

ENHANCING REGIONAL COMPETITIVENESS THROUGH THE ENTREPRENEURSHIP DEVELOPMENT

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Abstract

Although there is no generally accepted theory of regional competitiveness, competitiveness (regional or urban) has become very popular subject of interest among scholars, business and policy authorities, where the latter are especially interesting in formulating regional policy aimed at boosting it (from the both demand and supply side).

The main purpose of this paper is to discuss issues associated with the interpretation of regional competitiveness under the framework of achieving regional and national sustained economic growth and of contemporary findings in entrepreneurship. Entrepreneurship, briefly considered in this paper, may be the driving force that enables the transformation of regional resources into regional and national competitiveness, added value, economic growth and development. The paper also focuses on the City of Osijek. It is the largest city of the Croatia's region named the Central and East Croatia. The region is positioned below the Croatian average and it is lagging behind. Lessons considering the early-stage process of entrepreneurship development in the City of Osijek and the role of policy authorities are discussed as well.

JEL classification: R11, R58, O18

Key words: economic growth and development, regional competitiveness, regions lagging behind, entrepreneurship development, Croatia, City of Osijek

1. Introduction

To achieve sustainable national growth and development has become the most popular strategic goal of modern countries. Countries growing significantly over a certain time period have the possibility to reduce income disparities among their citizens and considerably reduce the poverty level, to generate the conditions and the need for new and better jobs, to improve the quality of natural environment, to expand the possibilities for health and social protection, to reduce the unofficial economy, the level of corruption, as well as to strengthen their democracy, political stability and responsibility of all their institutions, organizations or individuals. Competitiveness is critical for achieving economic growth and development. Therefore, building and sustaining competitiveness under the condition of globalization and increasing international competition has become the government's top priority at all levels – local, regional and national. Only highly competitive economies can effectively cope with the domestic and international competition and produce

target outcomes in the context of international specialization. National competitiveness - encompassing the components of productivity, efficiency and profitability - contribute to the acceleration of economic growth, increase in standard of living and social welfare, creation of new jobs and resolution of many economic and social problems. For achieving national competitiveness is extremely important to have competitive individuals, a balanced and sustained regional development (*i.e.* social and economic cohesion) and to achieve regional competitiveness.

Regional disparity is a stylized fact for most countries. Recent trends, confirmed by statistical data, show that the differences between the regions in many countries have become increasingly larger even in the highly competitive economies. However, this fact does not mean disparities are an appeasable option for policy authorities. The findings of many regional studies (for review, see DG Internal policies of the EU, 2007) indicate the strong regional disparities may become a significant trig to further enhancement of countries' competitiveness, growth and development. The consequences of regional disparities in regions lagging behind, such as unfavorable socio-economic structure of population, more corruption, worse investment climate, under-utilization of resources (especially human) and uneven capital allocation, degradation of human capital, reduction of available jobs, population-drain in the emigratory regions (being mostly of younger ages and in work force), production of lower technological level, less efficient production, poorer quality of life, less number of growth opportunities and the like have become simultaneously the source of their further deepening. At the same time, the existence of regional disparities indicates there is an urgent need for their minimization and for the creation of sound conditions for all regions in order to be able to create, maintain and enhance their potentials for growth based on their own unique specificities.

Consequently, many scholars have been trying to expand our understanding about regional-driven issues not only from the point of view of regional studies, but also from the point of view of national growth and development. Under the framework of this interest, a special attention can be given to the studies addressing competitiveness, the relationships between national and regional competitiveness, growth and development and their driving forces. Despite the growing interest in this field of studies, there is no consensus on interpretation, measurement and regional competitiveness policy; although, it seems that the opinion on positive relations between competitiveness, economic growth and development has been prevailing. Furthermore, it seems that worldwide policy authorities failed in managing the regional development and that new regional development policy that respects the need for competitiveness should be created (Porter *et al.*, 2004; Ketals, 2004, Thompson *et al.*, 2005).

The main purpose of this paper is to discuss issues associated with the interpretation of regional competitiveness under the framework of achieving regional and national sustained economic growth and of contemporary findings in entrepreneurship. The basic idea upon which the paper is based is that competitiveness is critical for achieving economic growth and prosperity. National competitiveness refers to the ability of policy authorities to create and maintain such environment that will be favorable for the development of micro-competitiveness and entrepreneurship, as well as to ensure the prosperity of a country. National competitiveness is founded on localities (whether this is a region or a sub-region). Regional (local) competitiveness assumes the identification of growth potentials and constraints of certain area, as well as strengthening of its unique combination of resources (innovativeness and creativity, knowledge, technologies, historical and cultural background, natural resources, tolerance, social networks, thrust, responsibility, etc.). Entrepreneurship, briefly considered in this paper, may be the driving force that enables the transformation of regional resources into regional and national competitiveness, added value, economic growth and development. The paper also focuses on the City of Osijek. It is the largest city situated in one of the Croatia's regions – the Central and East Croatia. The region is positioned below the Croatian average and it is lagging behind other Croatian regions. Findings around the world confirm that large cities are often the drivers of their regional and national economies (see Turok, 2004, OECD, 2006). Lessons considering the early-stage process of entrepreneurship development in the City of Osijek and the role of policy authorities are discussed as well.

2. Regional competitiveness and successful regions

According to the simplest definition, regional competitiveness might be defined as the ability of some region to compete with one another in some way, both within and between nations, to grow and prosper in economic terms. From stylized fact that some regions are more developed than another, measured in terms of economic growth or living standard, many scholars come to the conclusion – regional competitiveness matters. Worldwide evidences indicate region compete with one another; sometimes in an indirect and sometimes in a direct way. The difference in competing style depends on the achieved economic specialization (Boschma, 2004).

According to the European Council, regions compete with one another, among others, over shares of (national or international) export markets. This can be confirmed by the statement of the European Commission (1999, p.4) that puts the export performance and activities that expand the export basis in the center of interest. However, the measurement of regional competitiveness by using the export performance is one-dimensional addressing of it. Kitson *et al.* (2004) illuminated that in the basis of such measurement the idea on translating the

concept of national competitiveness on regional one can be found, without of questioning whether it is the most useful and meaningful concept for use at the sub-national scale. Furthermore, they pointed out that the use of this concept in determining the national competitiveness in terms of trade and export is also questionable and thus should be denied.

Kitson et al. (2004) argued that regional competitiveness focuses more on the drivers and dynamics of a region's (or city's) long run prosperity than on more restrictive notion of competing over shares of markets and resources. Camagni (2002) pointed out that regions do compete over attracting firms (capital) and workers (labor) as well as over market, but on the base of absolute competitive advantages rather than comparative advantages. Florida (2002) stated particularly valuable assets that contribute to attracting of creative people: the presence of other creative people, access to technology and technology advances, and the tolerance of the community to diversity and difference.

In a nutshell, regional competitiveness can be defined as the sustained ability of a region to compete with other regions, to ensure sustained economic growth and development, including the ability to attract and keep productive capital and creative talent as well as to be innovative in a broad sense of the word. Regional competitiveness is not referred to the exploitation of resources, but it supposes the identification of growth potentials and constraints of an area, as well as the strengthening of its unique combination of resources (innovativeness and creativity, knowledge, technology, historical and cultural background, tolerance, social networks, trust, responsibility, and so on) in order to create sound conditions for living and working. In other words, it refers to innovative and entrepreneurial conversion of these resources into intellectual capital, value added, economic growth and development.

3. Entrepreneurship development as an option for enhancing regional competitiveness

Economic development refers to a qualitative process that describes changes in the overall economy aiming to enhance the economic well-being of a community regardless of its size. In economic literature, economic development is frequently described as being a three-legged stool where each leg represents one economic development strategy. The first leg usually refers to business attraction; the second one to business retention and the third one to entrepreneurship development. However, because this analogy assumes the existence of equality and separation among economic development strategies, more useful analogy is that of a pyramid as Dabson (2005) pointed out.

Entrepreneurship has attracted most attention in recent years, especially in the areas or communities that are troubled, *i.e.* distressed. Many rural areas are distressed areas and worldwide evidences indicate that poorly performing rural areas cause many problems for a country as a whole (see for example, Dwyer *et*

al., 2002; Porter *et al.*, 2004). Therefore, a new research and rural development policy is needed (Porter *et al.*, 2004; Ketals, 2004, Thompson *et al.*, 2005). Entrepreneurship development - being also known as homegrown development - shows as a good strategic option. It refers to a process of supporting and encouraging people to become entrepreneurs in order to enhance the competitiveness and economic prosperity of a community, by (i) creating the environment being favorable for creativity and innovativeness; (ii), encouraging entrepreneurship as an eligible career option through entrepreneurial education, facilitation and recognition, and (iii) developing institutional support system to entrepreneurs. On the bottom of the development pyramid is entrepreneurship meaning that the policy authorities should invest the most efforts and resources at the base to empower human capital and to enhance the economic prosperity of a community. This will make the basis for expansion of existing business, which in turn makes the same regions or cities attractive to incoming business and investment, as Dobson highlighted (2005).

However, to have a positive impact on economic growth and development, entrepreneurship has to be productive one as implied by Baumol (1990).¹ Productive entrepreneurship cannot be taken for granted and the economic and social incentives (*i.e.* economic-social context) determine what type of entrepreneurial activity is the most prevalent in a given setting (Aidis 2003; Aidis and Estrin, 2005). This is very important for the transition economies. According to Dallago (1997) and Aidis (2003) transition economies, like Croatia, are mostly characterized by high level of unproductive activities. In addition, they are often rent-seeking and economically destructive.

3.1. Regional development disparities in Croatia

There are three NUTS-II regions in Croatia: the North-West Croatia (with the capital), the Central and East Croatia (Panonian) and the Adriatic Croatia. On the NUTS-III level there are 21 counties of which one – the City of Zagreb – holds a double status of town and county. Counties are regional self-government units and they have their own representatives and executive bodies. Croatia's division at the NUTS-II and III levels is shown in Table 1 (the first column). The problem of regional inequalities in Croatia is a well-known fact.² Recent growth trends across Croatian regions have actually widened, especially after the Homeland war, not narrowed (NCC, 2005). Measured by selected

¹ Baumol (1990) pointed out the need to distinct between productive, unproductive and destructive entrepreneurship, where productive entrepreneurial activity refers to any activity that positively contributes to net output of the economy.

² Data about the growth rate of national income in Croatia before 1990s confirm this fact. See Turcic, 1997 (Table: ND-1, pp. 13-14). Recent studies in Croatia confirmed the existence of regional development disparities (see for example Nujic and Andrakovic, 2005; NCC, 2005; MSTTD, 2005, RCOP, 2007).

development indicators regional disparities are shown in Table 1. Among many causes underlying the obvious disparities, the following ones are usually noted: historical knowledge, geographic position, resources allocation, war damages and the absence of political will, accountability and cooperativeness to minimize this problem.

Table 1: Developmental disparities in Croatia (selected indicators)

Region / county	Population, 2001 Census	Population with high education, 2001 Census (%)	Working contingent (in %) (F 15-59; M 15-64)	Share (%) in GDP, 2005	GDP per capita PPP, 2005, EUR	Administrative unemployment rate (%) (December 31, 2007)
NORTH-WEST CROATIA						
City of Zagreb	779,145	16.80	66.1	32.3	12,908	5.7
Zagreb	309,696	4.90	65.7	5.6	5,446	12.1
Krapina-Zagorje	142,432	3.20	63.1	2.3	5,172	10.6
Varazdin	184,769	5.10	64.2	3.5	5,928	9.9
Koprivnica-Križevci	124,467	4.90	63.2	2.5	6,452	13.5
Medjimurje	118,426	3.70	64.9	2.0	5,323	11.4
Total/average	1658,935	6.43	64.53	48.2	9,050	
CENTRAL-EAST CROATIA						
Požega-Slavonia	85,831	4.00	60.9	1.3	4,834	19.3
Brod-Posavina	176,765	4.20	61.8	2.1	3,785	24.7
Osijek-Baranja	330,506	6.30	64.0	5.5	5,313	21.9
Vukovar-Srijem	204,768	3.90	63.0	2.6	4,028	27.6
Bjelovar-Bilogora	133,084	4.00	62.0	2.1	5,149	22.8
Virovitica-Podravina	93,389	3.50	62.3	1.4	4,803	25.0
Karlovac	141,787	5.10	61.7	2.3	5,335	23.0
Sisak-Moslavina	185,387	4.60	62.0	3.2	5,525	25.0
Total/average	1351,517	4.45	62.21	20.6	4,865	
ADRIATIC CROATIA						
Primorje-Gorski kotar	305,505	9.90	66.3	8.2	8,376	10.4
Lika-Senj	53,677	3.80	57.8	1.1	6,363	18.7
Zadar	162,045	16.80	62.9	3.0	5,526	17.6
Šibenik-Knin	112,891	5.60	59.9	1.9	5,299	19.9
Split-Dalmatia	463,676	8.50	64.2	8.2	5,395	18.5
Dubrovnik-Neretva	122,870	8.20	62.6	2.6	6,615	14.5
Istria	206,344	7.30	65.9	6.2	9,126	6.6
Total/average	1427,008	8.59	62.80	31.2	6,709	
CROATIA - Total	4437,460	7.90	64.0	100.0	7,038	14.8

Source: Central Bureau of Statistics, Croatian Employment Service

Although there is no generally accepted unique indicator of regional competitiveness, rough approximation of it can be made by analyzing the extent of regional development on which regional GDP per capita indicates. According to GDP per capita the most developed region is the North-West Croatia, while the Central and East Croatia region is the most undeveloped region (see Table 1). The three most developed counties expressed in the same terms are the City of Zagreb, the County of Istria and the County of Primorje-Gorski kotar. The two least developed counties are the counties of Brod-Posavina and Vukovar-Srijem. Their GDP per capita are less than 60% of the national average.

Thisse (2000) stressed that the magnitude of spatial disparities is very sensitive to the design of the regional borders and that this is true especially for small regions, such as those confined to the limits of a city. Statistical data shown in Table 1 confirm this. At the NUTS-II level, the difference measured by GDP per capita between the most and least developed region was 1.9 in 2005 while at the NUTS-III level it was 3.4 times higher. Looking from the NUTS-II level, the Central and East Croatia region is faced with the most significant problems: depopulation processes (for details see RCOP, 2007), the least share of high-educated people, the lowest working contingent and consequently with the highest unemployment rate. The problems are inter-linked; they mutually interweaving and impact each other always with the increasingly stronger impact. Furthermore, the Central-East Croatia region is burdened with problems of low added value, low standard of living, obsolete technical equipment and production based on low-technology, poor export results, huge war damages³, inadequate educational structure, huge unemployment and strong emigration processes (for details see RCOP, 2007).

Considering entrepreneurial activity in the context of this paper, two positive trends can be noted (see Table 2): (i) entrepreneurial activity in all Croatia's regions has become more intensive and Croatia has made a progress in this field; (ii) the disparities among Croatia's regions have been decreasing although the Motivation Index, *i.e.* the TEA Opportunity to TEA Necessity ratio⁴, indicate the entrepreneurial activity in regions lagging behind are still motivated more by necessity rather than by perceived business opportunity (for details see Singer *et al.*, 2007).

³ It should be also noted that this region includes three of the four most war-damaged counties (Vukovar-Srijem, Sisak-Moslavina, Osijek-Baranja).

⁴ TEA index – Total Entrepreneurial Activity Index – measures the ratio of the number of start-up entrepreneurs in the sample of adult population, aged 18 to 64. The term "start-up entrepreneurs" reeffers to entrepreneurs who try to start a new business (alone or with others) and to owners of a business that is 3 to 42 months old. TEA Opportunity Index includes those who start entrepreneurial activity because they have perceived a business opportunity, while TEA Necessity Index includes those who are pushed into entrepreneurship by situation they found themselves (for example. could not find another job).

Consequently, the differences among Croatia's regions in terms of entrepreneurial activity are still significant and the domination of entrepreneurs driven by necessity in Slavonia and Baranja and Dalmatia indicates these regions have less entrepreneurial capacity and they are less oriented towards business growth. The GEM researchers⁵ found out that the impact of entrepreneurship on economic growth and development depends on the type of entrepreneurship – necessity driven entrepreneurship has no effect on economic growth and development while opportunity driven entrepreneurship has a positive and significant effect (see GEM reports⁶, Carree and Thurik, 2005; Audretsch *et al.*, 2006; Acs and Szerb, 2007).

Table 2: TEA Index 2002 and 2007

Regions*	TEA Index				
	2002	2007			
	Total	Total	TEA Opportunity	TEA Necessity	Motivation Index
Zagreb and surroundings	4.89	6.44	3.59	2.29	1.57
Slavonia and Baranja	2.11	7.18	3.43	3.75	0.91
Nothern Croatia	2.83	4.69	2.26	2.26	1.00
Lika and Banovina	2.71	8.81	6.58	2.24	2.94
Istra, Primorje and Gorski Kotar	4.47	9.60	7.45	1.88	3.96
Dalmatia	3.95	8.92	4.40	4.52	0.97
Croatia	3.62	7.27	4.16	2.90	1.43
Rang of Croatia among GEM EU countries	32 nd out of 37 GEM countries	4 th out of 18 GEM EU countries	10 th out of 18 GEM EU countries	18 th out of 18 GEM EU countries	18 st out of 18 GEM EU countries

Source: Singer *et al.*, 2007 for 2002, Sarlija (Tables, <http://oliver.efos.hr/nastavnici/nsarlija/docs/gem2007.pdf>) for 2007

Note: For the purpose of the GEM project, Croatian counties were grouped into "regions" that correspond to Croatia's geographic and historical regional structure. Region "Zagreb and surroundings" consists of the City of Zagreb and Zagreb county; "Slavonia and Baranja" of the counties Brod-Posavina, Osijek-Baranja, Pozega-Slavonia, Vukovar-Srijem; "Northern Croatia" of Bjelovar-Bilogora, Krapina-Zagorje, Koprivnica-Križevci, Medjimurje, Varazdin and Virovitica-Podravina; "Lika and Banovina" of the counties Karlovac, Lika-Senj and Sisak-Moslavina, "Istria, Primorje and Gorski Kotar" of the counties Dubrovnik-Neretva, Split-Dalmatia, Šibenik-Knin and Zadar.

GEM EU countries include the following countries: Austria, Belgium, Denmark, Sweden, Ireland, Slovenia, Greece, the Netherlands, Romania, the United Kingdom, Latvia, Italy, France, Portugal, Finland, Spain, Hungary and Croatia.

⁵ GEM is a large multinational project focusing on the collection and analysis of internationally comparable data on entrepreneurship and its impact on economic growth.

⁶ GEM reports are available on the web site www.gemconsortium.org

It is well known that differences in the entrepreneurial activity within a country are generally connected with the differences in the competitiveness and development of a certain region as it is at the national level. This is also a case in Croatia. Consequently, in order to minimize the regional disparities and create sound conditions for balanced and sustainable development, enhancement of regional competitiveness is necessary. A fruitful option for doing this is by supporting entrepreneurship development. However, to support an entrepreneurship development is not an easy task as the case of the City of Osijek, that will be briefly described in the remainder of this paper, indicates.

3.2. Lessons learned from the City of Osijek

The City of Osijek is situated on the North-East part of Republic of Croatia, and on the South-East part of the Osijek-Baranja county. With the area of 169.74 km², it encompasses 4.1% of the Osijek-Baranja county, 0.7% of the Central and East Croatia region and 0.3% of Croatia. Regarding its population, it occupies the fourth position in Croatia with 114,616 inhabitants (2001 Census). In the City of Osijek, there are 11 settlements from which only Osijek has a status of the city. It is the largest city and the regional capital. The City of Osijek has lagged behind the top three Croatian largest cities (Zagreb, Split, Rijeka) from 1970s. This unfavorable tendency dramatically amplified in 1990s due to Homeland war⁷, unfavorable events that followed the transition processes (e.g. tycoon privatization), unfavorable tendencies connected to human resource, such as: decrease in the number of inhabitants, negative natural increase, ageing of inhabitants, migration-out processes, especially of young and well-educated labor force (for details see Borozan, 2006). Inhabitants, as a human resource, represent the most important development factor of each community. Pace, harmony and sustainability of economic development depend on the number and quality of this resource. On the other side, economic development should be evaluated considering its contribution to enhancement of all citizens' well-being and quality of life.

In summary, the City of Osijek has undergone dramatic changes over the past decade. Many of these changes have been economic, others demographic, political and sociological. Poor economic situation, negative development tendencies and weakening of the Osijek's development sensibility are the main features of its economic development till the middle of the first decade of the 21st century. Simultaneously, they are heavy burden for its future development.

⁷ It should be noted that the whole Slavonia and Baranja, and mainly the City of Osijek were exposed to the direct war activities (1991-1995). Consequently, the war generated a huge direct war damages and even bigger indirect damages and consequences. Till 1988, some parts of the City of Osijek were occupied and in 1998 these parts were integrated in the political and economic system of Croatia.

Under such circumstances, revitalization of the City of Osijek and its transformation in a modern, intelligent city is necessary. This is emphasized in the development strategy of the City of Osijek (Singer, 2006). One should note that the City's economy has experienced mild but positive tendencies at the beginning of the 21st century. After 2005 the economy operated with positive financial results, new value added has been continuously raising, unemployment rate (that was 21.9% in 2007) has been decreasing since 2002. Yet, compared to the larger Croatian cities, the City of Osijek has been developing too slowly. Thus, the economic gap between these cities and Osijek has become increasingly larger (for details see Borozan, 2006).

Formulation and implementation of entrepreneurship development strategy can contribute to community's faster and more qualitative development. Since the entrepreneurship development strategy is directed to the process of supporting and encouraging people to become entrepreneurs in order to enhance the economic prosperity of a community, it is suitable for development of rural or depressed areas as it is the Central and East Croatia – especially the biggest part of it - Slavonia and Baranja. The City of Osijek is the capital of the Croatian geographic and historical region named Slavonia and Baranja that belongs to the NUTS-II region - the Central and East Croatia. Slavonia and Baranja is a rural area that has been faced with poor economic situations at the beginning of 21st century as the whole region.

The entrepreneurship development depends on the quality of entrepreneurial framework conditions, including to which extent the environment and entrepreneurial climate support creativity, diversity, tolerance and continuous innovativeness, to which extent 'can-do' mentality has been developed (in a sense whether people are willing to accept risk, what they think about business failure and the like), and how efficient and effective is the institutional support. Small and medium-sized enterprises in the City of Osijek have had a weak economic power (for details see Borozan, 2007). Even though they are numerically overwhelming, they employ approximately half of the total employed in the City, operate with smaller financial gains than expected, and are oriented mostly to doing business locally. According to the perception of Osijek's entrepreneurs⁸ the biggest business challenges are caused by problems connected to the entrepreneurial framework conditions, *i.e.* to the institutional

⁸ Valuable information on entrepreneurial environment and climate in the City of Osijek resulted from a survey conducted in the City from October 17th to December 5th, 2005 in organization of the Administrative department for economy of the City of Osijek. The following institutions were included in the survey: Entrepreneurial incubator BIOS, Center for entrepreneurship Osijek and Audeo – a firm for market research and public opinion pooling. In collecting the opinions of entrepreneurs that started a business in the last four years in the City of Osijek, a method of questionnaire sent by mail was used. From 953 respondents – entrepreneurs that were previously contacted, 308 agreed to cooperation, and 214 of them filled the questionnaire and sent them back by mail.

infrastructural conditions, and the least to inappropriate profiles and inefficiency of local labor force. Drown from these findings, we can conclude that entrepreneurial management system of the City of Osijek should be redefined and that the synergic effects failed.

Building the favorable and encouraging entrepreneurial framework conditions is more than a simple job which, when done, lasts for a long time period. The system of entrepreneurial management has an organic character – it should be developing, adjusting and changing simultaneously with the changes in general national and international framework conditions as well as with the changes in entrepreneurial framework conditions. There is no model for entrepreneurial management that will be applicable in each situation. There are many cases, more or less successful, that offer valuable lessons. Although the case of the City of Osijek is not a representative one considering what is done to expand the city's capacities, to faster economic development in quantitative and qualitative terms and to enhance the entrepreneurial framework conditions, valuable lessons still can be drown.

A community that wants to achieve its development based on the entrepreneurship development strategy should be firstly ready for economic development and than for the engagement of entrepreneurship development strategy (see NCE, 2002). 'To be really ready' means that all community's development actors have to make a commitment of their time and resources to the economic development process. In general, local actors is interested in reaching and further developing fast-growing, but also sustainable economy that will (i) adequately respond to contemporary challenges in a global, highly-competitive, and knowledge, creativity and on-going technological innovations demanded economy, (ii) enable prosperity and social welfare for its citizens. Labor force contingent, available jobs, education, standard of living and prosperity are strongly correlated with efficiency and effectiveness, competitiveness and dynamism of local community and its ability to react fast on real or expected changes in its environment. Thus, public servants, entrepreneurs, scholars, workers and all citizens should be actively involved in on-going reevaluation of their local economy and in creating the better future. Only close cooperation and active partnership between people, business, academics, municipalities and authorities can ensure the progress.

Plans and strategies can be effective, and local community can develop only if all stakeholders participate actively and are devoted in the development process, *i.e.* if there is a consensus and willingness for changes as well as knowledge about how to realize changes in the most efficient and effective way. In order to reach the goals, leading institution should be founded. Its tasks might be, for example, formulating the strategy and programs for the community's vision and goals meeting in the area of entrepreneurship, continuously monitoring, networking and coordinating the work of all entrepreneurship-support institutions. Members of this institution would be the

representatives of all stakeholders (headed by the community leader) that would do their job with commitment and passion. Creation of the dynamic and entrepreneurial community requires: (i) well-understanding of current situation, its past and future trends, (ii) having knowledge of the community's potential and of obstacles that preclude the realization of its potential, (iii) creation of the future by defining the vision and writing the development strategy.

Before such institution is founded or at the beginning of its operation, its members should be involved in educational programs. Workshops, group activities and class work will help members to learn new things about themselves and their community, to develop and practice new skills, and to recommit to building a better community. Certainly, such programs would be maintained on the regularly basis to keep the knowledge, skills and spirit of creating better life and helping alive. Programs should contribute to the development of a new energy and new leadership, and these starting collective efforts should result with a positive momentum and attitude shift about the future prospects of living and prospering in a community.

The question of readiness for the entrepreneurship development strategy involves reevaluation of many issues being important for the community development and full engagement of the entrepreneurship strategy. Some of them include:

- the extent to which existing capacities (human, physical, institutional, financial, *etc.*) meet the current and future needs of people and firms;
- openness of the community's value system and norms, *i.e.* culture to diversity, tolerance, novelty, learning, innovative and creative behavior, attitude to responsibility;
- propensity to risk-taking behavior; to entrepreneurship as a career choice, openness to entrepreneurs, business failures and business restart;
- propensity to use new technology and ideas, to generate new knowledge and commercialize profitable ideas;
- propensity to team work and partnership relations, toughness of social networks.

Political events and twists in the City of Osijek (marked by quarrels, charges and scandals among town councilors) have marked 2007, 2008 and the beginning of 2009. Breaking up the leading coalition and early election in December 2007, failure in setting the new president of town council in January 2008, resignations of new town councilors in January 2008, reelection in March 2008, breaking up the leading coalition and setting the new town councilors in January 2009 are examples of such events and twists. They grew too often into the city's political crises. In the circumstances when politicians are preoccupied by themselves, development challenges have been put away. Although the development strategy of the City of Osijek was written in 2006, it was adopted

in 2008 and has not been implemented yet. Obviously, there is no consensus considering the city's need for building the future and consequently its economic development.

When the readiness for engaging the entrepreneurship development strategy comes into question, many prerequisites are met – especially physical infrastructural capacities, although they can always be better. On the other hand, ‘can-do’ culture has not been developed, there is not an open and creative community leadership, institutions aimed to support entrepreneurship are not networked and they do not behave fully in the responsible and entrepreneurial way. Each local community – the City of Osijek does not differ – owns its unique combination of local conditions that support or not support the creation of more prosperous future, *i.e.* that enhance or reduce its development potential. Local conditions refer not only to its natural and physical resources, but also to its soft and strategic resources such as human, cultural, spiritual, institutional ones and the like. These resources have become the most important challenges which the communities have been facing in the increasingly competitive global economy.

4. Concluding comment

As the concept, competitiveness of the localities (whether it is a nation, region or a sub-region) provokes many doubts, especially regarding its interpretation, measurement and policy recommendations. Despite this, it is the most popular concept nowadays. This is especially true for the regional competitiveness. Regional (or urban) competitiveness assumes the identification of the growth potentials and constraints of a place, as well as strengthening of its unique combination of resources (innovativeness and creativity, knowledge, technologies, historical and cultural background, natural resources, tolerance, social networks, thrust, responsibility, etc.). There is now widespread agreement that by enhancing regional competitiveness countries could reduce regional disparities, enhance the process of wealth creation and speed up the sustainable economic growth. There are many drivers of the competitiveness but this paper focused on entrepreneurship. It was portrayed as the driving force that enables the transformation of regional resources into regional and national competitiveness, added value, economic growth and development.

In order to enhance competitiveness and consequently economic growth and development the entrepreneurship development strategy has shown as a beneficial option, especially in a rural or depressed region. The Central and East Croatia is the most undeveloped region considering many socio-economic indicators in Croatia. The largest part of this region is also a rural area. Entrepreneurship development as a strategic option for enhancing competitiveness in the largest city of this region – the City of Osijek - has been recognized by academics and many other local actors. It is built to the draft

version of the Development Strategy of the City of Osijek. However, it seems that there is not enough political will to fully implement it. Between real and proclamative commitment there is always a significant gap. Furthermore, such gap disenables the implementation of the strategy.

In general, local authority capability of the City of Osijek for enhancing the local conditions, expanding its economic capacity, improving the business climate, raising the productivity and competitiveness, enhancing its socio-cultural capital, improving the quality of life, and creating the new business opportunities depends on their ability to understand the nature, characteristics and structure of local economy, its strengths and weaknesses, tendencies that bring it to pre-existing conditions, as well the global tendencies that will influence the living and operating, *i.e.* depends on their ability to act in a strategic and proactive way. The success of a community regardless of its size is dependent on the behavior and strategic choices of all actors, its inhabitants, businesses, institutions, public authorities, and at the same time on its inherited and created resources. The transformation of competitiveness into economic growth and development demands commitment from all the actors.

A successful or a competitive region (or city) is the place where all citizens and firms want to live and invest in. Their opinion is very important because it comprises their assessment of the present, past and future conditions of the place regarding its economic, cultural, health, infrastructural and similar prospects. In the City of Osijek there are mixed signals. Data on migration processes in the city indicate that from 2004 more people have emigrated from the city than immigrated. However, the findings of survey of young people (age 18-27), *i.e.* student population at the J.J. Strossmayer University of Osijek ($n = 548$), of interviews and surveys of the members of local self-government ($n = 15$) and business people ($n = 19$) conducted in 2006 for the purpose of the strategy formulation showed that optimism exists (see Singer, 2006). They grounded their optimism on the better development programs, especially in the field of infrastructure (entrepreneurial and physical) and expected benefits that will be generated by the accession of Croatia to the EU (Singer, 2006). General optimism or the public's positive view of the future might be a very useful soft resource for managing the changes needed for enhancing the competitiveness of the place.

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