Entrepreneurial Activity, Market Orientation, Investment Attractiveness and Transaction Costs for Enterprises in Local Development Context

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Abstract
The goal of the paper is to explore phenomena of entrepreneurial activities and market orientation of local governments, and also to identify a relation between these phenomena and investment attractiveness of local units and transaction costs for entrepreneurs and investors that authorities of local units might impact. We performed Boolean key word and subject term searches of selected scholar databases between 21 and 24 July 2017. It enabled us to identify less proliferated aspects of local development, which we deepened our knowledge of through systematic literature review aiming to reach the purpose of the paper. Entrepreneurial activities and the market approach of local units are widely explored in scientific research literature, but investment attractiveness of local units and their impact on transaction costs for enterprises are less represented. We present relations between investment attractiveness and transaction costs for enterprises with entrepreneurial activities and market orientation. There are actions local governments can undertake to impact investment attractiveness of local units and transaction costs for enterprises to stimulate the local development process. This work indicates the importance of increasing investment attractiveness of local units by local governments and lowering transaction costs for enterprises in the local development process.

Keywords: entrepreneurial activities, market orientation, investment attractiveness, transaction cost, local government

JEL: D23, H11, R11

Introduction
Local development understood as a process of quantitative growth and qualitative progress of a defined area is the subject of public policy, regional and economic studies. Contemporary streams of public sector reform discourse outline the importance of activities typical for the private sector in performance of local government. Entrepreneurial activities and market orientation are presented as the backbone of market-based public administration, new public governance, or networks and joining reform approaches (Pollitt and Bouckaert 2011, 22; Zalewski 2007, 26). There are also other, less explored phenomena gaining importance in the local development context such as investment

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attractiveness and transaction costs for enterprises impacted by local government. The authors of this paper investigate prevalence of these phenomena in contemporary local development discourse and present the context of those which are less explored and discussed. The authors place Entrepreneurial Activities (EA), Market Orientation (MO), Investment Attractiveness (IA), and Transaction Costs (TC) for enterprises in the broader context of local development. Of particular interest to the authors is the building of a theoretical bridge between the explored phenomena in local development theory by indicating how EA, MO, IA and TC are researched and discussed in the context of local development processes. In the literature review section, the authors present a review of international literature on entrepreneurial activities and market approach in a local development context. In the methodology section an approach toward Boolean keyword and subject term research is presented. In the research findings the authors present the contexts of investment attractiveness and transaction costs for enterprises in the identified scholarly literature, and in relation to entrepreneurial activities and market orientation to point out a holistic context of these phenomena in local development. The paper concludes with implications of the study for economic theory and further research practice.

1 Literature review

1.1 Entrepreneurial activities in local development discourse

Entrepreneurial Activities in a local development context inextricably relate to activities of local government, which is represented by public administration managers, belonging to the sphere of public sector activity. As a result, the vast majority of subject literature focusing on EA in local development refers to entrepreneurship in the public sector as such. Processes of globalization, regionalization, and the growing role of small and medium enterprises in local and regional economic development, as well as the increasing importance of entrepreneurship stimulation policies, drew the attention of researchers to local and regional causes and consequences of EA (Sternberg 2009).

The phenomenon of entrepreneurship has been usually associated with the practice of the private sector. Although the public sector operates in circumstances fundamentally different to those of the private sector, principles of entrepreneurial behaviors and activities are not contradictory to objectives of public sector entities and often explained activities undertaken (Westrup 2012, 98). Leyden and Link define entrepreneurship in the public sector as “the promulgation of innovative public policy initiatives that generate greater economic prosperity by transforming a status-quo economic environment into one that is more conducive to economic units engaging in creative activities in the face of uncertainty” (Leyden and Link 2015, 32). Kingdon introduced a concept of policy entrepreneurs and described them as “advocates who are willing to invest their resources—time, energy, reputation, money—to promote a position in return for anticipated future gain in the form of material, purposive, or solidary benefits” (Kingdon 1984, 179). Audretsch, Falck, Feldman and Heblich (2012) characterize entrepreneurship predominantly as a phenomenon taking place in geographical context, which is particularly important in the context of giving attention to local units as locations of local government EA. It becomes evident that EA might positively impact performance of the public sector. Moon argues that leaders from the public sector are becoming more interested in encouraging entrepreneurship in the public sector in order to improve its performance (Luke and Verreyne 2006, 4). Scholars emphasize that entrepreneurship can refer to individuals, but also groups, organizations, and wider institutions. Institutional entrepreneurs often have to overcome structural power by disabling discourses and coalitions, and therefore they are actors with a greater range of assets than others in the region for stretching constraints, mobilizing competencies and resources and being able to acquire the necessary power to do so. Institutional entrepreneurs, thanks to well-developed leadership capacity, might determine the direction for change with, through and by people, bringing them together on one path and inspiring them to action (Sotarauta and Pulkkinen 2011, 102).

We would like to emphasize that discussion on the phenomenon of entrepreneurship needs to refer to its doer—an entrepreneur—a person, with attributes, behaviors and predispositions. In local development discourse it often refers to the person of a local leader. The subject literature
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emphasizes importance of features related to entrepreneurship such as passion, motivation toward defined goals, taking risk in making decisions, self-belief, flexibility, creativity in overcoming obstacles and networking abilities. Taking into account the above considerations, EA undertaken by local government needs to be understood as initiatives undertaken by public local authorities (people with legal authority and responsibility for development of a particular local community) in order to increase the level of socio-economic development and investment attractiveness of a local unit aiming beyond obligations of local authorities defined in respected legal regulations, and therefore often requiring additional, internal effort or resources. Local governments responsible for development of local units pursue diverse entrepreneurial and innovation strategies, however, finding and hiring employees who demonstrate adequate entrepreneurial features and behaviors is considered as both prerequisite, and a challenge related to it (Fornahl 2003, 46). Below we present selected definitions of entrepreneurship and EA, which impacted a proposed understanding of EA in a local development context.

### 1.2 Market orientation in local development discourse

Adopting a market approach by territorial units seems to be an imperative today. In the literature on the subject, the term “market orientation” is used interchangeably with the term “marketing orientation” and “customer orientation” (Kowalik 2011a). According to Kuźniar (2013, 9), the success

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**Tab. 1.** Selected definitions of entrepreneur, entrepreneurship and entrepreneurial activity

<table>
<thead>
<tr>
<th>Author and year</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schumpeter 1934</td>
<td>The entrepreneur is the innovator who implements change within markets through the carrying out of new combinations like the introduction of a new product, a new method of production, opening of a new market, and the new organization of business.</td>
</tr>
<tr>
<td>Harbison 1956</td>
<td>An entrepreneur is, in essence, an organization which comprises all of the people required to perform entrepreneurial functions . . . The functions of modern entrepreneurial organization, whether it be privately or publicly owned, may be categorized as the undertaking or managing of risk and the handling of economic uncertainty, planning and innovation, co-ordination, administration and control, routine supervision.</td>
</tr>
<tr>
<td>Penrose 1980</td>
<td>Entrepreneurial activity involves identifying opportunities within the economic system.</td>
</tr>
<tr>
<td>Kingdon 1984</td>
<td>Entrepreneurs are ‘advocates who are willing to invest their resources – time, energy, reputation, money – to promote a position in return for anticipated future gain in the form of material, purposive, or solitary benefits.</td>
</tr>
<tr>
<td>Drucker 1985</td>
<td>Entrepreneurship is the act of innovation involving endowing existing resources with new wealth-producing capacity.</td>
</tr>
<tr>
<td>Shane and Venkataraman 2000</td>
<td>The concept of entrepreneurship includes the study of sources of opportunities; the processes of discovery, evaluation, and taking advantage of opportunities; and the set of individuals who discover, evaluate, and exploit them.</td>
</tr>
<tr>
<td>Ireland, Hitt and Sirmon 2003</td>
<td>Entrepreneurship is a context dependent social process through which individuals and teams create wealth by bringing together unique packages of resources to exploit marketplace opportunities.</td>
</tr>
<tr>
<td>Commission of the European Communities 2003</td>
<td>Entrepreneurship is the approach and process of creating and developing economic activity by blending risk-taking, creativity and/or innovation with sound management, within a new or an existing organization.</td>
</tr>
<tr>
<td>OECD 2008</td>
<td>Entrepreneurs are those persons (business owners) who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets. Entrepreneurial activity is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.</td>
</tr>
</tbody>
</table>

*Source: Own study based on Ahmad and Seymour (2008) and Harbison (1956)*
of a territorial unit is vastly conditioned by adoption and implementation of MO aimed at meeting the needs of the current and future stakeholders of the territorial offer. The latter is understood as a cumulated utility of an area to customers, or wider stakeholders of a place such as entrepreneurs, investors, inhabitants and tourists. The market approach in local government units is the aftermath of modern public sector reforms and originates in the concept of new public management (Walker et al. 2011, 707). New public management (NPM) emerged as a response to the needs for public administration reforms in the 1970s and 1980s and conceptually derived from the theory of economics (including public choice theory, or transaction cost theory), and also experience of management in the private sector (Rudolf 2010, 76). Reforms proposed within the framework of the NPM were often focused on activities aiming at increased effectiveness of public organizations by customer orientation, promotion of rules of competition among service providers and adaptation of strategic management practices. The basis of many principles of NPM were principles underlying modern marketing, such as a focus on customer needs, or quick response to changes in the environment (Kowalik 2011b, 11). Origins of MO are found in the NPM concept, however other contemporary public sector reform discourses have also embraced MO within its core, including public governance discourse or neo-Weberian state discourse, where they refer to importance of identification and satisfaction of needs of stakeholders and citizens respectively (Pollitt and Bouckaert 2011, 19–22).

MO in practice transforms orientation toward customer needs and expectations of the external environment of an entity toward planning its activities and responses to them (Walker et al. 2011, 708). Kohli and Jaworski (1990) propose to understand MO as collection of information about the market, particularly current and future customer needs, and transmission of this information to all the cells of the organization to consciously react to it. A different approach to MO, though leading to similar observations is proposed by Narver and Slater (1990, 21–22), who define MO as combination of behavioral components including customer orientation, competitor orientation and inter-functional coordination crossed by decision making criteria referring to profitability and long-term focus. In addition to that Szromnik (2006, 76) defines MO in local context as a combination of its structural and functional characteristics, along with system of accepted and respected values and views that prioritize customers and stakeholders within the continuum of fulfillment of tasks for the local community. In the above-mentioned theoretical considerations regarding MO, the approach proposed by Kohli and Jaworski is of particular interest, as it is widely cited, used in numerous studies and tested in practice in the form of a practical scale of MO measurement called MARKOR. MARKOR scale is based on 20 dimensions to measure and assess. The scale was first adapted and used to measure MO among public sector entities in Spain (Sánchez, Mollá, and Cervera 2001), Australia (Caruana, Ramaseshan, and Ewing 1997), and also Poland (Kowalik 2011a, 2011b). Study of the latter proved that MO among the majority of Polish local governments is at a medium level, and only slightly over one-fifth of local units have demonstrated MO at a level considered high.

Studies prove that the level of MO is influenced by many factors such as the size of the organization, attitude to senior management and team dynamics, but also entrepreneurship as a feature of the organization (Kowalik 2011b, 58). MO is not limited to activities of marketing departments, but is rather a cross-organization quality exemplified by adoption by all employees of the philosophy of customer service Szromnik (2008, 60). The literature and arguments prove that MO might contribute to an organization’s performance, without regard to sector. Research proves that MO contributes to reduction of cost of services organized and provided by local governments. In addition, the adoption of MO by local governments might increase civic participation, and level and quality of communication between local unit stakeholders and its authorities (Kowalik 2011b, 52–53, 59–60). MO might also contribute to perceived investment attractiveness of a local unit by entrepreneurs and investors, which we investigate in the later part of our paper.

2 Material and methods

In order to fulfill the purpose of the paper we decided to perform a Boolean keyword and subject term search in EBSCO, Emerald and Google Scholar databases using search phrases reflecting phenomena of and Boolean search operators such as AND, NEAR and PHRASE between 21 and
24 July 2017. We checked coexistence of entrepreneurial activities, market orientation, investment attractiveness and transaction costs with local development and also local government in scholar publications. The search query also included new institutional economics in local development and local government context, as transaction costs theory derives from this school and is included as its sub-branch in the classification of economic sciences. The cumulated number of performed searches amounted to 8 881 870 records for all search phrases and all search operators used (including possible duplications referring to the same articles by different scholar databases). Whereas entrepreneurial activities and market orientation seemed to be well proliferated in local development and local government context, the phenomena of investment attractiveness and transaction costs were far less represented. Lesser representation of the latter led the authors to a detailed literature review to present the importance of investment attractiveness and transaction costs for local development.

Quantified distribution of our search phrases in Boolean search is presented in the figures below.

![Fig. 1. Cumulated number of search phrase results in EBSCO, Emerald and Google Scholar — local development context with usage of AND, NEAR and PHRASE Boolean search operators](source)

*Source:* Own study based on searches performed between 21 and 24 July 2017

![Fig. 2. Cumulated number of search phrase results in EBSCO, Emerald and Google Scholar in local government context with usage of AND, NEAR and PHRASE operators Boolean search operators](source)

*Source:* Own study based on searches performed between 21 and 24 July 2017

The number of search phrases used in both local development and local government context correspond with each other proportionally. Phrases relating to market orientation and entrepreneurship appear in publications dedicated to local development and local government on average six times more often than those which refer to investment attractiveness and transaction costs. Details of the Boolean search query are presented in table 2 (on the next page).

In the Research Findings section we present details of a review of scholarly papers, which directly referred to phenomena of EA, MO, IA, TC and their coexistence in the literature.

3 Research findings

3.1 Investment attractiveness of local units in relation to their entrepreneurial activities and market orientation

The concept of investment attractiveness derives from studies concerning enterprise location mechanisms, which has been an interest of scholars since at least the 19th century and it continues to be today. The location theory has operated among various paradigms deriving from classic economics, to neoclassic and contemporary, behavioral-economics-oriented theories. Discourse around economic entity location intensified thanks to the location classic theory of von Thünen (in 1826), who claimed that physical distance is the most important factor in defining the price of economic rent.
sought by people. Von Thünen’s theory was built upon by further researchers, including Weber (in 1909) who studied choice of location through the perspective of economic activity cost minimization (see: Strzelczyk 2014, 7). These neoclassic theories were developed by Sombart (in 1916) in the form of economic base theory, or Christaller (in 1933) in the theory of central place (see: Resmer 2016, 14–30). Studies of Lösch (in 1940), Hoover (in 1948), Predóhl (in 1925), and Isard (in 1956) also continued development of location theories (see: Płaziak and Szymańska 2014, 73). Location theory has also been investigated by scholars representing behavioral aspects of economic entity location (Hurst 1974; Törnqvist 1977) and later by representatives of the new economic geography (Fujita and Krugman 2004; Krugman 2007; Venables 1996).

The research of McCann and Sheppard (2003, 649–658) considered location theory in the context of transaction costs, and wider new institutional economics leading to institutional location theory. This recent perspective of investigating aspects impacting location is developed in the further part of our research paper.

Following Kamińska contribution to location theories also has the footprint of Polish researchers including Gruchman (in 1967), Pakula (in 1973), Kawalec (in 1980), Fierla (in 1987), and Dobrzański (in 1990) (see: Kamińska 2006, 40). The authors also identified significant contributions to location theory development by Domaniński (in 1990), Kupiec (in 1999), Gwosdz (in 2003), Gawlikowska-Hueckel (in 2003), Wieloński (in 2004), Kuciński (in 2011), and Godlewska-Majkowska (in 2011 and 2013). The location theory presented in researchers’ models do not explain all accuracies relating to location of activity and is still being intensively developed.

In economic geography the term of location is understood as locating a defined economic activity, most often connected with a formal economic entity, in particular a place with its specific features (Budner 2004, 22). Location of an economic entity in a specific spatial area is impacted by a number of location determinants. The search of an economic entity location is therefore a decision-making process. Selected location determinants are elaborated in studies by Tarski, Kortus, Fierla, or Kuciński (see: Leśniewski 2011, 44–45). Location determinants include potential benefits resulting from locating economic entity in a particular location, specific features of a particular place resulting in impact on costs and prices of production in the location, and also circumstances directly and indirectly influencing the location decision process. Italian scholars

### Table 2. Results of Boolean Search in selected scientific databases

<table>
<thead>
<tr>
<th>Key word Boolean operators</th>
<th>EBSCO</th>
<th>Emerald</th>
<th>Google Scholar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial activity AND local development / local government</td>
<td>937 / 442</td>
<td>12 688 / 10 081</td>
<td>987 000 / 786 000</td>
</tr>
<tr>
<td>Market orientation AND local development / local government</td>
<td>7 / 23</td>
<td>16 415 / 11 192</td>
<td>1 300 000 / 855 000</td>
</tr>
<tr>
<td>Investment attractiveness AND local development / local government</td>
<td>205 / 136</td>
<td>11 577 / 8 736</td>
<td>195 000 / 15 7000</td>
</tr>
<tr>
<td>Transaction costs for enterprises AND local development / local government</td>
<td>113 876 / 3</td>
<td>7 276 / 5 904</td>
<td>712 000 / 607 000</td>
</tr>
<tr>
<td>New institutional economics AND local development / local government</td>
<td>12 / 18</td>
<td>14 403 / 12 029</td>
<td>2 920 000 / 280 000</td>
</tr>
<tr>
<td>Entrepreneurial activity NEAR local development / local government</td>
<td>12 / 7</td>
<td>2 847 / 2 343</td>
<td>314 000 / 267 000</td>
</tr>
<tr>
<td>Market orientation NEAR local development / local government</td>
<td>100 408 / 54 628</td>
<td>3 289 / 2 403</td>
<td>539 000 / 398 000</td>
</tr>
<tr>
<td>Investment attractiveness NEAR local development / local government</td>
<td>3 / 2</td>
<td>3 346 / 2 723</td>
<td>99 600 / 82 700</td>
</tr>
<tr>
<td>Transaction costs for enterprises NEAR local development / local government</td>
<td>116 947 / 93 596</td>
<td>1 824 / 1 563</td>
<td>219 000 / 185 000</td>
</tr>
</tbody>
</table>

*Source*: Own study based on Boolean Search in selected scientific databases performed between 21 and 24 July 2017

*Note*: [In the journal 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). — Ed.]
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studying location choice of multinational enterprises proposed categorization of location determinants into policy-induced effects related to results of investments-oriented policy, endowment effects related to drawing a particular economic activity to a specific location, and Marshall’s agglomeration effects outlining benefits of cost-effective labor and tacit knowledge (Mariotti, Piscitello, and Elia 2010, 521). We have observed that location determinants evolve along with transition of an industrial economy to post-industrial from quantifiable and economic in nature determinants to non-quantifiable and non-economic aspects. The example of the latter refers to determinants of location discussed by behavioral economists including the role of decision-making heuristics in the process (Berg 2014).

Location determinants recently gaining importance refer to access to information, and management of asymmetry of information in the location decision making process (Budner 2004, 24–38). Factors such as risk and uncertainty in the location decision making process impact the significance of access to the information as a location determinant. Access to information might become a source of competitive advantage for an investor, as it impacts costs otherwise spent on obtaining this information (Ignacy 2015, 70–71). We identified local economic environment institutions which might decrease asymmetry to information related to location and facilitate the location decision-making process through location-decision-oriented regulations including taxes, and the intensity and quality of communication with a potential entrepreneur or investor (Gorzelak and Jałowiecki 2000, 15). As such activities are often beyond legal regulations defining local government obligations and require additional effort or resources, they demonstrate EA discussed in the earlier part of the paper.

Location in context of economic activity is also considered as a component of competitiveness the entity can achieve when compared to other similar economic entities, but located in different areas (Leśniewski 2011, 44). Therefore, location determinants are perceived in categories of competitive advantages of enterprises and locating activity in a specific place is considered as a category of investment attractiveness.

The literature defines IA as the ability to attract new investors to conduct business in a spatial unit, the ability to persuade investors to choose that place as an investment location. IA in the location decision making context is understood as the ability of location to attract and retain in its area resources needed for quantitative and qualitative growth, which can materialize through investments, but also individuals, whose needs might lead to investments, including the needs of entrepreneurs, investors, inhabitants and tourists. Godlewska-Majkowska (2012, 4) defines IA as the ability to meet the expectations of investors considering a specific investment location. IA can be measured for example by increase of gross value of tangible assets in a defined area or through complex indicators, such as Potential Investment Attractiveness (PAI). The latter consists of a number of sub-indices, aggregated in so-called microclimates referring to spatial units’ human resources, technical infrastructure, social infrastructure, market, and administration quantified in comparable, statistical databases such as national central statistical offices (Godlewska-Majkowska 2012, 2013). IA might also be defined through location determinants leading to reduction of investment and operational expenditures of an enterprise, thus contributing to maximization of profit and reduction of risk of investment failure. Scholars differentiate between PAI and Real Investment Attractiveness (RAI). PAI relates to combination of location features, which might be the source of competitive advantage of location and impact achievement of goals set by the investor, whereas RAI measured by ability of location to satisfy investors’ expectations leading to investment and absorption of financial and non-financial capital by location (Godlewska-Majkowska 2012, 4).

Activities aiming to attract development resources by local governments are additionally stimulated by academic and commercial rankings which measure and compare locations against various location decision determinants, ranging from quantitative to qualitative measures. As such rankings aim to reach entrepreneurs and investors, local governments undertake a plethora of initiatives deriving from EA and MO to increase their competitive position and perception as a potential investment location (Giffinger, Haindlmaier, and Kramar 2010).
3.2 Transaction costs for enterprises and investment attractiveness

Transactions cost theory, which has particular implications for the intensity of economic transactions in a specific location, belongs to sub-branches of New Institutional Economics (NIE) and had been developed by Coase, who is considered one of its founders. In “The Nature of the Firm” Coase used TC to explain the reasons for enterprise existence, and in “The Problem of Social Cost” Coase explained how the concept of TC through legal systems affect functioning of an economic system (see: Filiz Baştürk 2016, 14–15). TC are understood as costs occurring in economic exchange between exchange parties. They include costs of transaction party identification, costs of arrangement of contract, costs of transaction negotiation, costs of transaction contract creation, or finally costs of contract execution monitoring (Staniszewski 2013, 142). The range of these costs might vary depending on the quality of formal and informal institutions in particular locations, and therefore impact preference for a particular location as a place for conducting economic transactions, or more broadly, a place for working and living. Here we would like to point out a connection between TC and IA of local units. A key link between transaction costs theory and the broader school it belongs to, NIE, is that both formal and informal institutions can influence minimization of TC for parties. A key objective of NIE is exploration of the emergence and evolution of institutions, which allow and impact the taking place of transactions (Hwang 2015, 237).

In NIE institutions are indicated as factors significantly impacting economic development, their meaning is broad, as they include both formal and informal constraints. The former includes constitutions, laws, and rights such as property rights, and the latter include codes of conduct, agreements and contracts, and also self-imposed rules of conduct (Bektashi and Nuhiu 2015, 248). Whereas formal institutions will result and link with legal regulations defining local government obligations, informal ones will relate to EA and will often demonstrate the MO discussed earlier. Both formal and informal institutions impact attractiveness of economic exchange (Rudolf 2015). According to Basturk NIE as a distinguished sub-branch of mainstream economics started to gain importance in the 1970s. In that period it was recognized as an interdisciplinary field focused on analysis of economic, political and social institutions deriving from economics, law, political science and sociology (Filiz Baştürk 2016, 13). Acemoglu and Robinson indicate that the political type of institutions are those that determine economic types. As a result of that the economic success of an area is not only the result of geographical location, investment area, access to water or other natural resources, but also economic decisions affecting activation of inclusive economic institutions, which are the outcome of conscious political choices (Dzionek-Kozłowska and Matera 2015, 16–17). In that meaning the implications of NIE might be particularly important for local units with location considered unfavorable due to perception of lower economic rent offered to its stakeholders. As we explained before access to information might impact IA. Institutions developed by local government might address transaction risks, location risks and also information asymmetry. Studies indicate that local government, and their public managers might deliberatively undertake activities and services aiming to mitigate transaction risk and eliminate information asymmetry between transaction parties to maximize frequent and successful contracting (Hwang 2015, 239).

Informal institutions of a local unit relate to behavior of its public sector managers, their personal attitudes and moral principles, which determine engagement in the job performed, openness, creativity and EA which they undertake. Local public sector managers impact the perceived attractiveness of a location as a place of investments and entrepreneurial activity (Rudolf 2015, 116). From the NIE point of view local government, which does not provide effective regulatory and coordinating services become vulnerable in an environment of globally competing markets which leads to problems such as the long-run viability of regions (Helmsing 2001, 295). An active role of local government aimed at increase of IA of places and stimulation of local development processes has been taking place, for example, in Italy in the form of public regional development agencies, in Germany and Colombia through public regional enterprise promotion agencies, or in Brazil in the form of intermediation for enterprises associations. Recent forms of local government activities to nurture economic transactions include common services (such as promotion and brokering services), creation of norms, standards and codes of conduct, arranged as a result of both public and private interest. Implications of NIE and transaction costs theory for local government require them
to act as coordinator, intermediary, moderator and communicator in the network of enterprises and entrepreneurs, their associations and representations in order to minimize market failures related to asymmetry of information and TC and maximize transaction utility for their parties (Helmsing 2001, 296–303).

Conclusions

This study enabled us to achieve the main purpose of the paper, which was to explore phenomena of entrepreneurial activities and market orientation of local governments and to identify relations between them and transaction costs for enterprises and local development processes. We have also proven that phenomena of investment attractiveness of local units and transaction costs for enterprises they create might be the result of deliberate entrepreneurial activities and the market orientation they assume. In the paper we reflected on the proliferation of practices typical for private sector governance among public sector governance in the context of competition of locations for attraction of development resources such as entrepreneurs, investors, inhabitants, tourists and also investment projects. We have identified that a location determinant recently gaining importance is access to information, and therefore management of asymmetry of information by local government might impact its perception by its stakeholders.

Our studies indicate that on top of entrepreneurial activities and market orientation already understood and practiced by local governments, public managers might consider undertaking activities and services aimed to coordinate, intermediate, moderate and communicate in a network of entrepreneurs, investors, inhabitants and tourists in order to minimize market failures related to asymmetry of information and maximize transaction utility for their parties. By doing this, local governments might improve their competitive position in attracting local development resources. Due to research limitations such as a narrowed timeframe and scope of databases used in our Boolean search, and the static character of the search results we propose to consider the application of a longer search period together with other, reactive research methods to identify examples and propose typologies of activities local governments perform to increase their investment attractiveness.

References


