knowledge:								
gained through experience	42	11.8	33	30.3	6	10.2	3	1.6
gained on courses	15	4.2	6	5.5	4	6.8	5	2.7
gained in both ways	8	2.2	6	5.5	2	3.4		
An idea of what product to supply:								
yes, surveyed has an idea	57	16.0	44	40.4	9	15.3	4	2.2
no, he/she hasn't an idea, but is willing to form partnership with others	21	5.9	12	11.0	7	11.9	2	1.1
both possibilities	3	0.8	3	2.8				

Source: See Table 3.

Table 7

The percentage of respondents desiring higher education for their children

Respondents' education level	Percentage desiring higher education for:	
	sons	daughters
Primary	50.7	57.1
Basic vocational	59.6	60.7
Secondary vocational and grammar	75.7	71.1
Higher	79.2	87.3
TOTAL	63.7	66.0

Source: Bartoszek and Gruszczyński (1996: 41-42).

In recent years regional community has been changing attitude towards education and retraining. This trend is the strongest among those younger and simultaneously better educated. However, interest in completing secondary and higher education is widely declared even by the worst educated and consequently stereotypical opinion of low educational aspirations of the regional community is no longer justified. About 65% wants their children to complete higher school. Even among those with only primary school completed such a desire prevails (see Table 7).

Table 8

The percentage of pupils in 1st classes of different types of post-primary schools

Type of school	School year	
	1989/1990	1994/1995
Secondary grammar school	18.3	25.8
Secondary vocational school	29.3	38.1
Basic vocational school	52.4	36.1

Source: *Województwo katowickie '96. Raport o rozwoju społecznym* [The Katowice Voivodship '96. A Report on Social Development]. Katowice 1996, p. 106.

Among youngsters graduating from secondary schools, economics, management, business administration, law, foreign languages and related subjects are becoming popular choices for further education. 7 out of 13 higher schools in the voivodship are entirely of such profile (five created after 1989) and two others (University of Silesia and Silesian Polytechnic) conduct like majors. In the academic year 1995/1996 37.1% of students studied enumerated majors – as well as 29.7% of that year graduates.

There are first signs of second thoughts concerning education even among young miners. A survey conducted in April-May 1995 among 687 about to finish their education youngsters attending three-years mining basic vocational schools revealed, that 79.0% was satisfied with the choice made three years earlier and more than 70% wanted to work in mastered vocation. However, a half of the surveyed declared a willingness to acquire new vocation and further 37.9% would retrain if forced by circumstances. Despite declared overwhelming satisfaction with previous choice, only 41.3% would repeat it; many would choose vocational schools training in different vocation or secondary mining schools. Majority (54.7%) declared willingness to continue education at secondary schools. It is early, however, to speak of mental breakthrough (Geisler, 1996: 99–106) – especially with respect to entrepreneurship.

Growing interest in education dramatically contradicts with unsatisfactory pace of changes in the education system. True, as Table 8 exemplifies, the importance of basic vocational schools has been diminishing. The percentage of pupils beginning their education in grammar schools has increased. In time these processes, if continued and accelerated, will change for the better formal structure of education of the regional community.

Nevertheless, formal changes will not result in real improvement in human capital unless at least two problems are seriously addressed: (1) the problem of the content of the curricula, and (2) the problem of the quality of teaching. Even today, after eight years of market transition, majority of youngsters entering universities – not to mention those finishing education at lower levels – cannot operate computers and comprehend at least one foreign language, not to mention writing professionally-looking CV, preparing professional presentation or computing the interest rate of a bank loan.

Conclusion

In the last few years the regional community did well in the field of entrepreneurship, though development in this sphere was overshadowed by mammoth extracting and smokestack industries. However, further progress is doubtful. Maybe, majority of those mentally and professionally prepared for entrepreneurship have already engaged themselves in entrepreneurial activities. If this is the case, further extension of small and medium-sized private sector will be contingent on (1) education reform contributing to the improvement of human capital accumulated by the regional community and (2) parallel restructuring of the traditional sector. The latter process would gradually diminish the importance of yet prevailing point of reference, still reinforcing non-entrepreneurial attitudes among substantial faction of the regional community. The former one would empower people with qualifications needed in the emerging market environment.

Protagonists of free enterprise like to say, that market losers should be given a fishing rod, instead of a fish. They should always add, that the losers are to be taught fishing as well.

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