

**ENTREPRENEURSHIP AND GLOBALIZATION: OVERCOMING CHALLENGES
AND NEW OPPORTUNITIES FOR POLAND AND CHINA**

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SUMMARY

The purpose of this article is to provide an overview of emerging entrepreneurial initiatives in Poland and in China and to identify opportunities that arise through the promotion of entrepreneurship in an increasingly globally interconnected and interdependent world. The development of entrepreneurship occurs either as an individual or collective result of: comprehensive undertakings, strategies, training programs, specific promotional efforts such as for example creating technology parks, business incubators, replicating, coat-tailing, or simply implementing the best practices (or "benchmarking") as well as a plethora of other initiatives, inventions and industrious efforts.

In addition, by designing and developing pro-active and pro-business habits, as fostered by the recently initiated Global Entrepreneurship week, (since 2008) entrepreneurship is gaining more and more momentum and worldwide recognition and attention. At the same time, entrepreneurship also emerges through the bottom-up spontaneous initiatives of successful entrepreneurs - people who after having learned the hard way "the practice of entrepreneurship" may later on decide to devote a portion of their time and energy to teaching entrepreneurship in schools, community centers and sharing their practical experience, thereby enriching grass roots efforts.

Finally, an attempt is made to sketch out some salient features and characteristics of an excellent entrepreneur; one who can be considered not just as a market leader or business hero, but as someone contributing to the success of a greater, common good of our increasingly interdependent global society.

Entrepreneurial challenges in Poland

One of the great challenges to the contemporary Polish post-transition society is the development of entrepreneurial activities and the creation of a democratically mature, civil, and participatory society, where a new reality means taking active part in the global community. The economy of entrepreneurial capitalism¹, more than any previously tried alternative model, naturally tends to enhance and release the spirit of entrepreneurship. Initiatives geared toward the younger generation, in particular, foster this growing spirit, and by encouraging them to enthusiastically enter the market place without the baggage of prejudice or inhibitions, inspire optimism about the years to come.

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¹ Good Capitalism, Bad Capitalism and the Economics of Growth and Prosperity, W. Baumol et al., Yale, 2007, shows that entrepreneurial capitalism will be playing more and more important role not only in the US but also in entire world.

Entrepreneurship and Globalization: Overcoming Challenges and New Opportunities for Poland and China

A number of initiatives by the Polish government², reports by the European Union³, banks: both European and the World Bank⁴, as well as specialized institutions of the United Nations⁵, all place a special emphasis on the need to encourage entrepreneurial activity, to overcome barriers of bureaucracy, fight corruption and the need for respect for and observance of standards and rules of law.

Without a systematic reduction of (not always meaningful) administrative and bureaucratic rules ("red tape") and without promoting the pragmatic principles of entrepreneurship, entrepreneurial capitalism may not function properly, much less foster economic growth for the country. The greatest opportunity for the development and diffusion of entrepreneurship in Polish society depends on the rising generation of young people. This generation is characterized by openness to new challenges and opportunities and ability to intuitively accept reality both with its opportunities and dangers⁶. This educated and enthusiastic youth can then serve as a real catalyst and inspiration, pulling along others as if by locomotive. Supporting a new generation of entrepreneurs requires vision, infrastructure and a pro-active attitude. This should constitute one of the central aims of the government: successfully expanding capacity throughout Poland's economic transformation.⁷

The Internet: Global Platform for New Entrepreneurs

Victor Hugo once said: "You can resist an army invasion, but you cannot resist an idea whose time has come." One could say that entrepreneurship is an idea whose time has come. It is occurring in an era of increasing globalization with more chances to expand small business. An idea and the time that opens up new business horizons and opportunities. The development of entrepreneurship is stimulated not only through the introduction of latest technologies, achievements and innovations such as transistor, computer, mobile communication, Internet or mobile media. Those are just a few examples, which have opened up unlimited opportunities for entrepreneurial activities and field competition, the so-called "level playing field". New audio-visual communication has simultaneously contributed to the progress of globalization as well as ensured the progressive eradication and overcoming of remote areas.

Internet not only allows free and unlimited access to information, knowledge, communication, and entertainment, but also opens up great opportunities for interpersonal communication with each other, anywhere, at any time. Internet is also a goldmine of practical knowledge in many fields of business, and above all – it is a potential platform for unlimited

² For ex. National Program: Social Inclusion and Integration, document approved by the Council of Ministers, Ministry of Labor and Social Policy, Warsaw, Oct. 2006.

³ EU requires that all member states prepare National Programs for Social Inclusion and Entrepreneurship.

⁴ European Bank publishes Transition Report, while the World Bank – Doing Business, since 2003, ranking all 181 members according to their pro-business "friendliness" "attitude and respecting the rule of law and the complexity/burden of state bureaucracy.

⁵ UNDP Report: Unleashing Entrepreneurship, since 2004 shows how business helps promote employment and social mobility.

⁶ In Chinese language word "crisis" comprises two meanings which show a "threat" and an "opportunity". D. Whately calls the crisis: "an opportunity riding a dangerous wind."

⁷ L. Balcerowicz considered the period of great transformation as an "extraordinary time of extraordinary deeds" Entrepreneurship creates now similar possibility.

business activities, and on a global scale at that. There are a few prerequisites: one needs a profitable idea for a business, product, or service - either sought-after, or newly created, and not yet offered. Then, necessarily a good communication site (and increasingly more interactive web site, such as the more recent website domains provided by "global domains, int."), communication by mail to send goods or services to new customers looking for and willing to pay the price - to find the global buyer. Internet enables more and more to lead a group of entrepreneurs' interests, regardless of whether they are in the office, or on the road, or in the hotel - by using a computer to access the resource of business services, or to offer such services themselves.

Mobile phones, including newer generations of "iphone," are next to the Internet as an indispensable source of global business options revolutionizing opportunities for business. According to the Geneva-based International Telecommunication Organization⁸ (ITU), now 3.3 billion, almost half the population of the planet has access to mobile communications. The great speed, functionality and mobility of mobile telecommunications is constantly growing and continuously increasing.

It took almost 125 years for the number of telephone subscribers to reach a one billion. And in just two decades (exactly 21 years), a billion mobile phones were already available in 2002. By contrast, just five years later, their number has exceeded 3 billion. The number of Internet users worldwide is estimated at about 1.2 billion (ITU, the year of 2006), significantly, seventy percent are in developed countries. Just three decades ago, telecommunications was considered as one of the so-called "natural monopolies" which not only avoided the development of innovation in this field but also prevented effective competition.

In Poland, the "boom" of mobile communications and the Internet is developing very intensively (this process began to increase during the last decade). Perhaps the role of mobile communication may not solely be that of a catalyst for better communication. Rather, it will also create the foundations for the reception at any place and time of Internet broadcast educational programs, promoting knowledge and practical training opportunities for continuous professional development. This will most notably benefit young people, who most quickly and naturally seem to adopt the latest technologies.

Should all Poles be entrepreneurial?

Vilfredo Pareto⁹ – Italian engineer, economist and sociologist, came to the conclusion in the 1890s, based on the analysis of statistical data of Italian household income, that about a fifth of the population of Italy holds four-fifths of the country's wealth. His simple observation and description of relevant phenomena led him to formulate the generally accepted "80/20 Principle". According to this principle, 20% of efforts lead to 80% of effects. Some examples are: 20% of time effort, gives 80% of results,¹⁰ or: 20% of customers generate 80% of revenues, or: we spend 80% of our time with 20% of our friends. This proportion holds true in many areas of life¹¹, and

⁸ Annual Report of ITU: www.itu.int/aboutitu/annual_report/2007/

⁹ More details can be found on: www.projectsmart.co.uk/pareto-analysis-step-by-step.html

¹⁰ This is also known as "the vital few and the trivial many"

¹¹ Extension of this rule has been applied to many fields, such as logistics, quality control, sox sigma, ABC analysis, joint ratio and many others.

has been reflected in business, economics and management as well (especially in studies of quality, i.e., TQM). The principle allows one to recognize and choose priorities, facilitating the management of resources such as energy and time, such that one achieves maximum results in minimal time.

Not everyone needs, wants, or even can be an entrepreneur – anyone, however, can contribute to his/her own success. It would be desirable to have the active involvement in entrepreneurial business that aforementioned one fifth of the population. This is because it is enough that a relatively small part of the population has the entrepreneurial attitude and mentality and is actively involved in this important area. The modern day equivalent of Pareto is Edmund Phelps, who in 2006 received the Nobel Prize for his research into the principles and sources of economic growth. Phelps not only explains the natural co-relationships (trade-offs) between short-and long-term economic policy, but also asserts that "mentality and attitudes" have a huge, critically important impact on the efficiency of entrepreneurs, growth and economic development.

Against this backdrop, it is worth mentioning "Poland's Business Tour"¹² - a new initiative and program launched in 2008. The main objective of this effort is to reach out to anyone who might contribute to the development of entrepreneurship." The organizers of this program have already created a dozen major metropolitan development strategies in cities around the country.

The initiative worthy of greater exposure or even cloning.

Reports, studies and experts are to be analyzed in conjunction with academic units, with support from the Academic Incubators Pro-Enterprise (AIP)¹³. A further example of positive initiatives is "AIP Business Link", which acts as a new type of service to young companies. AIP Business Link operates in the form of services offering a comprehensive database and information center for the preparation of various business plans, providing analytical and technical expertise, assistance in leasing of office space, administrative support (eBiuro), investment advice (eConsulting), networking and assistance in financing business (eFinance). In addition, it offers less well-known formula such as: knowledge of multimedia, information technology (IT), creativity, or "team work", etc.

The organization aims to help implement ambitious goals among young entrepreneurs by offering:

"(S) ystemic solutions with real impact on the economic situation in each city in which they will be implemented. - We would like to make changes in the field of education, which will result in a change in mentality, as well as the environment in which firms operate," says Amanda Lunańska, project coordinator at Poland

¹² *Quarterly Journal of Young Entrepreneurs*, No. 4 p. 8 www.polskaprzedsiebiorcza.pl/ebooki

¹³ on the web: [www.http://inkubatory.pl](http://inkubatory.pl)

Enterprising. "We are confident that Poles will see the strength that comes from entrepreneurship and feel responsible for its further growth and development."¹⁴

The overall strategy of Enterprising Poland also assumes inspections and checks of best practice ideas to develop business plans for most of the cities over the next five years. Potential business plans will be reviewed and tested in one of the Academic Incubators of Entrepreneurship. The conditions necessary for testing are those that allow "simple and quick conduct of the company without actual registration, as well as those that ensure comprehensive support (collection of orders, established, advisory services)."¹⁵

Characteristics of Entrepreneurs¹⁶

Even the most recent definitions of entrepreneurship (including the modified versions) benefit largely or have their primary source in the far-sighted vision of JA Schumpeter who studied business and characteristics of entrepreneurs in the 1940s. One of the classics of economic literature that he contributed is Capitalism, Socialism, Democracy. In addition, he published such works as Business Cycle Theory and History of Economic Analysis, which support his thesis of the dominant role of elites (the entrepreneurs) and prominent individuals in entrepreneurship endeavors. These works portray the entrepreneur as a sort of hero of the business; one who creates and builds, serving both as innovator and initiator of new products and services. This is done through a synergy of vision, risk and a co-operative, pro-consumer attitude. By gathering, clustering, he builds and creates new things while destroying others (old) in the so-called continuous process of creative destruction.

Peter Drucker defined the entrepreneur as someone who is able to "best predict the future by creating it." For Schumpeter and Drucker, the entrepreneur is someone who disturbs the balance, or upsets the equilibrium, through continuous innovation. In Good Capitalism, Bad Capitalism and the Economics of Growth and Prosperity, W. Baumol develops these ideas further and deeper, as he claims that "Innovation is the specific instrument of entrepreneurship." The entrepreneur is characterized by bold, deliberate thinking, is full of creative imagination, detachment from accepted patterns, sketches, or business practices." In contrast, one of the pioneers of the practice of entrepreneurship at Harvard Business School, Howard Stevenson, believes that the entrepreneur is someone who unapologetically pursues any identified opportunities ("sees and seizes") beyond the domain of resources which he has at his disposal."¹⁷

Among these definitions, we can note several "replications" and "innovative" forms of entrepreneurship. Many people may look at the same object - but the entrepreneur is the one who

¹⁴ „Tournée Przedsiębiorczości: Jak rozwinąć biznes w miastach,” (Tournée of Entrepreneurship: How to grow a business in cities) P. Jaowrowicz, in Quarterly Młody Biznes, str. 9, Nr . 4, 2008,

www.polskaprzedsiebiorcza.pl/ebooki

¹⁵ ibid

¹⁶ From State Socialism to Entrepreneurial Capitalism, doctoral thesis, M. Michalski, mimeo, p. 35-37.

¹⁷ University of Berkeley considers entrepreneurship as the pursuit of opportunity beyond the resources you currently control).

sees what everyone else fails to see. In turn, Paul Romer¹⁸, of Stanford University claims that entrepreneurs best influence the development of the economy, "if they use existing resources and raw materials in such a way that they become increasingly useful and value-added in the eyes of the consumer." His famous metaphor for production in an economy relates back to the kitchen: "economic growth springs from better recipes, not just from more cooking."

What are common characteristics of the entrepreneur?

Although it may be difficult to select universally common or normative features by which to characterize the entrepreneur, it is possible to identify certain unique human advantages and characteristics that are popularly known as "entrepreneurial".

One of the most important qualities is probably the ability and willingness to *take calculated risks*. Linked to this is an awareness of the possibility of loss or disaster. This could be regarded as a kind of indication, given that many success-driven people have, at some point or another, found themselves in a state of temporary defeat. When asked by a reporter if he felt discouraged after his 5,000th unsuccessful attempt at inventing the electric light bulb, Edison replied that, on the contrary, all of the experiences were quite positive, because they showed him 4,999 times how not to produce a light bulb.

Another important feature is the complementary *interaction of passion and vision*: the vision of a better product, service or process innovation. Many of the initiatives of entrepreneurs are born out of a combination of synergy, passion and complementary interaction. Examples are: Hewlett Packard (Computers), Proctor and Gamble (Consumer Products) Jobs and Wozniak (Apple), Allen and Gates (Microsoft), Brin and Page (Google), Zuckerberg and Hughes (Facebook). Sometimes the synergy between different personalities unleashes creative energy, which results in a unique product.

A third important characteristic of entrepreneurs is a *constant and even "infectious" optimism*. It may often be motivated not only by an attractive lifestyle, but also new challenges, opportunities, which allow you to build or create something new, something for which there is demand. Optimism, like a convulsive energy, is an expanding and creative force.

The fourth element is a *strong motivation and belief in oneself*. These features are necessary and almost intuitively obvious because they point to the need to acquire any essential capabilities and skills, both of self-starting and seeing a project through despite and difficulties down the road.

A fifth feature is *flexibility combined with persistence and perseverance*. The ability to adapt to a constantly changing environment while overcoming failures is an integral part of doing business, constantly learning, and searching for newer and better methods.

¹⁸ As one of the chief architects of "New Growth Theory," Paul Romer has had a massive and profound impact on entrepreneurial modern economic thinking. New Growth Theory shows that economic growth doesn't arise just from adding more labor to more capital, but from new and better ideas expressed as technological progress. Along the way, it transforms economics from a "dismal science" that describes a world of scarcity and diminishing returns into a discipline that reveals a path toward constant improvement and unlimited potential, which bodes well with entrepreneurial thinking.

Freeing the enterprise from the barriers of red tape, corruption and inertia

According to a report by Polish business, "How to unleash entrepreneurship in Poland?"¹⁹ it only takes a few simple and easy changes and reforms to advance Poland up to 30 places higher from its current placement at 76 on the Doing Business (DB) list. DB ranks the country so low mainly, but not only, due to the lack of an enterprise-friendly regulatory environment. The report indicates many additional factors that contribute to the inefficiency and restrictiveness of public administration which impede start-up businesses in Poland.

Of the five significant barriers hindering business development in the country, four are rooted at the legal and administrative level. The most significant barrier concerns high taxes; second concerns burdensome relationships with authorities (e.g. tax or insurance), the third is unpredictable volatility of legal provisions, and finally the fourth relates to over-excessive litigation and criminal law. Analysis of research conducted by Millward Brown SMG / KRC shows that normative, restrictive regulations slowed the growth of entrepreneurship. Thus, there is a clear correlation: the more time-consuming and costly the procedures for starting an entrepreneurial endeavor - the less likely people are to establish their own businesses.

In Poland, setting up a limited liability company (llc) requires the completion of ten forms, and the duration of processing is usually a month if not longer. In comparison – the same process in Canada or the USA takes less than a day.²⁰

The next barrier is the over-complicated Polish tax legislation. Settling fiscal matters often requires enormous time and concentration. It is well known that the Polish tax system is one of the most onerous in comparison with many countries. Moreover – it absorbs an average of more than 40% profit. According to estimates, Polish companies have up to 40 tax payments per year, which translates to the dedication of approximately 400 hours, as compared to 8-9 hours spent on comparable activities in Ireland and New Zealand.

The third issue - enforcing claims in Poland requires companies to overcome 40 procedures, which will take an average of well over two years (830 days).

The fourth – the bankruptcy process takes about three years (on average), which is 6-fold longer than in Ireland. And the costs associated with bankruptcy procedures absorb about 20% of the assets of the company. Again, compared with Ireland, the Polish costs are approximately two times higher.

Finally, the fifth - one of the most onerous provisions relates to construction. Building a warehouse requires compliance with 30 procedures. Completing them takes an average of more than 11 months.

Comparative analysis and international experience show that relatively small company start-up costs positively affect faster economic development in a country. In contrast, high tax rates slow investment while contributing to an increase in the gray zone.

¹⁹ www.for.org.pl/upload/File/raporty/Raport_Jak_uwolnic_przedsiębiorczosc_Final.pdf

²⁰ Thanks to Internet one can register a company electronically for as little as \$50 in Delaware, and provide business services in all states and abroad.

Significant social worldwide problem: unemployment

Even though unemployment among young people is a problem that exists throughout the world, Poland is a particular challenge. It applies not only to college and university graduates, but to a significant segment of adolescent society in many regions of the country, where lack of professional mobility and job creation are at odds with the increasing demand.

Factors contributing to this situation are as follows:

- a) low social and professional activity of young people, poor civic education, inertia, lack of sense of responsibility to (and, consequently, commitment to) the situation in the local community and the lack of a sense of the possibility for change;
- b) lack of professional preparedness among young people;
- c) lack of specific skills needed for thriving in the labor market;
- d) low culture of "professional entrepreneurship" - lack of relevant work habits such as a robust performance of duties, work ethic, compliance with workplace rules, or sense of belonging to a business (team work, team spirit);
- e) lack of an adequate assessment of capabilities and personal resources, professional assessment of their strengths and weaknesses, lack of opportunities for presenting ones strengths and skills, performance metrics;
- f) lack of familiarity with the principles of the labor market, lack of familiarity with the legislation, areas of socio-economic development which may be a place of work;

The search for best (entrepreneurial) practices, and benchmarking ²¹

For some decades now, in Europe and the United States, "best practice" methodology has been employed to promote the best systems, products or procedures of one company or country among its members. China is quickly catching on with many new large corporations bringing their habits along with physical capital. Best practices are an acceptable way of mutually exchanging and sharing procedures in a similar manner as so-called "instructional capital," that is, capital resulting from investment in training material in order to continue to develop human capital. In today's information era, knowledge is often exchanged by means of "source code" (i.e., algorithms and / or program processes), and e-democracy (e.g., visibility and more access to decision-makers). Typical examples where best practice domains apply (outside the educational or public interest institutes) include: risk management, change process and change management, milestones, and local governance. Best business practices are the search for ideas and strategies outside one's own company in order to improve quality, productivity, sales, marketing, etc. Best practices have been used for decades and lead to billions of savings among business leaders and entrepreneurs in virtually all areas of production or trade.

The main advantages of this practice are:

²¹ In many ways the classic book, In Search of Excellence by T. Peters and R. Waterman (1982) focuses on the basic eight principles valid for all entrepreneurs even today.

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- a) Reduction of costs: Small businesses and entrepreneurs often do not have financial resources that large companies have. By learning from the best, they can save significant money with no need to test the best ideas in advance.
- b) To avoid errors: Solving problems single-handedly or unexpected business errors may result in huge costs. Knowledge of what others did in similar situations helps keep business in business.
- c) Finding new and already proven ideas: The adoption of an open attitude to new ideas to improve activities can mean a great opportunity for small businesses and entrepreneurs.
- d) Improved efficiency: When a trader is looking for best practices outside of their company, sometimes interesting things happen unexpectedly. You can significantly improve working conditions, improve performance, or seek higher standards of excellence.

What steps should be taken to bring about the "best practices"²²?

First, choose a type of process / procedure or service in order to potentially improve (for example, the procedure for delivering a given product / commodity.)

Secondly, consider a specific aspect to be measured or quantified (e.g. the frequency of delays among certain items – in terms of a particular unit of measure).

Then, gather information on best practices within the market, and among competitors and companies in similar industries (e.g. in the field of postal deliveries and its various competitors.)

Fourth, modify the collected best practices to suit your own unique situation. Finally, the implementation process and measuring results for Monitoring and Evaluation (lessons learned).

Conclusion

Group lessons, simulations, incubators, and close participation of industrial parks with academic centers of entrepreneurship are necessary, but not sufficient to prepare people for the challenges of the new entrepreneurial market. Synergy and close cooperation of stakeholders, as well as a broad flow of information and knowledge are all necessary for success. In the West, one of the best-selling types of literature is of the self-help variety, which not only can be purchased cheaply, but are also increasingly available in public libraries just a few months after publication.

An article in Journal of Technology in China: “Benchmarking China firm Competitiveness: a Strategic Framework”²³ gives an overview on observations and research

²² www.benchnet.com

experience on the prevalent theoretical models of building up entrepreneurship and competitiveness. The paper shows the importance of keeping-up with the technological changes and the emerging new global paradigms of the business environment. It addresses the development through which firms can contribute to capacity building and the creation of competitive advantages facing the challenges of globalization.

The research shows the strategic framework of developing competitiveness, which include: creation of core competence, establishment of competitiveness index and competitiveness rankings. These are closely linked with the development of corporate strategy, marketing strategy and technology and innovation strategy within firms. These core features have strong implication to Chinese and foreign enterprises and provide an invaluable instrument for firms to enhance their performance through benchmarking and evaluating their current competitive position and determine new strategies to create competitiveness.

Potential allies in today's challenges are new technologies and innovative media solutions in the form of educational recordings or television programs. Similarly effective are regional broadcasting stations and training centers that offer entrepreneurial education sessions on certain days of the week. These efforts will not immediately solve all the problems, but they are a positive contribution. They can bring society to a higher level of consciousness by explaining the essential principles of our new entrepreneurial society in a practical way. Constructive activities and entrepreneurial initiatives already exist in the new reality. An example could be the owner of a computer company conducting classes in a business school which he once attended. Financially, it probably would not pay him much (especially compared with the earnings in his own company), however – he may find just by virtue of the success of the programs that he can and should "give back to society".

Entrepreneurship as a habit in thinking or action creates enormous opportunities for the Chinese and Polish economy and role of the entrepreneurship will grow with time. Reducing the role of bureaucracy and implementing a positivist approach to creating an appropriate regulatory environment will contribute significantly to improving the conditions and quality of life. For more complete results, we will need to wait. As the well-known Chinese proverb says: "One generation must plant the trees before the next can benefit from its fruits." The contributions and deliberate initiatives of people who travel and visit new cities, not necessarily even foreign, and specific efforts of even a small group of people can all come together to serve the greater public good of society.

²³ "Benchmarking China firm Competitiveness: a Strategic Framework, by Richard Li-Hua, in Journal of Technology in China, vol. 2, pp.105-118.