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## **STRATEGIC CONSTRUCTION OF LOCAL ECONOMY INNOVATION BASED ON THE EXAMPLE OF POLKOWICE COMMUNE**

### **Introduction**

Innovation issues have currently become a popular subject of discussions for both economy theorists and practitioners. Innovations are usually referred to particular economic entities, sectors they represent, as well as activities undertaken within the European Union structures, or by national and regional authorities. Scientific exchange of information and ideas frequently consists in identifying and emphasizing subsequent reasons for extensive dependence between social and economic development of a country, as well as its international competitiveness and capacity for creating and absorbing innovation. Numerous discussions are also initiated in order to provide replies to questions about factors influencing innovation level of a particular economy, but also who, how and by applying what kind of means should stimulate this level to present an increasing trend. The article expresses a voice in such debate, however, its goal is to expand the way of innovation category perception by illustrating its relations to local authorities and its most important planning activities in the form of strategic planning. The content of hereby paper comes as one of research results conducted by its authors while carrying out, in the period of 2009-2010, a research project entitled “European regional space innovation vs. economic development dynamics” ordered at Wrocław University of Economics by Polish National Research and Development Centre<sup>1</sup>, and also while working on preparing and implementing four strategies for Polkowice commune development. The article also constitutes the effect of experience and information gained by the authors in constructing and implementing 39 strategies for the development of Polish communes<sup>2</sup>.

### **Key concepts**

In order to present ideas and results included in the article a few key concepts have to be illustrated and defined, namely: innovations, innovativeness, local economy and commune development strategy.

It was J. A. Schumpeter<sup>3</sup> who introduced the concepts of innovation and innovativeness to the theory of economy and defined innovation as the application of new solutions dissemination in practice by distinguishing three consecutive phases constituting an innovation cycle made up of invention, innovation and diffusion. Therefore he distinguished between an invention and innovation pointing to the fact that it should be understood as the process of a new product, procedure or standard implementation and practical application – if they meet novelty requirements. The diffusion of innovation within the framework of economy sectors represents the final stage of innovation cycle. Innovations’ diffusion may

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<sup>1</sup> National Research and Development Centre is a state legal entity appointed for carrying out tasks related to Polish scientific an innovation policy.

<sup>2</sup> Dzierżoniów (1996), Dziwnów (2008), Jelenia Góra (1998/2000, 2004), Nowogrodziec (2001), Starachowice (1997), Wojcieszów (2004), Wronki (1998), Bogatynia (2006, 2010), Bolków (2004), Chocianów (2001), Jelcz-Laskowice (2007), Łądek Zdrój (1998), Lubawka (2001), Pieńsk (2000), Przemków (2008), Świerzawa (2004), Węglińiec (1998, 2007), Dobromierz (1999), Grębocice (2001, 2006), Janowice Wielkie (2002), Jeżów Sudecki (2000), Łomazy (2009), Piszczac (2008), Mały Płock (2009), Marciszów (2003, 2010), Podgórzyn (2000), Radków (2008), Radwanice (2001), Rokitno (2009), Rudna (2004), Sulików (2005), Urzędów (2008), Waganiec (2007), Wądroże Wielkie (2008).

<sup>3</sup> SCHUMPETER, J., A. (1960): *Teoria rozwoju gospodarczego [The theory of economic development]*. Wydawnictwo Naukowe PWN, Warszawa.

also be conducted by their proper adaptation, inter-sector and spatial spreading. The concept of *Schumpeter's triad* refers innovation category to changes underlying the process of commercialization. It means that innovation occurs when changes result in products or processes of economic value<sup>4</sup>. The discussed market concept of an innovation process (cycle) defines innovation as entities' capacity to participate in this process. Such participation may manifest itself in the role of an innovation creating agent – *innovator*, or in the role of an entity capable of absorbing innovation – *beneficiary*. The change performed by an innovator constitutes an innovation if it meets substantial attributes providing for such *change* to be regarded as innovation. In particular an innovation results from a change – carried out with due awareness, in a goal oriented and lasting manner – modifying or introducing new components to the way or effects of an entity creating it, or entities applying innovation.

As far as the concept of local economy is concerned, professional literature discusses two ways of its interpretation. The first interpretation, let's call it structural, boils down to observing local economy as a set composed of local system entities sharing certain attributes. Typical example of such concept is the definition by R. Broszkiewicz indicating that local economy is understood as a “*defined system of objects, subjects, with a certain structure and spatially delimited, characterized by external and internal functions regarding its inhabitants in the given administrative area, i.e. below regional level*”<sup>5</sup>. The system of entities characterized by such profile has certain attributes at its disposal. Economic entities, households and numerous institutions influence natural environment, spatial management, population living standard and local markets, as well as directly and indirectly influence each other. According to A. Zalewski: “*in the process of their functioning numerous relations and interdependencies occur between these entities resulting from their cooperation, exchange of goods and services, work performance, competitiveness, etc*”<sup>6</sup>. By entering into mutual interactions and exerting influence on other components in their environment they become one of crucial elements deciding about changes in almost all economic and social structures in local system. This characteristic feature makes it founded to claim that their development combined with positive balance resulting from influence on their environment evolution may be identified with local development.

The second way of local economy interpretation may be defined as activities oriented interpretation. For many authors of publications about local economy it represents the set of activities aimed at local development. J. Parysek writes that in general perspective local economy is regarded as “*the set of activities focused on local unit development, i.e. local, territorial social system*” and to express it more specifically – “*social and economic activities which take advantage of local factors and development limitations*”<sup>7</sup>. The above definition, however, does not point to the subject of these activities. It is done by other authors. Local economy, as the set of activities coordinated by self-government focused on local development appears, among others, in the studies by E. J. Blakely<sup>8</sup>, J. Reijnen<sup>9</sup> and A.

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<sup>4</sup> ŚWITALSKI, W. (2005): *Innowacje i konkurencyjność [Innovations and competitiveness]*, Wydawnictwo Uniwersytetu Warszawskiego, Warszawa.

<sup>5</sup> BROSZKIEWICZ, R. (1996): *Gospodarka lokalna w teorii i w praktyce: Mechanizmy i instrumenty sterowania procesami rozwoju gospodarki lokalnej i samorządowej w Polsce [Local economy in theory and practice: Mechanisms and instruments. Mechanisms for steering self-government and local economic development processes]*, Prace Naukowe Akademii Ekonomicznej we Wrocławiu, Wrocław, No. 734, p. 33.

<sup>6</sup> ZALEWSKI, A. (1995): *Gospodarka miejska: Ekonomika rozwoju lokalnego (wybrane zagadnienia) [Urban economy: Local development economics (selected problems)]*, Szkoła Główna Handlowa, Warszawa, p. 8.

<sup>7</sup> PARYSEK, J. (1995): *Rozwój lokalny – zagospodarowanie przestrzenne i nisze atrakcyjności gospodarczej: Rola samorządu terytorialnego w rozwoju lokalnym [Local development – spatial management and economic attractiveness niches: The role of territorial self-government in local development]*, PWN, Warszawa, p. 37.

<sup>8</sup> BLAKELY, E., J. (1989): *Planning local economic development. Theory and practice*, SAGE Library of Social Research, London.

Sutton<sup>10</sup> and also in many later publications by other authors. They refer to local economy as a process in which local authorities, by means of exploiting their own resources (local system) and external ones, stimulate the given, basic territorial unit development.

On the other hand, commune development strategy, i.e. local development strategy represents a cohesive set of objectives for harmonious communal development, as well as a synchronized and coordinated programme of activities which should result in their accomplishment. In functional perspective such strategy may be observed as a set of projects undertaken by communal authorities (local economy in functional perspective) in order to achieve the defined changes of local economy in structural perspective, usually in cooperation with different partners, such as non-governmental organizations, enterprises and public administration entities. Paraphrasing it, a commune development strategy represents the set of self-government, long term, manifold, but cohesive ideas aimed at local development of a given commune<sup>11</sup>. As a formal document it is a long term plan approved in the form of a resolution by legislative body of the communal self-government (council) and self-government executive body is responsible for implementing it (Village Head, Mayor, Town President). The document sets objectives and defines tasks which, if duly performed, are to ensure accomplishing these targets to a significant extent. It also specifies executive and evaluation procedures.

### **Reasons and the idea of local economy innovation strategic construction and the research object**

At present, in the situation of intensified globalization processes, occurring both in economic and social sphere, and also within ecosystems, referring changes of innovating nature only to commercial processes is neither necessary, nor desirable, even though it does constitute a crucial condition for their origin and dissemination. In the times of extensive European integration and globalization stimulating innovation of economic entities, organizations, and most of all territorial social and economic systems, becomes the crucial instrument of economic policy at international, national and regional level. In other words, supporting innovation of territorial systems becomes the new form of public intervention directed – by entities responsible for the construction of economic, social and environmental policy – to entities of supra-national, national and regional economy. In the European Union scale strategic goals of such support are stated, among others, in the *Lisbon Strategy*, *The Framework Programme for Competition and Innovation*, as well as the EU regional policy defining the criteria and procedures (for the period of 2007-2013) of support for pro-innovation regional development. The *Innovation Economy Operational Programme* constitutes a suggestion of a scenario for carrying out pro-innovation policy, elaborated within the framework of *National Strategic Framework for the period of 2007-2013*. The activities included in this programme, co-financed by EU, cover both direct support for enterprises,

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<sup>9</sup> REIJNEN, J. (1987): *Local initiatives. Alternative path for development: The role of local authorities in fostering local initiatives (compared with experiences in other countries)*. Presses Interuniversitaires Europeennes, Maastricht.

<sup>10</sup> SUTTON, A., *Local initiatives. Alternative path for development*. Presses Interuniversitaires Europeennes, Maastricht 1987.

<sup>11</sup> Other, however, similar in the merits, definitions of the strategy idea are presented in e.g.: PRUSEK, A. (2001): *Samorząd terytorialny, zadania – gospodarka – rozwój: Strategia rozwoju jako główny instrument działania samorządów lokalnych [Territorial self-government, tasks – economy – development: Development strategy as the main instrument of local self-government activities]*. Wyższa Szkoła Przedsiębiorczości i Marketingu w Chrzanowie, Chrzanów, p. 261-280; BIENIECKI, J., SZCZUPAK, B. (2001): *Zarządzanie strategiczne rozwojem lokalnym i regionalnym: Strategia rozwoju lokalnego [Strategic management of local and regional development: Local development strategy]*. Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice, p. 61-80.

business environment institutions, national units, as well as systemic support for R&D sector potential and its aptitude to create innovation, and also stimulating economic entities capacity to absorb changes of innovative nature. At regional, i.e. province level, the basic pro-innovative activity is to prepare and implement regional innovation strategies. Such strategies are aimed at establishing partnership for regional innovation system within the framework of the, so called, golden triangle covering self-government authorities, scientific and research centres, as well as enterprises.

As the above discussion has confirmed, at all of these supra-local levels of management and policy implementation one deals with a long term pro-innovation plans of strategic activities. Therefore a question occurs – should strategic construction of territorial innovation, in social and economic systems, be finalized at regional level? According to the authors the reply to such question has to be negative. There occur numerous reasons for the construction of pro-innovative, strategic concepts at local level, i.e. communal or district one. Having focused our further discussion only on the first level, i.e. arguments for communal, strategic construction of local economy innovation the following should be distinguished:

- a. high number of formal relations, resulting from legal regulations or optional, economic and functional links and relations of communal self-governments and local economic entities, as well as research and development organizations,
- b. high dependence level of possibilities regarding activities undertaken by local self-governments, mainly resulting from budget revenues, form the potential and stability of local enterprises, and what results from it, their innovation,
- c. broad spectrum of tools by which communal authorities influence local economic entities<sup>12</sup>, including the possibility of establishing statutory entities for innovative activities,
- d. high level of knowledge represented by communal authorities regarding local capacity for exploiting endogenous potential in creating and absorbing innovation,
- e. growing pressure from owners and top executives of economic entities exerted on communal authorities aimed at taking the role, by the latter, of a multidimensional, local stimulating agent for economic development<sup>13</sup>,
- f. growing pressure from local communities exerted on communal authorities aimed at taking, by the latter, the role of active job market development creator,
- g. indispensable resources, at the disposal of self-governments in many communities, allowing them to play the role of local economy innovation stimulator,
- h. implementing their own, long term policies by communal authorities, which constitutes an indispensable condition while aiming at the accomplishment of objectives related to local economy innovation.

Since there are reasons and opportunities for long term, complex and effective, i.e. strategic local economy innovation construction by communal self-government, it must be decided within what type of framework it can be performed. Should legislative bodies of communal self-governments, following the practice by regional self-governments, approve local innovation strategies? We are already experiencing first initiatives of that type<sup>14</sup> and may be they will become at least partially disseminated, however, this is currently a completely new activity in its conceptual phase of collecting and verifying experiences. Many

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<sup>12</sup> More in: SZTANDO, A. (1999): *Samorząd Terytorialny: Gminne instrumenty kształtowania rozwoju lokalnych podmiotów gospodarczych [Territorial self-government. Communal instruments for influencing local economic entities' development]*. Warszawa, No. 7-8, p. 79-108.

<sup>13</sup> More in: SZTANDO, A. (1998): *Samorząd Terytorialny: Oddziaływanie samorządu lokalnego na rozwój lokalny w świetle ewolucji modeli ustrojowych gmin [Territorial self-government: Local self-government influence on local development in view of communal systemic models evolution]*, Warszawa, No. 11, p. 12-29.

<sup>14</sup> Among them there is e.g.: Mściwojów Commune Innovation Strategy. Among innovation strategies covering local territorial arrangements there is also Milicz District Innovation Strategy.

more opportunities should be perceived, according to the authors, in “traditional” strategies for communal development, which have been prepared in the past several years<sup>15</sup>. Therefore, having joined the above presented definitions, the concept of “strategic local economy innovation construction”, included in the title of the hereby study, should be understood as such construction and implementation of communal development strategy as the result of which local economy innovation level grows and facilitates local development level. It means that strategic construction of local economy innovation consists in such strategic management, by communal authorities, owing to which increases local economy capacity for:

- a. innovation absorption, starting from the second, or within the framework of the third innovation cycle phase with their source (phase one) outside its area. It therefore refers to obtaining innovations as exogenous factors of local development.
- b. generating domestic innovation, at least partially based on local, endogenous innovation potential, starting from the first phase of innovation cycle until they are practically implemented and disseminated in local economy, or – a better option – in the economy of a given region, country, or in global economy.

The analysis of Polish communes development strategies content does not allow for the statement that they are frequently focused on improving local economy innovation, or at least significantly emphasize such problems. However, there is a possibility to define these strategies which constitute an exception from this rule. One of them are strategies for Polkowice commune development, approved and carried out by this commune self-government authorities in the following years: 1995, 2001, 2007 and 2010. They may serve as an interesting example and, at the same time, effectively applied ideas of long term concepts for stimulating local economy innovation. Polkowice commune is an urban-rural commune situated in south-western part of Poland. It has 26 000 inhabitants and 168 km<sup>2</sup>. In its area there are rich copper ore resources and for several decades they have been intensely excavated by one of Polish biggest economic units – KGHM PM S.A. Communal economy, however, has been changing for the last several years from a mono-functional into poly-functional one, while high revenues of the self-government allow for the implementation of numerous interesting, pro-economic, including pro-innovative, projects. Due to limited scope of the hereby study only their fragments are presented below.

### **Strategic construction of absorption capacity and innovation generation – the example of Polkowice commune**

Pro-innovative construction of location offer by a local territorial unit determines its aptitude to react to changes in its macro-environment, mainly including the capacity to absorb innovation. Currently the main innovation diffusion trend at local level are globalization processes and European integration. Exogenous factors of local development are generated by changes occurring in regional, national and international environment of local territorial system. Such factors result from, among others: globalization processes, European integration processes, altering macroeconomic conditions, systemic changes (e.g. state decentralization), fluctuating economic prosperity, regional policy, competitiveness coming from surrounding regions etc. Exogenous factors of local development gain importance in the conditions of an ongoing tendency to advance social and territorial work division, economy liberalization, information diffusion and also democratization and decentralization processes influencing the authorities. In such conditions the medium for innovation diffusion are – resulting from market liberalization processes – new forms of manifold production and services de-concentration. Significant part of such delocalization is connected with disseminating

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<sup>15</sup> His statement refers mainly to Polish conditions. In the country of longer self-government traditions strategic planning in communes has several decades lasting history.

innovation by companies – while searching for lower costs of functioning – from well developed urban areas to the level of local economy. Apart from a traditional form of business processes delocalization, called *outsourcing* – which means shifting orders, production, services and overall business processes, or their part, to another company – globalization processes opened conditions for creating and disseminating new forms of delocalization. Among them there are mainly: *offshoring*, *sourcing*, *homesourcing* and *multisourcing*<sup>16</sup>. *Offshoring* refers to moving business processes, or their part to foreign entities functioning within the framework of one company. At the same time, delocalization conducted in the form of *outsourcing* and *offshoring* is defined as *sourcing* which may be defined as searching for adequate competencies, for adequate remuneration, from a proper source and in a proper location. *Homesourcing* represents a delocalization procedure within which production and services are performed for a specific company by its employees at their accommodation place. *Multisourcing* is the strategy using all possible forms of business process delocalization organized in the form of global network corporations. From the point of view of local territorial systems searching for new pro-innovative impulses in local development, such delocalization strategies, carried out by network companies, may become the source of extending endogenous developmental potential ingrained in local economy. Taking advantage of such local chance, resulting from global range of changes, requires knowledge, skills and willingness to accept by local communities such local development strategy which is open to innovation challenges resulting from globalization. The objective of such strategy, in the above conditions of internationally occurring phenomena, is to increase local, endogenous capacity for innovation absorption within the framework of delocated business processes.

In order to open local economy entities to *outsourcing* it is necessary to accept the strategy focused on offering the package of external advantages addressed to network companies looking for cooperation partners, i.e. entities which could serve as links in global innovation chain of a business process. Opening local development strategy to the absorption of delocalization effects, taking the form of *offshoring*, requires to prepare local, pro-innovative offer of location advantages. Entities locating innovative economic activity in the structure of local economy, in the form of direct investments, may become the beneficiaries of such offer. Local opening towards *homesourcing* turns out crucial in case of local territorial systems, having highly qualified human resources at their disposal in these professions which facilitate performing work at long distance. In such case local strategy for exploiting endogenous intellectual capital should, on one hand, represent the globally addressed offer referring to the scale and scope of *homesourcing*, while on the other, an offer of advantages addressed to highly qualified human resources undertaking employment at a distance in entities representing global networks.

In strategies for Polkowice commune development one can find numerous activities aimed at the absorption of delocalization processes. Among them there are:

- a. obtaining special economic zone with the decision by Polish government about its extension to follow,
- b. co-creation and support for the development of regional industrial and technological park,
- c. establishment of online base for economic and investment offers,
- d. full, legal and infrastructural preparation of logistically attractive investment areas,
- e. supporting district authorities in implementing infrastructural investments and activities aimed at local job market development, resulting in upgrading the level and extending functional offer of Polkowice external advantages,

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<sup>16</sup> RYBIŃSKI, K. (2007): *Globalizacja w trzech osłonach [Globalization in three stages]*. Diffin, Warszawa, p. 30-32.

- f. ongoing economic promotion of a commune in international environment, including the distribution of such publications as e.g. catalogues presenting investment proposals together with external benefits for investors,
- g. stimulating district and regional self-governments to intensify economic promotion of Polkowice and the sub-region of Polkowice,
- h. provision of common and cheap access to broadband Internet,
- i. preparation and application of optimal procedures for servicing investors, including foreign, external ones starting from initiating contacts with their representatives until the investment process is finalized,
- j. offering legal and financial preferences for external investors within the framework of legally available public aid,
- k. active support for external investors in attracting human resources,
- l. ensuring western European accommodation standards as well as multidimensional (educational, sport and recreation, commercial, service, administration, medical) services for external investors' staff, both foreigners who settled in Poland following their new investment, and Poles who migrated to Polkowice as the result of job offer created after initiating the investment,
- m. providing high safety level for running economic activity,
- n. improving systems for current administrative services provided for entrepreneurs by establishing electronic systems of: registration, circulation and archiving documents, as well as arranging current issues; administrative services; spatial information; analytical systems, supporting decision processes by communal authorities,
- o. increasing equity and share capitals of numerous companies functioning in the commune in order to upgrade their effectiveness and efficiency, as well as extending their scope of activities, including by means of innovation absorption,
- p. supporting development of enterprises active in pro-innovative areas of economic activity, such as e.g. organic farming and eco-energy production,
- q. supporting pro-ecological, innovative solutions' dissemination, including support for different forms of alternative energy sources usage, undertaking activities focused on cutting pollution emission originating at industrial objects,
- r. obtaining, by means of surveys, information regarding the condition of local enterprises and expectations of their owners from communal self-government.

Basic, endogenous driving forces, which create innovation in local territorial unit, are represented by the resources of local human capital, as well as local social capital.

Local human capital means knowledge, skills and opportunities of units holding economic value for organizations. In case of local economy such economic value means capacity for innovative behaviour and ability to react to innovative changes in the commune's macro-environment. The significance of human capital is also perceived and appreciated by local communities and their self-government authorities. It manifests itself, among others, in referring communal development strategy to diagnoses' results and foresight of this capital, but also by frequent involvement of inhabitants broad representation in works on these strategies<sup>17</sup>. The latter activity is so common, both in Poland and in Europe, that it has been given its own name – partnership planning, or participation planning. It is also realized in the discussed commune. For example, in case of work on development strategy for 2001, 140 local leaders were involved, i.e. individuals playing crucial roles in local economic and social

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<sup>17</sup> See, among others: BROL, R. (ed.) (1998): *Zarządzanie rozwojem lokalnym – studium przypadków [Local development management – case study]*. Wydawnictwo Akademii Ekonomicznej we Wrocławiu, Wrocław; BROL, R. (2005): *Małe miasta a rozwój lokalny i regionalny: Teoria i praktyka planowania strategicznego w małych miastach [Small towns vs. local and regional development: Theory and practice of strategic planning in small towns]* Wydawnictwo Akademii Ekonomicznej im. K. Adamieckiego w Katowicach, Katowice, p. 112.

organizations, and therefore calling themselves local community representatives. As far as objective data are concerned, apart from complex prospective diagnosis<sup>18</sup>, one of key information sources used in the process of strategy construction have become survey results conducted among the inhabitants of a commune, as well as among economic entities. Apart from that an interesting and supplementary initiative was inviting all inhabitants to present their own concepts of commune development and presenting self-government activities on special forms published in local press. Having considered the above it seems founded to state that in the process of strategic planning local human capital was included as an endogenous factor of communal economy innovation, but also as the co-creator of pro-innovative, strategic intentions by self-government. Owing to the above, strategy content is correctly directed towards this capital extension and establishing due conditions for the growth of its economic value by upgrading inhabitants capacity to participate in all phases of innovation cycle. It is confirmed by the following projects included in them:

- a. university establishment which offers free of charge, intramural education at such courses as: mechatronics, computer studies, international relations and administration, but also carrying out scientific research, as well as developmental and implementation works aimed at the development of native region,
- b. ongoing, financial support for the above university in the process of educational offer development, research works and cooperation with local entrepreneurs,
- c. establishing and permanent financial support for the university providing courses aimed at elderly inhabitants' intellectual development,
- d. organization and support of advisory services for farmers, entrepreneurs and individuals attempting to undertake economic activity,
- e. organization of trainings for the commune inhabitants aimed at upgrading or changing their professional qualifications,
- f. popularization of entrepreneurship idea among the commune inhabitants,
- g. establishing public economic entity to play the role of "entrepreneurship incubator",
- h. establishing local advisory and professional information system,
- i. organization and support for organizing internships and professional trainings,
- j. cooperation with non-governmental organizations supporting the development of local labour market,
- k. creating scholarship system for good learning results for primary, lower and higher secondary, as well as university students, and also the commune inhabitants in obtaining external scholarships, especially these financed from the European Union funds.

On the other hand, social capital consists in stable, local social resources having the capacity to trigger the stream of economic benefits accomplished by local economy. The concept of local social capital covers all current and potential, local social resources, which include as follows:

- a. stable social order, understood as the set of values, standards and attitudes influencing local social interactions;
- b. permanent, institutionalized set of relations, connections, as well as mutual recognition and trust. Such network includes local and economic self-government institutions and also diversified local associations, societies and civic society organizations;
- c. social relations and local interactions occurring between the inhabitants of local territorial system, between local community and self-government or non-governmental institutions, but also within the framework of these institutions and organizations. They constitute the source of new value which may be regarded as the

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<sup>18</sup> Prospective diagnosis means the one which consists in collecting and correct analysis of data for describing past and present events, as well as significantly probable future of the studied object attributes.

linking agent for local social actors, integrating local community as one body composed of many individuals.

Owing to different local conditions social capital, in different local communities, presents different substance in the merits. Therefore it could be stated that it persists context dependent and cannot be generalized. It is obvious that the importance of individual and institutionalized social relations, resulting from family ties, trust, mutuality of standards and support, happens to be different in changing national, regional and local conditions. Social activity presents different significance in developed capitalist democracies, or in post-communist countries undergoing transformation, different in big metropolises, or well developed urban regions and in underdeveloped farming areas, still different in a commune characterized by rich historical and cultural roots constituting an integrated community, so called small fatherland, and different in a commune where social trust is limited both in a horizontal system (among groups of citizens) and in vertical one (in relations between local authorities and local community). Local conditions also decide about the scale and structure of effects generated by local social capital. What is more, these effects may be both of positive nature, i.e. stimulate local development and negative one i.e. resulting in limited opportunities for local development.

From economic point of view capital may be referred to as “social” when it generates external effects, as the result of social interactions, which despite of not being market oriented bring about economic effects. It manifests itself in the process of fulfilling, by this capital, two crucial functions.

Firstly, these are endogenous functions consisting in minimizing instability in social and economic life. More specifically, it lowers some risks ingrained in undertaking and running a business, as well as cooperation between local community members, civic society institutions and self-government authorities. In this way local social capital reduces material expenditure on protecting resources and goods of local economy entities, on local information or promotion of its attributes in order to build trust in the environment, and also to cover transaction costs related to analyzing local environment. In other words, while carrying out its endogenous functions, local social capital – by cutting functional costs and creating the atmosphere of trust and partnership – stimulates economic activities in the commune, and therefore broadens the capacity of local economic entities to participate in innovation processes. It refers to local dimension and Schumpeter’s triad, but most of all macroeconomic dimension of innovation diffusion phase regarding local economy capacity to absorb it.

Secondly, these are exogenous functions consisting in the construction of positive local community image in the opinion of entities functioning in closer and farther environment. The process of constructing it takes the form of information transmission regarding properties of local social capital, as well as social, economic and local results of these properties. It should also be pointed out that such transmission is carried out not only by local economy entities, e.g. self-government authorities, but also these entities which do not belong to it, but within the framework of their e.g. commercial activities (media, tourism and recreation, advisory), or as the result of research and development work they distribute information about local centres offering rich and extensive local social capital. In this way local social capital reduces outlays indispensable for supra-local information, i.e. just like it happened in case of local information spreading, for the promotion of their own attributes in order to win local trust, but this time it is supra-local environment. This, on the other hand, enhances initiating and developing relations between local economy and external entities participating in the innovation cycle.

Do we find long term projects focused on constructing and protecting local social capital in strategies of the discussed commune? Beyond any doubt, yes. They are as follows:

- a. preparing and implementing communal programme of civic society construction which includes, among others, such activities as: civic education, promotion of civic attitudes, establishment and development of the youth town council,
- b. preparation and implementation of communal programme for social communication including, among others, such activities as: improvement of local community information system about activities undertaken by communal authorities, cooperation of communal self-government with the youth, promotion of public and professional activities, extension of public relations system, intensification of internal promotion, public opinion monitoring surveys,
- c. establishing local activities centre – the seat and activities centre for several dozens of local non-governmental organizations,
- d. material, information and staff support for non-governmental organizations activities,
- e. development of consultancy system between self-government authorities and local business,
- f. promotion of individuals most recognized in the merits for the development of communal tourism and recreation functions,
- g. support (including financial) for the development of cooperation between communal organizational units and local non-governmental organizations,
- h. support (including financial) for local non-governmental organizations in obtaining means for carrying out tasks stimulating social and economic communal development,
- i. organization and support for voluntary activities,
- j. preparation and implementation of annual cooperation programmes of the commune and non-governmental organizations and other entities conducting public utility activities,
- k. appointing communal, inter-sector “Polkowice Commune Eco-forum”.

### **Final remarks**

Delocalization of business processes, representing the significant stream in globalization processes, as well as European integration, may serve as an important carrier of innovation diffusion at the level of local economy. Additionally, some local properties may become sources or catalysts of the innovation process initial phases. This kind of exogenous and endogenous development factors may stimulate innovation and modernization changes in the local economic base structure, create new components of financial structure and open new vacancies at the local job market, as well as establish new sources for supporting local budget. In order for this opportunity to be taken advantage of it is indispensable to carry out long term, complex and cohesive i.e. strategic activities performed by the main, manifold and multifunctional actor in local economy, namely communal self-government. The awareness of such dependence is growing and results in more extensive consideration of pro-innovative projects in communal development strategies, the best example of which are planning activities by Polkowice commune authorities. Obviously, lists of strategic projects presented above were prepared and implemented by these authorities not only for pro-innovative reasons, however, their pro-innovative effects were and still are one of its most important reasons.

In conclusion of the hereby study it is worth presenting the most important effects of the discussed strategic local economy innovation construction in Polkowice commune. Among the listed strategic tasks, specified by this self-government, almost all of them have already been implemented, or are undergoing implementation. Special Economic Zone was created and later extended in the area of the commune. Almost all urbanized, or planned to become urbanized communal areas were equipped with all types of media. Accommodation standard

and provision of services for inhabitants present average western European level and in many domains it is even higher. In this way technical and social infrastructure make up a strong external effect by capturing innovative investors and, at the same time, stimulating enterprises, already active in this area, to take up local investments. Ongoing efforts to construct and strengthen human and social capital are undertaken. Sociological studies indicate that, without any doubt, one can observe high level of activities, entrepreneurship, cooperation, trust and identity of local community. As the result, in the period of discussed strategies implementation many international and national companies decided to invest in the analyzed commune, which are both innovative and competitive in global scale, among them e.g.: Volkswagen (Germany), Royal Europa (Canada), Sitech (Germany), CCC (Poland), Schnellecke (Germany), NG2 (Poland), Sanden (Japan), TCM (Austria), Atlas Copco (Sweden), Houghton (USA), Hörmann (Germany), LCI (Austria), Bornay (Spain), Oerlikon Balzers (international company with the seat in Liechtenstein). Lower Silesian University of Entrepreneurship and Technique, established by the commune in cooperation with district self-government, cooperates closely with the above companies, including the area of innovation oriented projects. The above, brief characteristics of pro-innovative results referring to strategic management in Polkowice commune, obviously, does not cover the whole spectrum of issues, however, it confirms that the role of local self-government in creating local economy innovation is not just limited in the sphere of theoretical considerations, but it may and should have crucial and practical dimension.

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### **Abstract**

The article is devoted to problems of pro-innovative strategic planning in a commune. Its introductory part discusses notions of innovation, innovativeness, local economy and communal development strategy. Next the reasons and the idea of constructing local economy innovation, by local self-government, is presented. The main body of the article includes information regarding mechanisms for creating absorption capacity and generating innovation by local economy in the context of communal strategic planning. Overall theoretical considerations are illustrated by presenting fragments of development plans for the Polish commune of Polkowice which the author considers as the example of correct strategic construction referring to local economy innovation.

### **Key words**

Innovations, innovativeness, local economy, commune, communal development strategy, Poland.

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