

Entrepreneurship Support in Local Development Process – Russian Experience in Sankt Petersburg Region

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Entrepreneurship support activities are crucial in local management no matter what country they are used in. Local structures are usually used actively to support local development and it is very important to construct a set of entrepreneurship support instruments which is effective. To achieve that it may be useful to use foreign experience in this matter. In the article the authors outlined the instruments used in Sankt Petersburg region. The evaluation of the instruments was introduced by Russian companies which may be helpful for Polish local governments to improve their instruments systems.

Keywords: entrepreneur support, entrepreneurship, local development support instruments

Introduction

In the contemporary world the standard of living depends heavily on the way that local business is developed. These are local inhabitants who create most of local companies and this way give other local people place of work to support their families. On the other hand there are international companies which search for locations for their operations worldwide. It does not matter anymore where the company operates as long as the location efficient for some reason for the company. In both situations described above there is a lot to be done by local

governments which have to attract capital and encourage business people to invest in the area. This process is called entrepreneurship support and may be conducted in many ways. There are usually some environmental factors which influence entrepreneurship but also specific instruments which may be used by local governments to support business. The instruments are called entrepreneurship support instruments.

There are many ways to support local business and to attract new companies to the area. However, limited resources usually make it necessary to use only some of them. Then, the instruments need to form a kind of a system, which is consistent and effective. Creating such a system is not easy and often may result in a series of casual deeds with no effect. Thus, it is crucial to know and understand the experience of other local governments, not only in Poland, but also abroad. Moreover, it is necessary to understand local environment to be successful in the market when it comes to starting business there.

Taking into consideration the above the authors decided to write an article concerning Russia, its business environment and entrepreneurship support experience. Such a study is the main aim of the article. Russia is a huge market close to Poland and it is believed that with time Russian economy will become more and more open up to foreign capital. Thus, it could be useful to understand local business environment to invest and develop the company there or to use Russian experience when creating and using entrepreneurship support instruments in Poland.

Modern public management nature

Today public management must evolve by taking as much as possible from business management. The big issues today are: if it is possible to use business management rules, ideas, concepts, methods and technics in public management to improve its efficiency and how to implement them in everyday management process. It is necessary because today in Poland one of the main issues is emphasising autonomy of regions, their similarity to business sector organisations and the circumstances in which they operate. Regions must, like companies, have the ability to develop their own products, which are based on local marketing. Communities must recognize the trends and requirements of companies to attract them to operate in their area – thus they win the competitive fight with other communities. Communities, like companies, have to introduce strategic planning into their management process. They must set long-term goals which give them some kind of navigation tunnel for operating (short-term)

decisions. The upper and lower line of the “tunnel” cannot be crossed to achieve the strategic goals. Moreover, the communities’ external and internal environment is the subject of quick and fickle changes which require from these organisations the ability to be highly flexible to adjust to the changing conditions immediately as they appear. Sometimes the decisions must be taken with no time to think them over and this requires independent, competent and experienced managers not to make mistakes resulting in considerable losses.

Thinking about public management in its modern meaning we think about setting realistic and coherent goals and achieving them efficiently by the use of the new quality in that aspect – human resources. It seems to be a big shift in public sector to call and consider public workers very important competitive resources. They used to be just clerks – today it is them who are the condition of flexibility, high competences and knowledge. Such change requires the implementation of modern methods of human resources management. Such implementation will be possible only if there is the knowledge and widespread understanding that it is necessary to win competitive fight. In that aspect public management uses another scientific disciplines, like sociology, psychology, economy, general management and theory of organisation and organisation behaviour. It is no longer only simple administrating.

Business environment characteristics in Russia

The external environment of business is determined by a combination of factors which create the conditions for the sustainable business climate, reducing risks and stimulating the development of entrepreneurial activities. The factors of business environment may be divided into four main groups:

- political,
- economic,
- social,
- innovative and technological.

Concerning these groups of factors, the authors outline below the characteristics of business environment in Russia.

Political factor

Fundamental changes in the structure of forms of ownership and forms of management in Russia occurred relatively recently, in the first half of the 1990s. The traditions of Russian business are still forming. The entrepreneurship

started in the period of transition to the market economy. Principally, it based on the political impulse to create business environment. Most of the business institutions were established at the initiative of the authorities, including the Russian Union of Industrialists and Entrepreneurs, Chamber of Commerce and Industry of the Russian Federation, Business Russia, etc. (Sigareva, 2010, pp. 79–83). The main objectives of these organisations are establishing a constructive relationship between business and the government authorities, self-organisation of the business community, improving business environment, promoting social responsibility and positive image of Russian business.

Despite the existing difficulties caused by the absence of longstanding experience, traditions, knowledge, the share of private ownership in the Russian Federation is increasing (Table 1). So, if at the time of 2000 the share of private ownership accounted for 75% of the total number of economic entities in Russia, while in 2014 this index increased up to 86.2%.

Table 1. Patterns of ownership of Russian economic entities%

Patterns of ownership	2000	2005	2010	2012	2013	2014
Private	75.0	80.5	85.1	85.9	85.9	86.2
State	4.5	3.4	2.5	2.3	2.4	2.2
Municipal	6.5	5.3	5.1	4.7	4.7	4.5
Property of public and religious organisations	6.7	5.3	3.3	3.0	3.0	3.0
Other patterns of ownership	7.3	5.5	4.1	4.1	4.1	4.0

Source: 5. Rossiiski ststisticheski ezhegodnik [Russian Statistical Yearbook]. Available at: www.gks.ru. (In Russ).

As we can see in Table 1, private business dominates in Russian economy, and the share has been growing in recent years. In 2014 almost 87% of all the enterprises were private. What may be a little surprising is a percentage of public companies in Russia – according to Table 1 it is only 2.2% of all business organisations in Russia. However, among these organisations are often the biggest, most profitable and most influential organisations in the country. Thus, some more detailed research is necessary to establish what percentage of GDP is produced by private sector and what by the public one. One may suppose that then the share would look differently. The Authors of this article did not find such information during internet and literature studies.

Economic factor

The difficulties of Russian economy influence negatively business community of the country. The problem is not only sanctions but also structural difficulties of Russian economy. The resource-based economic model is not likely to support the high and sustainable growth. Thus, it is necessary for Russian economy to implement some changes. First of all Russian authorities should:

- reduce the economy dependence from world prices of natural resources;
- decrease the monopolization of the economy;
- enhance production volumes, innovation and investment activity.

The positive changes in the economy may be a result of transition to an innovative pattern of development, including the development and implementation of new technologies. The main task of the state should be the development and implementation of mechanisms of transition to the new economy, including the formation of innovation economy infrastructure and instruments of motivation of business innovative activity.

Social factors

The interaction between business and society faces some difficulties as well. Basically, the difficulties consist of the absence of trust and the negative society's attitude to the business community. Mostly, the business community does not have motivation to interact effectively with the public and to realize the principles of social responsibility. According to the European Institute of Management, assessing the country competitiveness index, Russia occupies the last position in terms of social responsibility development of business. Conducted by the International Academy of Social Sciences research showed that in 2009 Russian companies took an average of 14.6% of their budget to support the local community, in 2007 – 11%. The main reasons for such a result are the insufficiency of social responsibility of business and the instability of the Russian economic situation.

In order to solve this problem, the state indicated the importance of business involvement in social development. This idea was reflected in the Concept of Long-Term Socio-Economic Development of the Russian Federation for 2008–2020 (Konceptcjjja, 2008). This may be a first step to change the situation and connect business and local inhabitants more.

Another problem in this area is workers attitude which influences corporate culture. In Russia there is still a lot left from communist system. It means that workers do not feel that they are a part of a company they work for. Organisations

are still perceived as enemies which are there to exploit workers. Such attitude comes back to Marks' times and shows clearly that in some countries the conflict between capital owners and workers still exists. To change that model of thinking it is necessary to educate new generation of managers who will be able to implement modern motivation systems and other management concepts and techniques to make people feel they are a part of a company.

On the other hand the market needs well educated workers who are able to understand new market conditions and who are ready to invest their time and involvement for the sake of a company. It is especially important in the situation in which Russian economy struggles with many sanctions influencing organisations' profitability. It is more and more difficult to be successful when other markets are closed for Russian business. Generally speaking generation changes and mentality evolvement is necessary to make social business surrounding in Russia more supportive.

Innovative and technological factors

Russian economy is characterized by low innovation activity of enterprises. According to Russian statistical Yearbook, in 2013 top managers of more than half of small businesses (52%) noted that the main problem of such situation obsolete equipment in companies. So, the share of technologies of the 5th technological structure is 10%. The shares of technologies of the 4th and 3rd technological structure are 50% and 30%, respectively. The 6-th technological structure is practically non-existent in Russian economy. Government implemented some measures to improve innovation activity of enterprises, such as (Vaysman, 2015, pp. 309–322):

- creation of innovation infrastructure: technoparks, business-incubators, centers for collective use of scientific equipment, science cities, innovation clusters, special economic zones. In the year 2006, OAO "Russian venture company" started operating as one of the key state instruments in the construction of the Russian innovation system,
- creation and implementation of the state program "Economic development and innovative economy for 2013–2020", implied the encouraging measures for company innovative activity,
- improving the regime of tax and customs regulation in respect of business using new technologies in its activity. However, the problem is that the fiscal function of government regulation prevails over stimulating function.

All of these measures have had a positive impact, but the effectiveness of government measures is still not big enough to foster changes in a quick way.

Local Russian instruments of entrepreneurship support

Russian local governments as others in the European Union have a possibility to foster local development by supporting entrepreneurship. This support means using special instruments which affect local business as well as attract capital from other regions of Russia and from abroad. The instruments may be of a different nature. In this article the authors divided them into two groups – one group is of financial nature and the other of non-financial nature.

Financial instruments used by Russian local governments

Local governments in Russia may use same instruments which are to foster local economic development and which are of financial nature. The research conducted by the authors in 5 local governments in Sankt Petersburg area with local authorities pointed out instruments which are used by them in their development strategies. Moreover, the local authorities were asked about the effectiveness of each instrument. The scale of 1–10 was used, where 10 means the most effective instrument.

The instruments are presented in Table 2.

Table 2. Financial instruments of entrepreneurship support

Item	The name of the instrument	Effectiveness (1–10)
1	Lifting property tax for some time	9.2
2	Property tax discounts	7.5
3	Easier access of local companies to public contracts	7.3
4	Infrastructure investments supported by local government	6.4
5	Tax reliefs for new places of work	5.9
6	Infrastructure sold at occasional price	5.8
7	Transportation tax reliefs	4.1

Source: Research results.

As the results in Table 2 show, there are a few financial instruments that are used the most often by Russian local governments. There are also different evaluations of the instruments as for their effectiveness. According to the research the most effective is lifting property tax for some time, usually it is for a period of a few years. This influences companies' financial results the most and so the

effectiveness is the highest (9.2). Similar effect on companies is made by property tax reliefs, usually also for a few years, that is why the note here is high as well. One of the most surprising instruments is easier access to local contracts by local companies. It means that the area in which the company operates is one of the criteria that is considered when offers for the contract are evaluated. The note here is 7.3. Other popular instruments are connected with infrastructure. Here, local governments either sell property at occasional price or help develop or modernize existing infrastructure for the use of a company. This instrument is connected with the fact that there is still a lot of infrastructure left after communist era and very often it is in a very poor condition. Thus, to use the infrastructure in a proper way it is necessary to upgrade it first. Usually the process is very costly, hence the public assistance is necessary.

Non-financial instruments used by Russian local governments

Another group of instruments which were researched by the authors was non-financial instruments. The result are shown in Table 3.

Table 3. Non-financial instruments used by Russian local governments

Item	The name of the instrument	Effectiveness (1–10)
1	Quick decision paths for investments	8.6
5	Administrative support	8.6
2	Local information centers	7.5
3	Creating local development agency	7.4
4	Trainings for local entrepreneurs	6.9
6	Organising visits with business partners from other regions of the country and from abroad to make contacts	4.5
7	Region promotion	4.3

Source: Research results.

As we can see in Table 3, there are some non-financial instruments used by Russian local governments to foster local economic development. The instruments are of different effectiveness. The most effective according to local governments are such instruments as quick decision paths for investments and administrative support (8.6). Russia is a country with high bureaucracy and every support that companies may get in this area seems to be really useful for them. Also information centers are effective because they somehow lead potential companies through

complicated regulations (7.5). Russia is still a country in which local populations are not inventive and creative – people are rather passive. Thus, such instruments as trainings for local potential business people is very important. In some areas of Poland it is still so, that is why this instrument may be very useful in enhancing people to start their own business.

Effectiveness evaluation by local Russian companies

Another part of the research was to ask local companies how they evaluate the instruments used by Russian local governments. Here also the evaluation system from 1–10 was used. The interviews were conducted in 10 companies, of different size and operation area. In this part of research all the instruments were put together. The results of the research are presented in Table 4.

Table 4. The effectiveness of entrepreneurship support instruments by local Russian companies

Item	The name of the instrument	Effectiveness (1–10)
1	Lifting property tax for some time	9.2
2	Property tax reliefs	7.5
3	Easier access of local companies to public contracts	7.3
4	Infrastructure investments supported by local government	6.4
5	Tax reliefs for new places of work	5.9
6	Infrastructure sold at occasional price	5.8
7	Transportation tax discounts	4.1
8	Quick decision paths for investments	8.6
9	Administrative support	8.6
10	Local information centers	7.5
11	Creating local development agency	7.4
12	Trainings for local entrepreneurs	6.9
13	Organising visits with business partners from other regions of the country and from abroad to make contacts	4.5
14	Region promotion	4.3

Source: Research results.

Conclusions

Currently business in Russia have to face serious difficulties in view of the imperfection of the legislation and tax system, financial constraints, the absence of longstanding traditions, knowledge and skills. Considerable changes in the Russian business environment are possible as a result of the transition to the innovative type of economy (knowledge-based economy).

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