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Changes in Business Structure as a Factor Reflecting the Development of the Region

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Abstract

The improvement and acceleration of the development of regions in the European Union is the key issue of many EU documents. Presently the Strategy Europe 2020 is considered the most important document. According to it, the development of regions contributes to intelligent growth, which is one of the EU priorities. One of the factors which directly reflects the development of a region is the business structure and its changes. The business structure in Slovak regions has changed under the influence of the economic crisis. The aim of this paper is to analyze the changes in the business structure in Slovak regions and to assess whether these changes have contributed to the development of the region. The data used in the analysis were mainly obtained from the Slovak Statistics Office and other relevant sources.

Introduction

The world economy is presently characterized by dynamic development. In comparison with development in past centuries, links, processes and dependences which are completely new and special are appearing (Paľa and Považanová 2011). Integration and globalization definitely belong among such processes. On the one hand, the process of integration and globalization eliminates common borders and brings new economic advantages and possibilities. On the other hand, these processes are the source of many contradictions (Šuplata 2011). The characteristic feature of the free market economy is effectiveness, which is reflected in optimal allocation of the resources and which influences the creation of financial gain in business (Hronec 2010). The European Commission is aware of these challenges and therefore approved the document with the name Strategy Europe 2020 with the subtitle European Strategy for smart, sustainable and inclusive growth. In this document are the aims and the priorities towards which development in Europe should lead. According to the authors of the Strategy, the main task of the European Commission is to synchronize the practices of the Member States to effectively face the new challenges in society (Uramová and Šidová 2011). According to this document an adequate response will be achieving a new quality of economic growth, whose main characteristics are:

- intelligent growth — the development of the economy based on knowledge and innovations
- sustainable growth — support of the economy which is more ecological and more competitive and which uses existing resources more effectively
- inclusive growth — creation of an economy with a high level of employment delivering economic, social and territorial cohesion

For the labour market the strategy of inclusive growth is essential, because it includes also strengthening the role of citizens through a high level of employment, investments in skills, the fight against poverty, and the modernization of the labour markets, educational systems and social protection (Šidová and Vallušová 2013). The main goal of these investments is to help people to predict and to manage changes and to create a cohesive society. According to this document, the development of the regions contributes to intelligent growth, which is one of the EU priorities.

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"The most frequently used economic term nowadays is economic crisis, which affected the world economy at the end of 2008. The solution to the arising problems is considered to be the growth of state intervention and regulation, which is in the intention in the after-war development of economic theory and economic praxis. In the human world almost nothing is perfect and also the market has its failures, but the originating cause of many market failures is state intervention." (Horeháj 2012) On the other hand, there are also opinions according to which state interventions are appropriate and useful. In the case where most dimensions of the innovation processes fail in a region, the government should take over the function of the coordinator of development and provide useful help and resources (financial, human, etc.) (Murgašová 2012). In the current situation of the economic slowdown the ability of business entities to adapt to new conditions and to look for new possibilities of economic development. is vitally important. In this manner, small and medium enterprises have one kind of advantage over big companies. Thanks to their flexibility and ability to fill the gaps on the market, there can be small and medium enterprises which can contribute to the re-launch of the economy of the Slovak republic. Small and medium enterprises represent a stabilizing element of the economic system and they have big growth potential. Therefore the development of small and medium enterprises should be the basis of the economic development of the Slovak Republic (Elexa and Krafská 2011). This is why this paper has focussed on changes in the business structure.

The aim of the paper is to analyze the changes in the business structure in the Slovak regions and to assess whether these changes have contributed to the development of the region. The analysis was conducted in January 2013 and we analyzed the data which were published for the year 2011. In the data analysis we focused on the time series, because they can help us to characterize and to describe the changes under the influence of the crisis. The data used in the analysis were mainly obtained from the Slovak Statistics Office and other relevant sources.

1 The development of the legal and physical entities in regions of the Slovakia

In the Slovak Republic there are eight regions: Bratislava region, Banská Bystrica region, Košice region, Nitra region, Prešov region, Trenčín region, Trnava region and Žilina region. We used this classification for describing the changes in the legal and physical entities. In the year 2011 there were in the Bratislava region 65 223[1] legal entities (LE) and 61 053 physical entities[2] (PE). By more detailed classification of LE, 51 742 trade companies, 246 cooperatives and 7 state businesses can be identified. The number of companies is continuously increasing; compared with the year 2010 there was an increase of 4 691 enterprises. When comparing the situation in other regions, in this region nearly four times more companies than the average of the other regions are active. By detailed researching of the PE figure, there were identified 56 581 those in trade, 4006 in professions and 466 self-employed farmers. The number of self-employed farmers has been steadily decreasing and since 2005 it has fallen by more than 15%. This indicates a transition orientation from agriculture to other areas of economic activity. Between the two following years a decrease of those in trade (about 2,92%) was also indicated. In 2011 they were dealing with wholesale and retail trade, repair of motor vehicles and motorcycles (32,14%), professional, scientific and technical activities (15,28%) and construction (12,46%).

The statistics of organizations in Banská Bystrica region has not really changed in the last years. In the year 2011 21 380 legal entities were active in this region and 43 161 physical entities. By detailed characterization of LE, the largest share was trade companies (12 454 trade entities — that is, 58,25%). In comparison with the previous year there was an increase of about 707 entities. The next category of LE in this region in the year 2011 was that of cooperatives (189 cooperatives — that is, 0,88%). The count of cooperatives is gradually decreasing (in the last

1. In the journal (in both Polish and English texts) European practice of number notation is followed — for example, 36 333,33 (European style) = 36 333.33 (Canadian style) = 36,333.33 (US and British style). Furthermore in the International System of Units (SI units), fixed spaces rather than commas are used to mark off groups of three digits, both to the left and to the right of the decimal point. — Ed.]

2. Natural persons conducting economic activities.

5 years it decreased by about 17 cooperatives.) In the year 2011 there were active in the Banská Bystrica region 8 state businesses. In comparison with other region we can see that in this region there is the largest amount of state businesses. The largest sub-category of PE were the those in trade (39 656 those in trade—i.e, 91,88%), the next subcategory were the professions (2 163 entities — that is, 5,01%). The sub-category of self-employed farmers contributed the smallest share in the PE: 3,11% (1 342 entities).

In the year 2011 there were active 23 265 legal entities in the Košice region and 41 114 physical entities. The largest share of the LE category was trade companies – almost 65% (in absolute numbers 14 943 entities). In comparison with the year 2010 there was an increase of about 1 140 entities. In Košice region there were active 172 cooperatives and in this region there was not any state business. The category of the physical entities was mostly represented by those in trade (in absolute numbers 37 246 those in trade—i.e., almost 91%). In the next step we see in this category 2 777 in the professions (6,76%) and 1 091 self-employed farmers (a share of 2,65%). The share of self-employed farmers has decreased more than about 22% since the year 2005.

In the Nitra region there were active 21 186 legal entities in the year 2011 and 49 936 physical entities. The share of trade companies among all legal entities was 69,48% in the year 2011 (14 719). This two times larger than in 2006. The next category of legal entities which were active in the Nitra region in the year 2011 was cooperatives: 202. Apart from these two categories, in this region there were active also three state businesses. The largest number of physical entities were those in trade (46 120 entities — that is, 92,36%), the category of the professions was represented at the lower level (2 365 entities — that is, 4,74%), but the number of liberal professions has increased since the year 2005 by 50%. The numbers of self-employed farmers represented 3% of the number of physical persons (1 451 entities). In Nitra region in the year 2011 the largest number of self-employed farmers among all regions in the Slovak Republic was active. This fact comes from the character of the Nitra region, which has the best conditions for agriculture among all other regions in Slovakia. Among all those in trade in Nitra region (46 120) 32,46% (14 970 those in trade) were active in the year 2011 in wholesale and retail trade, repair of motor vehicles and motorcycles; 21,44% (9 888 entities) were active in construction and 18,20% (8 392 entities) in industry.

In the year 2011 22 309 legal entities and 58 544 physical entities were active in the Prešov region. The category of legal entities was represented by trade companies in the largest number (13 058 trade companies—i.e., 58,53%); it has increased since the year 2010 by 945 entities. In Prešov region there were active 220 cooperatives and one state business. Physical entities were mostly those in trade (55 132 entities—i.e., 94,17%) and liberal professions (2 382 entities—i.e., 4,07%). The category of self-employed farmers was represented negligiblye (1 030 entities—i.e., 1,76%). The share of self-employed farmers has grown in Prešov region every year since the year 2008. The highest number of physical entities undertook business activities (27,3%) or were in industry (21,5%). When researching the area of employment (employees and business entities), the largest share of employees and business entities in the area of business and services (36,75%) were represented there in the year 2010.

In the year 2011 there were active 17 455 legal entities and 44 238 physical entities in the Trenčín region. The category of the legal entities showed 11 586 trade companies and in comparison with the previous year 2010 there has been an increase by 565 companies. The next category in legal entities were 134 cooperatives, their number fell by 5 comparied to the year 2010. In the Trenčín region there was not any active state business, which means all entities were from the private sphere. More than 95% of the physical entities were those in trade (42 153). From all those in trade in the year 2011 27,12% (11 432) were active in the area of wholesale and retail, repair of motor vehicles and motorcycles; 23,41% (9 872) were active in construction, 19,69% (8 300) in industry. The remaining physical entities represented the professions (1 818—i.e., 4,11%) and self-employed farmers (267—i.e., 0,60%). The number of self- employed farmers has decreased by 22% since the year 2005.

In Trnava region there were active 19 048 legal entities and 42 727 physical entities in the year 2011. In the category of legal person were active 13 503 trade companies in this region. The count of the trade companies has increased by 1 000 in comparison with the year 2010. The next category, which was identified among physical entities, was cooperatives. The number of cooperatives was 206 in the year 2011. When comparing the cooperatives with the year 2006 there was a significant increase from 162 to 206. This increase is very significant in comparison with other regions in Slovakia. The higher concentration of the cooperatives in Trnava region is caused by the geography of the region (positive climate, fertile soil), which has a very good influence on the development of agriculture in the Trnava region. Here the private sector predominates the state sector, in the year 2011 only one state business was active in the region. Among all of the legal entities, of which there were 42 737, 40 222 were those in trade (94,16%), 1 639 liberal professions (3,84%) and 876 self-employed farmers (2,05%). Among all those in trade 28,67% (11 531 those in trade) were active in the year 2011 in construction, 21,71% (8 733) in wholesale and retail, repair of motor vehicles and motorcycles and 13,54% (5 448) in industry. The share of those in trade has increased by 2 484 since the year 2005. This is driven by the good conditions for entrepreneurship in the Trnava region.

In the year 2011 20 221 legal entities and 61 542 physical entities were active in the Žilina region. The biggest share of the legal entities were trade companies (64,81%—i.e., 13 105). When comparing the number of the trade companies with the year 2010 there was an increase of 608 entities. Aside from trade companies there were 204 cooperatives active in the Žilina region in the year 2011. There were not any active state businesses in the year 2011. Among the physical entities in the year 2011 the largest share were those in trade (95,24%), in absolute numbers 58 612 were active in the Žilina region. This number is the highest number of those in trade among all regions in Slovakia. In addition, in the Žilina region there were active 1 919 professions (3,12%) and 1 011 self-employed farmers (1,64%) in the year 2011. When researching the prevailing areas of business which have created new jobs and possibilities for entrepreneurship to the greatest extent, the highest employment rate (39,93%) in the area of retail and services in the year 2010 was in Žilina region.

Tab. 1. Employment in different areas of the economy by region in Slovakia (%)

Region	Agriculture	Industry and construction	Trade and services	Public administration, health care, education and social help
Bratislava	1,17	16,53	61,40	20,90
Banská Bystrica	5,40	29,64	40,04	24,92
Košice	3,74	25,49	45,34	25,44
Nitra	5,30	35,15	40,14	19,41
Prešov	4,72	34,10	36,75	24,43
Trenčín	3,23	40,43	39,51	16,84
Trnava	3,33	35,45	42,84	18,38
Žilina	2,49	36,53	39,93	21,05

Source: Statistical Office of the Slovak Republic

As we can see from the table, the highest employment is in the area of trade and services except for in the Trenčín region. Here the highest employment is in industry and construction. Among all regions in Slovakia agriculture in Banská Bystrica and Nitra regions dominates. This is to positive agricultural geographic conditions. Public administration, health care, education and social support are prevalent in the Prešov and Košice regions. The population in these regions is quite high. Trade and services predominate in Bratislava region. This is influenced by its geographic location and also the presence of the capital city in this region.

2 Analysis of the business environment in the regions of Slovakia

From the perspective of the business environment and business opportunities Bratislava region represents a favorable environment for economic development. In determining the index of the regional business environment in the Bratislava region it is important to note that the districts in this region in 2009 achieved the highest score in comparison to other districts in Slovakia, which means that the overall quality of business conditions in these districts, according to the results of the analysis by the Business Alliance of Slovakia (PAS), are the best.

According to the index of the regional business environment, districts of Banská Bystrica region are divided into two groups, between which there are significant differences. Among districts with good conditions for business are Banská Bystrica and Zvolen. Conversely districts Veľký Krtíš and Poltár are placed among the three districts with the worst score achieved among all districts in Slovakia. According to the index of the regional business environment, the best conditions for businesses are located in the district of Košice. The worst score was noted in Gelnica, which took last place among all the districts in Slovakia organized by the index value. The index in 2009 pointed out that in Nitra region there were districts (Nitra and Levice), which achieved a high score, and thus possess the appropriate conditions for business. Low scores were noted in Komárno district, which was placed in the second half of the districts in Slovakia organized by the index value. The index calculated for each district in Prešov region included the districts of Poprad and Prešov which had favorable scores and were placed in the first half of districts grouped according to the real value of the index. Conversely, a low score was noted for the districts of Snina, Svidník and Stropkov, which ranked among the ten districts with the worst scores. The index in 2009 pointed out that in Trenčín region there were districts (Trenčín and Nové Mesto) which reached a high score. Low scores were noted in Partizánske, which placed in the second half of the districts in Slovakia organized by the index value.

In determining the index of regional business environment within Trnava region it is important to note that the districts in this region in 2009 reached the second highest score in comparison to other districts in Slovakia, which means that the overall quality of business conditions in these districts is very good. This has been confirmed in recent years, as an increasing number of trading companies operate in Trnava region. The best score was achieved by Trnava and the weakest score by Senica and Dunajská Streda. Both districts are nevertheless placed in the index in the first half of the districts in Slovakia.

According to the index of regional business environment, it is clear that in the Žilina region there are districts with very good conditions for business. Among such districts are included Žilina and Ružomberok. Among the districts which had lower scores in the different districts of ŽSK, are the districts of Námestovo and Čadca. Finally, we would say that according to Šipikal, Pisár and Uramová (2010), the main problem in these regions are related to the lack of financial resources for innovations directed by governing regional bodies.

Conclusion

The aim of the paper was to analyze the changes in the business structure in the Slovak regions and to assess whether these changes have contributed to the development of the regions. After analysis we can say that in almost every region the number of trade companies has increased and the number of cooperatives has decreased. From this fact it is clear that there is a tendency to strengthen the area of trade and services. The area of agriculture is slowly decreasing in importance. The conditions for entrepreneurship are in some regions in Slovakia very good, but in some regions there are inconvenient conditions and in these regions there is also a higher unemployment rate. According to Kollár (2012), in the long run the development of the business environment would be more efficient than an increase in taxes for legal entities and other known changes to move in the direction that would be positive for the stimulant effects of this realm.

But from the perspective of companies, we could say, that companies do not affect the labour market only from the position of the entity demanding the labour, but also they significantly influence the quality of human capital in the region in which they operate, primarily by investing in employee training. As to the advantages for the company, it invests in employee training mainly because it expects the increase of profits. The increase in profits on the basis of employee training may occur in several ways. Employee training can help streamline the business processes and also contribute to their optimization. In this way the company can adapt more quickly to market changes and to plan the response. Employee training can also help to use resources more effectively and thereby reduce costs. By resources in this case we mean both resources of material character, but also financial and human resources. The more educated workers are likely to have higher labor productivity, which can contribute to reduction of the number of employees, thus saving labor costs. The training of employees brings to the company a significant competitive advantage in several areas. On the one hand, the company through qualified personnel can use the latest knowledge in the field. On the other hand, the company which educates its employees creates goodwill in its surroundings which also affects its position as the preferred employer for potential employees.

In this sense, the companies are the growth poles that support the development of the region. For this reason, it is possible to attribute the revenues derived from such investments only to the investing firm, as certain benefits are received by its employees, by the region, as well as by other companies operating in the region. It is therefore necessary both to assess such investments in a broader context and on the other hand seek opportunities for cooperation between stakeholders, which would create synergies for all involved. In this context, the promotion of ideas of corporate social responsibility seems to be very actual as it represents the cornerstone for the identification and involvement of stakeholders in various areas of business management. The challenge for the future in the context of post-crisis conditions is to focus on long-term development of the company and on the direct or indirect positive influence on the business environment in which the company operates.

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