Challenges for the SME sector in the twenty-first century

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Krystian Zawadzki

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Reviewer:
prof. dr hab. Jan Komorowski, Warsaw School of Economics

Scientific Editor:
Krystian Zawadzki

Authors:
Piotr Karniej
Joanna Pniewska
Aleksandra Roslan
Anna Irena Szymańska
Maciej Woźniak
Krystian Zawadzki
Paweł Ziemiański


Gdańsk University of Technology
Faculty of Management and Economics
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INTRODUCTION

The twenty-first century has brought new challenges to the business environment, the sector of small and medium-sized enterprises is the most numerous representative of. These challenges require from companies exploration of unknown ways of doing business, while creating specific threats, also opening up completely new possibilities.

It is worth to mention the three groups of determinants affecting the shape of the functioning of the business in a global environment and distinguishing contemporary entities from those that worked even in the 90s last century.

The first is the information and communication technologies development. The prevalence of computers and the Internet makes access to information to become faster and cheaper. Most of the companies operating this day use the network for advertising, improving visibility of its business, using it as a sales channel. Internet also enables establishing and operating a completely new activities.

The second issue is the unprecedented scale of the economic crisis imprinting its toll on business activity. Environment becomes less predictable, economic processes take the non-linear form, fluctuations in the financial markets are characterized by increasingly higher amplitudes. This makes that the companies’ management are facing new challenges, seeking new solutions to minimize the risk of adverse effects that may be caused by these crises.

Finally, it is worth noting the impact of the unique events that occurred in the twenty-first century on the SME sector. Undoubtedly, the most important of these was the Polish accession to the European Union in 2004. The opening of borders, free movement of goods and capital cause, that companies opportunities, although face higher risks, have never been as great as now. In recent months, one of the biggest sporting events - UEFA European Football Championship Euro 2012 took place in Poland. This event led to the implementation of infrastructure projects on an unprecedented scale in our country. About 100 billion zlotych was allocated to the hundreds of plans for road infrastructure, transport and others. It gave SME sector major opportunities to participate in the transformation of projects contractor or subcontractor. Also of great importance are the benefits of promoting the country and the regions that were directly involved in the organization of Euro 2012 in Poland.
This monograph integrates the above mentioned issues, combining theory and practical operation of the SME sector in Poland. It consists of seven chapters.

The authors own research into various areas of business can be found there, beginning from the best practices of teaching entrepreneurship in higher education and the need to enhance managerial skills among the representatives of the medical staff, through the issue of financing entities with foreign forms of funding and a specific concept based on the perception of the consumer and self – efficacy beliefs and perceived control as entrepreneur's attitude, and ending with the running blog as a modern form of business and the impact of the Euro 2012 on the accommodation sector in the region of Pomerania.

Expressed topics constitute an introduction to further consideration of the issues that should be regarded as important and needed.

I am submitting special thanks to authors of chapters for their contribution into the coming into existence of monograph and all at the same time I am inviting for the cooperation in the scope of research portrayed above.

Krystian Zawadzki
CHAPTER 1
ENTREPRENEURSHIP TEACHING IN ACTION – THE BEST PRACTICES LEARNED AT STANFORD UNIVERSITY

1.1. Introduction: Teaching entrepreneurship in Poland versus teaching entrepreneurship in action

In Poland for the past few years many higher education institutions have been offering entrepreneurship classes, yet it seems that these efforts are insufficient in terms of limited student access and low implementation of teaching methods recommended as the most effective by research on entrepreneurship education. Due to the studies performed in Pomeranian region, only 40% of the students graduating in 2008 confirmed participation in any kind of entrepreneurial classes during their education. Within the next two years this number grew up to 58% (Pawlikowski, 2008). The evidence shows that in 2010 about 42% of graduates were not entrepreneurially educated at all, especially those in the non-business studies, such as technical, humanities, arts and other (Richert-Kaźmierska, 2011).

Moreover, students’ interest in the optional entrepreneurial activities organized by higher education institutions was also very low: almost 60% of the respondents have not participated in none. The nonobligatory offer seems to be not sufficient tool for fostering entrepreneurial education in Poland. Therefore, a need for introducing entrepreneurship classes to the compulsory curricula at all disciplines has been recognized and confirmed by the above mentioned study: almost 85% of 2010 graduates supported this idea (Pawlikowski, 2008).

In fact, Polish universities are on the eve of the obligatory introduction of entrepreneurship to the tertiary education as a compulsory class for the students of particular disciplines. The last year Polish reform on higher education imposed a compulsory entrepreneurship class to be included in the management discipline curriculum entering into force in the academic year 2012/2013. Due to the standards defined by Polish Ministry of Science and Higher Education, this course should enable students to formulate and implement entrepreneurial solutions and
deliver extensive knowledge on: entrepreneur, entrepreneurship, entrepreneurial organizations and processes, project planning and implementation, recognition of opportunities and risks, external support for entrepreneurs and international entrepreneurship (Standardy kształcenia dla kierunku studiów: Zarządzanie).

Focus on entrepreneurial knowledge is necessary (Bartkowiak, 2012), yet it is not sufficient. European Union Commission experts as early as 2006 pointed that the methods widely used in Europe for entrepreneurial education purposes do not align with those defined as the most effective ones (Implementing the Community Lisbon Programme: Fostering entrepreneurial mindsets through education and learning, 2006). EU Commission Report of 2012, apart knowledge, indicates two more elements of entrepreneurship key competence: attitudes and skills (Effects and impact of entrepreneurship programmes in higher education, 2012). These are very difficult to be changed through a regular, in-class knowledge transfer. Instead, they should be taught on the basis of interactive approaches by use of various experience-based and action-oriented teaching methods. Since the traditional ones are much less effective for students’ entrepreneurial thinking development, the role of a teacher is to drift from a lecturer toward a mentor. Therefore, involvement of entrepreneurship practitioners in teaching is highly advisable, as well as having students participating in real companies’ projects outside of the university in order to collect entrepreneurial experiences (Effects and impact of entrepreneurship programmes in higher education, 2012). Entrepreneurial attitudes and skills shall be also taught on the interdisciplinary basis through implementation of entrepreneurial teaching methods to other disciplines’ teaching curricula. It is recommended by the Report to use these methods for various purposes in teaching any other than entrepreneurship class (Implementing the Community Lisbon Programme: Fostering entrepreneurial mindsets through education and learning, 2006).

‘Entrepreneurial education’s goal is to promote creativity, innovation and self-employment. Entrepreneurial programmes offer students the tools to think creatively, to be an effective problem solver, and to communicate, to network and to lead. (...) Entrepreneurship is not necessarily a topic – it is also a different way of teaching and of helping young people to fully develop their potential.’ (Effects and impact of entrepreneurship programmes in higher education, 2012)

Almost twenty years ago corresponding research were performed in the United States. Due to Walstad (1994), 84 percent of high-school students, 82 percent of the general public, and 81 percent of small business owners (...) deemed teaching entrepreneurship in schools important or very important. This high social awareness was an effect of more than 30 years of entrepreneurial education at
Entrepreneurship teaching in action – the best practices learned...

In the United States academic entrepreneurship courses have been run since 1960’s and between the years 1970 and 2000 the number of these courses grew tremendously (Katz, 2003). The first MBA course focused fully on entrepreneurship was launched at the University of Southern California in 1971. One year later, the same concentration was opened as an undergraduate course (Kuratko, 2003). The old school of entrepreneurship teaching methods was strongly based on structured, task-oriented (i.e. business plan creation) classes enriched with analysis of real live cases delivered by experienced business professionals or by the teacher (Ronstadt, 1985). Sexton and Upton (1987) proposed an approach involving new problems solving under risk and ambiguity, developing some of the entrepreneurial skills, i.e. communication, and answering to entrepreneurs’ special needs such as lack of routine and restrictions. Courses inspired by reality as much as possible, providing experimental tasks in the class, were recommended as early as in 1990 (Plaschka, Welsch, 1990). Solomon et al. (2004) explained that teaching entrepreneurship was to prepare students for achieving maximum profitability and rapid growth in a short time perspective.

In 1993 computer simulations were hoped to be an effective tool for teaching of complex decision making and providing an instant feedback to the students. Solomon et al. (2004) found that till 1997 the most common evaluation pedagogies for entrepreneurship teaching were business plans and case studies. While students had become less interested in lectures and other traditional methods, he indicated a growing need for shift to the more self-, project and experience oriented entrepreneurship teaching approaches. Moreover, the drift away from the structured, business plan based classes has been recently justified by Babson College researchers which proved that participation in two or more entrepreneurial classes highly increases young alumni’s intentions to start up a business and probability of becoming an entrepreneur in the future, while the business plan writing does not have a remarkable impact (Wei et al., 2009).

Finally, a research conducted by Bridges (2008) on one hundred and two US public high and middle schools and career and technology centers identified general standards for effective entrepreneurial education. Among the best practices are hands-on activities, creative thinking, team-building exercises, entrepreneurial carrier promotion, teaching of leadership skills and working in interdisciplinary teams.

This way, students learn how to use and develop entrepreneurial thinking and skills for any kind of activity and any discipline. Successfully implemented in
the United States, the above presented educational approach is highly valued by the employers for the traits of alumni it shapes in general (Harvey, 2010). On the other hand, entrepreneurial education positively affects individuals’ professional life due to their higher self-confidence, increased creativity and trained leadership skills (Bridges, 2008). Defined as ‘an ability to turn ideas into action’ entrepreneurship seems to be the source quality needed to achieve success in the 21st century (Effects and impact of entrepreneurship programmes in higher education, 2012).

1.2. Entrepreneurial education’s impact on individuals and the nations

Today’s fast economic and technological development improves the quality of life which seems to be physically easier, and at the same time accelerates the way people live which increases life’s psychological complexity. Strong competition faced by fresh university alumni may play either role of stimulus or demotivator while approaching the labor market. In order to survive and win the professional life’s battle they need to take action and show initiative: as self-employed and as employees as well. Success is based on active participation in individual or group problem solving and ability to deal with continuous market, scientific, technological, social revolution that is outrunning us day by day. Therefore, entrepreneurship has been approved as employees’ key competence: in this modern world it motivates to consciously and willingly respond to changes, seize opportunities, differentiate on the basis of individual’s inner creative potential, innovate to gain attention of others, work hard and not give up.

The purpose of this article is to provide examples of best practices useful for implementation during entrepreneurship classes at Polish universities, in order to encourage entrepreneurship teaching in action which not only transfers necessary knowledge but also shapes entrepreneurial attitude. The Top 500 Innovators Program alumni have found it very inspiring and developing for themselves as well as for their students.

*Perhaps the most beneficial measure of entrepreneurship education is not that it produces a generation of Bill Gates-like individuals, but that it ignites excitement about learning, opens young eyes to possibility, and fosters creativity in an educational system that is bogged down with standardization. All of these effects will in turn make these students better prepared for the challenges they will face in tomorrow’s economy (Bridges, 2008).*

Kourilsky and Walstad (2000) affirmed that entrepreneurial thinking would be the major skill needed for the upcoming century; whereas, employers reported that their business’ growth was limited by shortages of entrepreneurial workforce
Entrepreneurship teaching in action – the best practices learned…

with advanced professional skills and talent (On the Road to an Entrepreneurial Economy: A Research and Policy Guide, 2007). The new era of knowledge-based economy entails different needs in terms of employees’ optimal performance, notice Schwarz and Kay (2006): more education and training is being necessary, while creativity, leadership and problem-solving are the essential skills of an effective employee. Entrepreneurship attitude has been useful no longer only to entrepreneurs, but known as intrapreneurship became an undoubted quality of those employed in companies as well.

European Union Commission’s documents clearly state that entrepreneurial education develops attitudes and skills necessary for achieving professional success. Young individuals which participated in such courses are more creative, innovative, motivated, have better networking and leadership skills as well as ability to adapt to change. They also easier find their first job and more often become entrepreneurs on their own(Effects and impact of entrepreneurship programmes in higher education, Brussels 2012). Through forming a successful workforce, entrepreneurial education stimulates companies’ development and start-ups’ creation which entails overall economic growth (Implementing the Community Lisbon Programme: Fostering entrepreneurial mindsets through education and learning, 2006). According to Kuratko (2003) the US high economic performance during the last decade of 21st century and later, has been achieved due to enormous intensification of entrepreneurship fostering and promotion.

The study of Pomeranian Voievodship showed that in 2010 only 17% of fresh graduates perceived their education as a useful basis for starting their own business in the close future (Pawlikowski, 2008). At the same time an education output missing the labor market needs has been reported by Pomeranian employers (Bogdanis, 2010). The same problem raised in many other parts of Poland, caused a conclusion that changes in Polish educational system toward new problem solving in creative way are necessary (Cieślik et al., 2011). As said before, in response, the 2010 Higher Education Reform provides Polish universities with an increased autonomy in curricula creation to make them better suited to the local markets’ needs. The precise standards for entrepreneurial knowledge transfer within management major make only a basis for what may and what is needed to be implemented.

1.3. Top 500 innovators program as an answer to the need for entrepreneurial academia in Poland

Polish academia has been diagnosed as in need for creative and entrepreneurial mindsets revolution to break the stereotypes on teaching and learning of the
lecturers and their students (Bartkowiak, 2012). The emergency of a vast need for providing reliable and effective tools of entrepreneurship teaching has been answered by Polish Ministry of Science and Higher Education by Top 500 Innovators project realization. It is an internship program launched in October 2011, which delivers a wide range of methods for personal entrepreneurial development as well as innovative teaching techniques for entrepreneurship diffusion. Within five years (2011-2015) there will be five hundred young and talented Polish researchers and technology transfer officers visiting the best universities worldwide in order to learn how to plan, perform and commercialize their research to achieve success on the market. The two months internships for groups of forty are organized in two rounds: autumn (October – December) and spring (April – June). The first two editions have been organized at Stanford University, which is widely recognized as the heart of Silicon Valley that pumps blood of new technologies and progress through every small company and then back to the university in form of donations and research collaboration.

Stanford University (SU) has been one of the pioneers of building academia-business relationship and has done it successfully enough to be listed among the world leading higher education institutions (Cieślik et al., 2011). It is not only one of the top world-class universities well known for its successful commercialization of research outcomes, but also delivers an outstanding comprehensive entrepreneurial education to its students, researchers and third parties (Academic Ranking of World Universities 2012, http://www.arwu.org/).

This small university (about fifteen thousand students accepted per year) runs more than thirty different organizations working for entrepreneurial mindset building (Stanford Entrepreneurship Network, https://sen.stanford.edu/members). This way Stanford University develops, works on and shares an outstanding review of good practices for entrepreneurial mindset building. This success is difficult to copy due to its very close linkages with the Silicon Valley phenomenon, which impossibility of replication has been debated broadly (Charnock, 2011). Yet, even a short visit to this specific environment gives the guest an enormous number of chances to breathe with the fresh air of creativity, openness and innovative leadership. Therefore, SU has been chosen by Polish Ministry of Science and Higher Education to deliver the Top 500 Innovators training to one hundred twenty talented young researchers and technology transfer officers so far. With its long tradition in research commercialization and focus on entrepreneurship teaching methods development, Stanford University seems to be the right place for realization of the Top 500 Innovators Program: beside the opportunity of business (Silicon Valley) and scientific collaboration with world class experts, scholars are introduced to
a new mindset empowering people to act entrepreneurially not only in their professional but also private life.

The first two editions of the Top 500 Innovators program have been organized by Stanford Center for Professional Development in collaboration with US – Polish Trade Council (USPTC). This organization was formed in 2002 by Polish business leaders living in Silicon Valley and Washington D.C. for beneficial relationships building between Polish and US businesses, academia and public authorities (US-Polish Trade Council, http://www.usptc.org/default.htm). Even though the ICT and bio-technology markets are in the core of USPTC activities, they have been also working hard on establishment of good governmental relationships and fostering academic exchange through organization of visits, meetings, seminars, conferences in Silicon Valley as well as internships on research commercialization at Stanford University\(^1\). Therefore, like a steadfast bridge from Warsaw to San Francisco, US-Polish Trade Council undertook the challenge to mediate between Ministry of Science and Higher Education of Poland and Stanford University for Professional Development in order to formulate and successfully deliver the Top 500 Innovators Program. Enormous effort of USPTC Chairman and Stanford University consulting professor Piotr Moncarz, USPTC President Jerzy Orkiszewski, SCPD Director Paul Marca, SCPD Program Manager Sonja Sulcer with a help from the author of this article, resulted with an outstanding program which not only shares knowledge about entrepreneurship and develops entrepreneurial skills, but foremost changes the attitudes and creates genuinely entrepreneurial mindsets.

1.4. Stanford University best practices on entrepreneurship teaching

Kuratko (2003) wrote on Stanford Technology Ventures Program, entrepreneurship center of Stanford University’s School of Engineering, which is listed among the National Model Programs featured by US Association for Small Business and Entrepreneurship: STVP believes that it is critically important to provide engineers and scientists with an understanding of business and entrepreneurship so that they can understand how their work fits into the context of an organization, lead effective teams, and seize business opportunities for new ventures. The very next year the Stanford University Hasso Plattner Institute of Design was established (Roethel, 2010). David Kelley, the founder of Stanford Design School and company IDEO, proposed a concept of T-shaped people, which refers to individu-

\(^1\) The author was an intern at USPTC twice: X.2010-I.2011 and X-XII.2011.
als able to combine *analytical thinking - the vertical leg of the T* – *with horizontal thinking: intuitive, experimental, and empathetic* (Breen, 2005). T-shaped people are able to use and develop their entrepreneurial skills in order to improve and implement their work results. Their inquisitiveness pushes them to personally experience the effects of their actions and understand the needs of those on the other end of the line. This attitude facilitates migration of T-shaped people among different disciplines and enables them work in interdisciplinary and multicultural teams.

![Figure 1.1. T-shaped personality model

Source: (Marca).](image)

The most simple and at the same time one of the broadest definitions of entrepreneurship explains it as an ability to realize ideas (Cieślik et al., 2011). There is a number of attributes considered as enabling individuals to make ideas coming true, which are recognized as teachable and included in the basis for entrepreneurial education curricula. The entrepreneurial skills listed by Bridges (2008) include: *creativity, decision-making, leadership, communication skills, the ability to work in a team, marketing, management, the ability to accept failure, flexibility, risk-taking, confidence, and passion*. Each of them have been emphasized by Stanford researchers during the Top 500 Innovators course and most will be described in greater details further in this paper. Yet, most important is that, referring to Lundstrom and Stevenson (2005), entrepreneurship at Stanford University is considered as *first and foremost a mindset*. Entrepreneurial mindset is defined as an ability to *rapidly sense, act and mobilize, even under uncertain conditions* (Ireland et al., 2003). This mindset understood as a certain attitude of openness and ability to act upon the opportunities of life seems to be the key result of entrepreneurial education at Silicon Valley.
Kent (1990) pointed that entrepreneur is able to recognize an opportunity or niche and fill it with his or her own innovation. Therefore, the fundamental goal of any entrepreneurship education program should be to promote awareness of opportunity (Bridges, 2008). The essence, the core of entrepreneurship is to turn problems into opportunities, says the Stanford University’s STVP Director Seelig (2009). This has been introduced to the Top 500 Innovators’ scholars on many different ways: during lectures, workshops, special tasks, individual- as well as group-working, etc. It is essential to realize that it is the attitude that matters the most. Moreover, it can be stimulated towards optimism, openness, perseverance, curiosity, which are listed among the characteristics of an entrepreneur (Seeling, 2009). During her talk on a book What I Wish I Knew When I Was 20: A Crash Course on Making Your Place in the World, T. Seelig provides an example of one of her groups that was given a task to earn within two hours as much money as possible investing only a small amount of seed capital. The students were given about a week to choose and prepare the best idea, yet they had not known how much money they would receive. The most surprising was that the winning team did not use their seed fund of 5 USD, simply selling their pitching time to a company willing to recruit the students of their class. What a brilliant idea! How exciting would it be to similarly inspire a class of Polish students and find out what ideas they are able to generate.

Rabbior (1990) argued that entrepreneurship must be taught through students’ personal experience in a various hands-on activities. Kuratko (2003) encouraged entrepreneurship lecturers to embrace new technologies and popularize their use for delivering a unique and individual entrepreneurial experience to the students. Twenty years later, Novitsky (2011) makes the same point while teaching at the Top 500 Innovators course: Entrepreneurship is not passive. The best way to learn is by doing. This postulate is implemented by all the professor lecturing at Stanford University, yet the most remarkable experience has been delivered by design thinking classes. Brown (2008), the CEO of IDEO, wrote in Harvard Business Review that design thinking is a discipline that uses the designer’s sensibility and methods to match people’s needs with what is technologically feasible and what a viable business strategy can convert into customer value and market opportunity.

Before, designers were hired to decorate and wrap the product, now they are expected to create new product by delivering ideas that meet customers’ needs. Therefore, design thinking course at Stanford University teaches students the above generally explained methodology and among others develop the following traits: empathy, integrative thinking, optimism, experimentalism and collaboration, which make the main characteristics of design thinkers due to Brown (2008).
Prototyping is a process of design thinking implementation focused on investigating the idea’s strengths and weaknesses in order to improve the concept based on deeply recognized needs and expectation of the customer. There are three stages of prototyping distinguished by Brown that may loop every time the process results with redesign of the idea:

− inspiration which is derived from the problems or opportunities that need a new solution and shall be approached with an expectation of success,
− ideation is the phase of generating, developing and testing ideas that are meant to be implemented and brainstorming is considered as its main tool,
− implementation is planning and following the best way for market introduction and is basically all about executing the vision with determination and persistence.

The materials used for prototyping shall be inexpensive to minimize the costs generated by the process. Top 500 Innovators scholars were given a task of building a prototype of any product or service innovation that they would like to implement. Services were provided in a form of scenes played by the students or their handmade mannequins. Paper of various kinds and colors, pens, pencils, markers and crayons, tapes, threads, buttons and springs were provided by William Cockayne, Stanford professor teaching methods for successful innovation. The class took three hours just to think about the idea and play with all the materials to build a model and observe the idea being implemented to finally draw conclusion on its end user’s experience. Another prototyping task was to move tennis ball from a table to a bucket without touching it. Various launchers and chutes were built, while one of the groups invented a paper glove to be worn by a team member in order to move the ball. The conclusion is that prototyping not only makes us aware of the solution’s traits but enables to totally redesign customers experience in order to deliver a better and more suitable product, which sometimes might take a completely unexpected form.

This is also the way an innovation is perceived at Stanford University: during his lecture Warren (2011) pointed that innovation is when we deliver a product we didn’t know we would or we needed. Warren is a lecturer with an extensive business experience with i.e. Cisco and Hewlett Packard, who teaches Stanford Advanced Project Management courses. Entrepreneurship teaching by business practitioners enormously increases this education’s quality. All the Stanford University professors met by Top 500 Innovators scholars had a business experience, which broadened and funneled their expertise into the market-oriented direction. This attitude builds entrepreneurial mindsets and stimulates students to act entrepreneurially.
While innovativeness is an ability of new ideas’ implementation, the ability to generate these ideas is known as creativity (Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data, 2005). The process of old products displacement by completely new ones has been popularized by Schumpeter (1962) as the gale of creative destruction associated with purely entrepreneurial behavior. Schumpeterian process of creative destruction applies mostly to radical innovations, yet even though there are more incremental than radical innovations being implemented, creativity makes a vital skill of every entrepreneur. Everyone has an inner natural potential for creative thinking by using his or her knowledge to solve everyday problems in a novel way. Therefore, creativity can be taught by stimulating individuals to use it more intensively and it should make an essential part of any entrepreneurship education program (Cieślik et al. 2011).

During the Top 500 Innovators Program Polish scholars are engaged in various activities stimulating their creative thinking skills. The basic and the most often used in the class is brainstorming, method described in 1953 by Osborn (1963), Madison Avenue’s marketing executive, and later researched deeply by many others. Brainstorming is a form of group or individual ideas generation through coming up with any possible or impossible solutions to a given problem. The way it is taught at Stanford is to write down within a given time as much ideas as possible – each on a separate sticky note, to easily rearrange them while reviewing in the second step. The space should be comfortable but the participants shall be standing for activity stimulation. In the review phase all group members choose the best ideas through mapping, voting or discussion. Osborn’s four principles for effective brainstorming are still valid (Osborn, 1963):

- generate as much ideas as possible – it is the quantity not quality that is the most important: there are 11 excellent and 16 good ideas out of 2000 generated, researchers proved (Koch, 2010);
- build on the ideas of others – deriving own ideas from combination of the ones of others may lead to a better or even a new remarkable solutions, thus the more divergent is the brainstorming group the more interesting ideas may be generated;
- welcome even the most unexpected ideas – they might be the groundbreaking ones, therefore, the atmosphere shall be friendly and fun to comfy and inspire the participants;
- do not criticize – criticism kills creativity, Stanford lecturers say; the importance of this principle is reflected also by another popular rule: there are no dumb questions at Stanford University.

Another integral characteristic of an entrepreneur is the hard-working attitude. Entrepreneurial success is based on individual’s hard and persevering work
on an idea development and implementation, Stanford lecturers emphasized. Seelig (2009) motto *The harder I work the luckier I get* is cited any time entrepreneurial attitude is considered. This basic message Donna Novitsky, Stanford lecturer and serial entrepreneur, managed to instill in the Top 500 Innovators scholars by having them working in groups on business plans and elevator-pitches preparation. Even though business plan is not an ample entrepreneurship education tool (Wei et al. 2011), it is necessary to teach students how to prepare and present it to the potential investors. Polish researchers spent a lot of their free time to write good and credible business plans dedicated to implementation of their own innovations. They took this task really seriously, carefully examining information about the market and selecting best solutions for implementation. Within three weeks the groups were ready to present the effect of their hard work to the investors and angel capitals invited by Donna Novitsky. Preparation for and delivery of an elevator pitch turned out to be another challenge associated with a lot of emotions. Elevator pitch is an idea, business plan or product presentation that should last just as long as an elevator ride. It should *sum up unique aspects of (…) service or product in a way that excites others* and convince them to the speaker’s point of view (Pinkus, 2007). There are people finding it easy but most need to practice a lot, since it is a necessary skill for a successful entrepreneur these days as Stanford lecturers convinced the Top 500 Innovators scholars.

Due to Ronstadt (1985) an effective entrepreneurship education program should give the students a chance of meeting people able to help them succeed. This is actually one of the flag features of Top 500 Innovators Program held at Stanford University, which in the heart of Silicon Valley, close inter alia to the University of California Berkeley and San Francisco State University, offers a unique opportunity for networking with researchers, entrepreneurs, big companies’ managers, investors and visitors from all around the world. Business networking is another entrepreneurial key word. It is associated with building a portfolio of connections with people which might be helpful in achieving individual’s professional goals in the future. Networking makes a foundation for Silicon Valley success: its innovativeness, rapid development, vast start-ups creation and so much more. To explain its power and meaning for own carrier building, dr. Tamara Carleton proposed Polish scholars Loose League – a tool for social network analysis.

Loose League is a network of like-minded professionals working to discover and develop new technologies in a particular innovation area, who are connected through a combination of formal and informal ties across different institutions (Carleton, 2011). Its analysis indicates the areas of week network to be strengthened as well as the areas of strong network to become the foundation for individual’s goals realization. The photo caption on the lower right corner of the above
picture explains this method’s implementation. The people in the network should be clustered into four groups:

- **muses and agitators** – those are the source of inspiration and help in idea testing,
- **casting directors** – those facilitate resources obtaining,
- **promoters** – those will spread the word about the idea and help enlarge networks,
- **producers** – those prompt to action and execute the plans.

![Graph of networks](image)

**Figure 1.2. Loose League**
Source: (Carleton).

This tool develops individual’s awareness of the network in which he or she works and lives. Such tools are useful to help students understand their environment and maximize the effects of own efforts through cooperation with the right people.

In fact, due to Tina Seelig improving entrepreneurs’ luck has to do a lot with developing one’s interpersonal skills: openness to other people, engaging in eye-contact, smiling a lot, being relaxed and friendly in the first contact - all these traits convince others about our positive attitude. Entrepreneurial education increases
individual’s social inclusion (Effects and impact of entrepreneurship programmes in higher education, 2012). One of its main tasks is to teach students how to effectively work in team and help them understand their own group behaviors. The Belbin’s nine team roles (Method, Reliability & Validity, Statistics & Research: A Comprehensive Review of Belbin Team Roles), the five styles of conflict management due to the Thomas-Kilmann’s (1999) Conflict Mode Instrument, the four Tuckman’s (2001) stages of group development, are among many theories which followed by personality tests and practical tasks to do in class make powerful self-awareness and entrepreneurial mindset building tools. The TOP 500 Innovators scholars were asked to answer to 120 personality questions for Herrmann Brain Dominance Instrument (HBDI) (Hermann, 1999). This tool indicates people’s thinking preferences – one of four or their combination: (Schar, 2011)

- thinkers with analytical thinking best for finance and R&D (rational self),
- innovators with imaginative thinking best for design and marketing (experimental self),
- humanitarians with interpersonal thinking best for HR and sales (feeling self),
- organizers with sequential thinking best for manufacturing and distribution (safe-keeping self).

At the class Mark Schar, co-founder and Managing Director of Three Point Solutions LLC, divided the group of 40 scholars due to their HBDI results into the following groups:

- set-up crew and referee – thinkers and organizers, which role was to make sure the rules are followed,
- observers – innovators and students with all thinking preferences balanced, which role was to observe the behaviors of team members,
- four groups to perform the task:
  - dogs – only thinkers,
  - cats – only innovators,
  - ducks – thinkers and humanitarians,
  - rabbits – innovators and organizers.

The task was to safely transfer the radioactive toxic waste (popcorn kernels) from the contaminated container (red bucket) to the safe container (green bucket) and move it outside the safety zone (10’ diameter circle) within 20 minutes.

Each of the four groups performed differently. The interpersonal behaviors turn out to be very interesting to observe: some groups began working together right away, some took a lot of time to start cooperation while the leaders’ roles and revealing processes varied for different groups. The conclusion was that groups’
performance differed due to their members’ thinking preferences combination. Yet, as it could be observed at all Stanford classes, conclusions were not given to the students directly by the teacher: they were all to be drawn by students themselves, which stimulated their independent thinking. This task also unexpectedly challenged Polish scholars to rapid and unplanned cooperation while at that time they did not know each other well yet. Self-understanding and acceptance for dissimilarities among people were emphasized as team working success keys of an individual, while from an intergroup perspective the leadership processes demonstrated the most apparent team members’ transformation in their relations with others and to the group in general.

Behnam Tabrizi, consulting professor at Stanford University Department of Management Science and Engineering and a former senior advisor to the transition team of U.S. President Barack Obama, gave an inspiring lecture to the 40 scholars of Top 500 Innovators course. Opposing transformation to reengineering like revolution to evolution, he drew the conclusion that a successful change should be fast, passionate, all-encompassing and integrative (Tabrizi, 2011). Facing the market hypercompetitiveness, rapid globalization and revolution of information, an organization willing to successfully implement changes, needs to be internally faster to outperform the external cycle of change. This must be based on a strong commitment from a charismatic leader with a big vision, abundant passion and a deep conviction about the need for change (Tabrizi, 2011). Vision has been pointed by 76% of interviewed entrepreneurs as the top quality of a successful entrepreneur, informs Ernst&Young’s report (2011), while passion has been the foundation for entrepreneurial success due to Steve Jobs (Steve Job’s 2005 commencement speech at Stanford). Moreover, since the biggest challenge of transformation is to convince people to change, a charismatic leader truly believing in what needs to be done will be able to pursue all-encompassing and integrative changes within the organization. Therefore, developed communication skills are vital for a good leader. Creating a psychologically safe for interpersonal risk taking (Edmondson, 1999) and learning from failure organizational culture accelerates innovativeness and other entrepreneurial behaviors of its employees. Early and small failures are the best way to learn from to avoid the final collapse of our efforts (Hinds, 2011). Win small, early and often – was another Stanford professors’ favorite quote to encourage Polish scholars to create short-term wins which motivate the team to go further and work harder.

Due to Tabrizi extraordinary leaders create an environment of integrity, gossip-free, openness to new possibilities, courage, peace, empowering the team to achieve more than they had expected from themselves. Leaders do not control. They enable people to act. When leaders are at their best, they inspire, challenge,
enable, encourage and model, Tabrizi (2011) cited Koouzes and Posner (2007), and inspired the Top 500 Innovators to think and act like extraordinary leaders: Instead of trying to be perfect... Be remarkable! The scholars of Top 500 Innovators course are meant to be the leaders of change in Poland: change that starting within Polish Academia shall engage and transform Polish economy as well. They do understand it and therefore, highly appreciate the Stanford University’s brilliant lesson of how to think, lead and implement innovation.

1.5. The Stanford University Entrepreneurial Education Model of Top 500 Innovators Program

Figure 1.3. Partial model of Stanford University’s entrepreneurial education culture based on Top 500 Innovators Program experience.

Source: Author’s own.

The model presented above shows a partial representation of the Stanford University entrepreneurial education culture from a perspective of a Top 500 Innovators course attendees and coordinator. The T-shaped professional uses its intuition to innovate, cooperation ability to work with others and lead, and the hard working habit to continuously try and learn from failures. These three activities (innovate, lead, try&fail) are the basis for entrepreneurial education methods usage to develop individual’s entrepreneurial traits and knowledge. The methods listed in the right column are only a few of all the Stanford University has implemented for entrepreneurial mindset building purposes. Each of them mobilize to a different
degree all the skills mentioned in the left column and through practical experience (teaching ‘in action’) develop them to expand the horizontal dimension of the T-shaped personality, while the vertical one is formed by the traditional, specialized, professional education. 

On today’s highly competitive labor market pure technical specialization or even an outstanding talent for a particular discipline are not enough. An increasing number of professions require an additional business and soft skills advancement. Stanford University, a technical university deeply rooted in science – business cooperation which makes the foundation of Silicon Valley, shares a long list of best practices for entrepreneurial education and culture building with its visitors. The Top 500 Innovators scholars are given not only a chance to experience this remarkable spirit on their own, but also to bring a part of it with them back to Poland.

1.6. Stanford University’s entrepreneurial education best practices due to the top 500 innovators program participants

In order to investigate the opinions of described methods’ participants on their impact on attitudes and skills, the author has conducted a survey among the laureates of the first edition of Top 500 Innovators Program. Forty Polish researchers and technology transfer officers which participated in the internship at Stanford University between October 17th, 2011 and December 13th, 2011, were asked to complete an on-line or e-mail questionnaire in Polish. Thirteen forms, which makes 32.5% of the research sample, has been collected and elaborated for the purposes of this article. The percentages’ distribution among academics and technology transfer officers within the Top 500 Innovators group and the respondents was retained, as it is shown on the Figure 1.4. The survey was anonymous.

<table>
<thead>
<tr>
<th>Top 500 Innovators</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology transfer officers</td>
<td>20%</td>
</tr>
<tr>
<td>Academics</td>
<td>80%</td>
</tr>
</tbody>
</table>

Figure 1.4. Professional background of the respondents compared to the professional background of the Top 500 Innovators I edition’s laureates

Source: Author’s own.
The questionnaire contained 20 questions about respondents’ preferences and opinions, of which 6 were open-ended and 11 were combination of open- and closed-ended questions, while the remaining 3 concerned respondents’ employment information. Apart from the last three mentioned, the questionnaire was divided into two parts:

− Part I – 7 questions about the methods implemented at Stanford University (3 - open-ended and 4 – a combination of open- and closed-ended),

− Part II – 10 questions about Stanford methods’ implementation by the respondents in Poland (3 – open-ended and 7 – a combination of open- and closed-ended).

![Figure 1.5. The types of questions at the questionnaire](source: Author’s own.)

The quantitative summary of the survey is presented in the table below. The numbers show the percentage of respondents that have given particular answers, which were not exclusive since each method was considered by the respondents individually. It is important to note that out of 13 respondents, 5 have not implemented any of the methods described above, mostly due to their work specificity. Therefore, Part II of the survey has been completed by 62% of the respondents and this is the maximum percentage for the fourth column.

Brainstorming, prototyping and design thinking appeared to them as the easiest to engage and were chosen for future implementation by more than 75% of the respondents. Business plan and elevator pitch were considered as the most difficult ones, yet almost 70% of respondents were interested in implementing them at the courses held in Poland. The purpose of this question was to indicate which of the methods proposed in this article seem to be the most convenient to introduce at the first step of teaching Polish students entrepreneurship ‘in action’. Already adapted and most used by respondents are brainstorming and design thinking. The biggest
Entrepreneurship teaching in action – the best practices learned...

divergence between the will of implementation (third column) and its realization (forth column) has been noted in case of prototyping, which is probably due to lack of time for preparation as well as place and materials needed to carry out the activities related to this method. These two obstacles have been mentioned the most often by the respondents (almost 40%) as the barriers for Stanford methods implementation. The least voted were difficulties with students' engagement and lack of their interest in the proposed methods (8%), which confirms their suitability for Polish students as well.

Table 1.1. Respondents’ opinions on the best practices described in the article

<table>
<thead>
<tr>
<th>METHOD/PRACTICE</th>
<th>easy to engage [%]</th>
<th>difficult to engage [%]</th>
<th>to be implemented in Poland [%]</th>
<th>already implemented in Poland [%]</th>
</tr>
</thead>
<tbody>
<tr>
<td>brainstorming</td>
<td>100</td>
<td>0</td>
<td>92</td>
<td>62</td>
</tr>
<tr>
<td>design thinking</td>
<td>85</td>
<td>15</td>
<td>77</td>
<td>31</td>
</tr>
<tr>
<td>business plan &amp; elevator pitch</td>
<td>31</td>
<td>69</td>
<td>69</td>
<td>8</td>
</tr>
<tr>
<td>loose league</td>
<td>23</td>
<td>46</td>
<td>38</td>
<td>8</td>
</tr>
<tr>
<td>prototyping</td>
<td>92</td>
<td>0</td>
<td>85</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Author’s own.

Figure 1.6. Barriers for entrepreneurial teaching methods’ implementation in Poland listed by respondents

Source: Author’s own.

The difficulties that emerged during the classes were rated on a Likert scale, where 1 was the least difficult rate and 5 was the most difficult rate. The answers are summarized below.
Despite the barriers, The Top 500 Innovators first edition alumni have enthusiastically undertaken a number of efforts to foster Stanford teaching methods and build the entrepreneurial mindset in Poland. As mentioned before, prototyping, design thinking and brainstorming were listed as the easiest to engage, the most often planned to be implemented and the most often implemented. Due to the respondents:

- prototyping is the most interesting method since it enables students to turn ideas into practice, see how do they work and improve them or choose to look for new solutions,
- design thinking changes the patterns of students’ thinking and significantly impacts the way research projects may be managed and realized,
- brainstorming is the simplest method and the easiest one to involve students at and shape their creativity and group working skills, it is a useful tool for complex problem solving with valuable results which often are not obvious and unexpected.

Table 1.2. The impact of particular barriers for entrepreneurial teaching methods’ implementation assessed by the respondents

<table>
<thead>
<tr>
<th>Difficulties in carrying out the class(es)</th>
<th>1 min</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 max</th>
</tr>
</thead>
<tbody>
<tr>
<td>difficulties in explaining the method to students</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>lack of understanding of the method by students</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>lack of students’ interest in the method</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>lack of students’ involvement/enthusiasm</td>
<td>1</td>
<td>6</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

mentioned additionally
- distraction, lack of students’ involvement
- demanding attitude of Polish students
- convincing students about soft skills’ importance (rate: 4)
- explaining the need and purposefulness of the class (rate: 5)
- lacking infrastructure (rooms not big enough)

Source: Author’s own.

Finally, business plan creation and elevator pitching were claimed as the most difficult and at the same time considered important for implementation in Poland. The respondents put a lot of effort during the course attended in California to preparation of reliable business plans. They highly valued this experience since it helped them to better understand the market and going beyond the theoretical discussion focus on solving specific problem of their own technologies’ implemen-
This task was taken very seriously because the researchers really wanted to test their ideas and collect valuable feedback from Silicon Valley professionals. In Poland, since business plan creation with its in-class presentation is a method already used at schools, the recommendation is to enrich this experience by inviting business people with experience-based expertise to the final demonstrations. This motivates students to double or triple their efforts and gives them a chance of listening to a valuable feedback that might inspire young people to become entrepreneurs or redesign their business idea if needed.

There are more efforts of Stanford University entrepreneurial best practices’ implementation that have been intensively undertaken by alumni of the first edition of Top 500 Innovators course. On the success list are already: Boomerang (http://top500innovators.org/boomerang.html), Creative Cracow (http://creativecracow.blogspot.com), new entrepreneurship curricula, various classes, meeting and seminars introducing described methods, and more. Boomerang is a monthly teleconference of more than 10 Polish institutions, which gather researchers, students and entrepreneurs to listen to startup owners and discuss business, entrepreneurship and research commercialization. So far three meetings have been organized with an audience of about one hundred people each. The next Boomerang is planned to be held in October 2012. This idea is based on the concept of Stanford Entrepreneurship Corner, which is an extensive on-line archive of video clips and podcasts, reading lists, case studies and more resources dedicated to the entrepreneurship teachers worldwide (http://ecorner.stanford.edu). Creative Cracow is another project of two Top 500 program alumni: dr Weronika T. Adrian and Miroslawa Dlugosz. Since October 2011 Creativity and Design Thinking class is planned to be taught in Krakow: the computer science major students from AGH University of Science and Technology will join the cognitive science major students from Jagiellonian University in realization of joint projects. The next step will be to establish Krakow d-school: Project Realization Lab, and build a multidisciplinary design thinking student community collaborating to deliver creative solutions to the market needs. Third initiative to be mentioned is a new entrepreneurship curriculum which will be introduced this October at Adam Mickiewicz University in Poznan by dr Anna Czerwoniec, alumnus of the first edition of Top 500 Innovators Program. The class Creatively about entrepreneurship will be based on the Top 500 Innovators course agenda and the experience gained at Stanford University by dr Czerwoniec, who is not only an academic but also entrepreneur. This affects the strong business orientation of the class and increases the value of experience-based knowledge which will be transferred to the students. A preliminary outline of the curriculum includes six main topics:
1. Group working - team building, team roles, team games.
3. Market research – going out to the market and talking with clients, quick prototyping.
4. Business plan writing.
5. Business model determination.

The target group of the above mentioned implementation efforts, included students of first through third degree and postgraduate studies, researchers and entrepreneurs: five groups up to 50 participants, one group bigger than 50 but smaller than 100 participants and two groups of more than 150 participants. Their preferences were investigated by two questions of the questionnaire, while one question asked for the teacher’s conclusions and impressions on Stanford methods’ implementation. Seven of eight respondents noticed that students liked their new entrepreneurial teaching approach, while one respondent did not know students’ opinions. Due to the respondents, students liked the most teacher’s attitude and the way classes were held (87.5%) as well as the method itself (75%). On the other hand, teachers enjoyed the new solutions’ generation, enthusiasm, energy, optimism and active involvement of the students: more than 50% of students were excited about the methods, noted one of the respondents. Considered significant, new and positive was the role of a teacher which at Stanford is more a mentor building informal and inspiring relations with students, than a professor. Concluding, the implemented Stanford University entrepreneurial education practices presented in this article were well received by Polish students. Therefore, it is recommended to implement these methods for entrepreneurship teaching and mindset building at universities and schools in Poland.

The results of the survey show that one hundred percent of respondents agreed that the teaching approach delivered by Stanford University develops entrepreneurial mindset in students of all disciplines. It greatly enhances students’ creativity and group working ability. Successfully implemented model of experience-based learning gives them so much more than the traditional model of education based on rote learning which is still practiced in Poland. Stanford entrepreneurial education novelty as perceived by the respondents is based on group working and creative problem solving, brainstorming, design thinking, interactivity, inspiration, passion, practice and experimentation, self-presentation, self-development, flexibility, openness.
One hundred percent of the respondents agreed as well that entrepreneurship should be taught ‘in action’. Prototyping, design thinking, business plan creation and pitching the business idea to investors were the teaching methods considered as most proactive. No one can become without taking a scalpel in his or her hand. Having a company requires a creative attitude and a wide portfolio of experiences. That is why students should work on a specific idea and try to implement a number of solutions, commented respondents. Students do not want to sleep at the class, but think, engage, build relations with each other and the teacher. Activities that require a commitment from the students definitely increase the effectiveness of teaching, they summarized. Active participation in in-class activities not only facilitates learning process but shapes positive attitude of involvement in university, community and social life as well. The methods introduced to the Top 500 Innovators at Stanford University and briefly mentioned in this article, teach open, independent and constructive thinking, motivate students and widen their relations with others. Moreover, they may be used for teaching of any non-entrepreneurial discipline as well, as confirmed by the respondents which having different, mostly technical, backgrounds enjoyed participation at Stanford course and considered it as valuable for their personal and professional development. The Top 500 Innovators scholarship alumni really become T-shaped people with a deep expertise in their core discipline and a broad soft skills training.

1.7. Conclusions

Entrepreneurship has been defined as a fundamental employees’ competence of the 21st century, yet Europeans are reluctant to take up opportunities for self-employment and entrepreneurial activities (Flash Eurobarometer 160: ‘Entrepreneurship’, 2004). Therefore, the experts’ recommendation for Polish higher education institutions is to build entrepreneurial mindsets through (Drozdowski et al., 2010):

- workshops of unstandardized problem solving (design thinking),
- emphasis on students’ creative thinking,
- new technologies’ use and experimentation (prototyping),
- curricula based on team projects and group working,
- failure acceptance culture building,
- combining different groups for joint classes (interdisciplinarity).

The literature provides a broad review of the above methods of entrepreneurship teaching, yet there is no better way to really understand the impact of modern
entrepreneurial education on mindsets’ building than having a chance to personally experience it. On the basis of the authors’ own experience and opinions of the first edition of the Top 500 Innovators Program’s laureates, it has been suggested and confirmed that entrepreneurship should be taught ‘in action’ with a use of activities requiring students’ intellectual and physical involvement. Employing experience-based learning to a number of innovative methods and practices described in this article, not only transfers entrepreneurial knowledge, but also shapes attitudes through giving a feedback on students’ current behaviors and teaching them new ones. The below quote of Seelig (2009), Director of Stanford University Technology Ventures Program, on teaching creativity may be referred to entrepreneurship teaching as well. It perfectly summarizes the teaching approach to entrepreneurial education implemented at Stanford University:

‘Teaching creativity is to (…) get people out of their comfort zone (…) jumping off of perfectly good cliffs (…) to feel it in their gut. It is not necessarily a completely intellectual experience.’
CHAPTER 2

DEMAND FOR MANAGERIAL KNOWLEDGE
OF HOSPITAL MEDICAL PERSONNEL

2.1. Introduction

Innovative methods of personnel management, similarly to generally implemented solutions of organisational innovations, are highly underestimated areas in the aspect of changing surrounding conditions in Poland. Several reforms of the health care system and consequently the necessity of adjustment of medical staff to the market requirements, become the more and more important area of hospital operation activities. This report presents the results of research conducted in public hospitals in Poland concerning the demand for managerial knowledge among medical staff (doctors, nurses and midwives). The basic assumption of the research was the statement, according to which, the medical staff members, who are not directly engaged in the process of transformation, the organisational changes, hospital management, understand better the reality thereof. The more willingly will they be involved in the activities of restructuring in a medical entity, the higher their managerial competence is. Managerial competence has been assumed as (among other things) knowledge and skills in economics, law, management, psychology and sociology. This report is based on the research conducted in Poland over the years of 2009-2011, which was part of a larger project concerning the implementation of organisational innovations in hospitals. This project conducted by the Hospital Organisation and Management Research Team "AVICENNA" in Cracow has been realised from the funds of the National Science Centre.

Medical doctors and midwives have been involved in this research as they constitute the largest part of professionals in the health care system. The medical service efficiency depends and the satisfaction level of a patient may depend directly on the knowledge and involvement of these people, as well as their extra medical competence, which is critical to the overall service satisfaction accompa-
nying the medical service. Medical professionals are significant and yet often underestimated (in publications and practice management) elements of the management system in hospitals. They are directly responsible for the efficiency of treatment sensed and felt by the patient, therefore, the implementation of the appropriate standards, the increase in competence in the area of social communication, negotiations or other fields called managerial should result in streamlining (in other words shortening) the procedures of treatment and its increase in effectiveness from a medical and managerial point of view.

Observing the job market, one can conclude that staff competence is the most valuable capital, an organisation has at its disposal. The task of personnel procedures must be therefore, not only to recruit the professional, but most of all, to improve the competence, he already possesses, which are compatible with the needs of the organisation, and which can be used to a maximum (Epstein, Hundert, 2002). Integrated management systems allow to achieve these goals of competences through delivering information about professional traits, because management based on competency is connected with the integration of organisation goals and requirements that must be met by the professionals (Kautsch, Whitfield, Klich, 2001). Those management systems of competency have been implemented for years in industrial and service organisations throughout the world. In Poland, however, they have not been very widely implemented in the health care industry. This may indicate, there are difficulties in the proper understanding of the significance of these processes in the medical industry by the employees themselves or the managers of those medical entities; or there may be objective factors, which make impossible to implement those solutions to the management practice. Nonetheless, regardless of the reasons, it seems that from the efficiency point of view of the medical organisation, one should do one's best so that the monitoring of needs for competency on the employers' part in the medical health care system corresponds to the medical professionals to the highest degree.

2.2. The Competence of a Medical Professional

In the literature on the subject, there exist various definitions of competence. However, the most common concept is one, according to which, competence is a set of the following traits of an employee: his knowledge of a particular field (I know what), expertise concerning the use of this knowledge (I know how and I can do it), as well as the basis aiming at using this knowledge in an appropriate way for the organisation (I know, I want, and I can use my knowledge) (Kossowska, Solty-
sińska, 2002). The competences most valued by the organisation are (Epstein, Hundert, 2002):

- communication,
- focus on achieved results,
- concentration on a client,
- team work,
- leadership,
- planning and organising,
- business awareness,
- ability to adjust,
- stimulating the development of other people,
- ability to resolve problems.

Individual competence of an employee can be defined as acquired components (variable) and inborn components (constant). The constant elements of competence are those, which are difficult to change, modify, and sometimes even impossible to do so. Therefore in the course of discussion on competence improvement, only acquired components have been taken into account. Sets of variable competence include (Kęsy, 2008):

- experience,
- interests,
- skills,
- professional and non-professional qualifications.

T. Oleksyn (2001) presents another approach to an employee’s competence. He states that competence is the range of knowledge, expertise, experience, attitude and behaviour along with other psychophysical characteristics important in a particular job, the readiness of an employee to take action under certain circumstances, ability to adjust to changes, as well as formal equipment in the ability to take action and make decisions connected to the job.

Experience, in a professional sense, is the process taking place independently of the person and it results from the time devoted to realizing tasks and missions of an organisation. In turn, interests are the notion (an enriching element for the individual according to many scientists) constituting the base for competence development. The diversity of interests may signify human activities in the field of enriching his personality, expertise. Abilities along with inborn competence define the base of competence development of an employee in an organisation. In the literature of the subject, it is known that qualifications are the education, talents and the preparation necessary to perform a profession, job or activity (Kopaliński, 1994).
In the EU states, competence is considered to be as the fundamental component of professional standards, perceived as norms of requirements, describing a set of necessary skills and knowledge for doing a job. In addition, these norms define conditions and methods of assessment of profession suitability of a job candidate. In accordance with the definition of the British Council for Nurses and Midwives (NMC) under the concept of competence one should understand the capacity and skills of performing professional practice in a safe, efficient way, without the necessity of supervision of another person (Midwifery and Health Visiting, 1999). Qualifications do not reflect changes appearing in contemporary medical organisations, but they just are a general, theoretical notion. This proves the necessity of constant improvement of qualifications, depending on the need of the organisation and changes in its environment.

It is worth noting that in some countries (e.g., Australia) there are studies concerning the competence of nurses and midwives in primary health care, which indicate that one of the key areas of competence of medical staff is managing (among other things) the quality, working time, personnel, process (Competency standards for nurses in general practice), so this approach is consistent with the allegation that the medical staff should not only have a high awareness and knowledge in the area of medicine and allied sciences but also in relation to the disciplines, without any medical objective, however, applicable to the organisation. In this context, the attempts of making doctors, nurses and midwives become more active in the area of managerial knowledge in Poland make much sense and seem to be very appropriate.

2.3. Research on the degree of personal interest in raising competency by medical personnel

The purpose of this study was to ascertain the degree of interest among doctors, nurses and midwives in raising competence in peri-medical areas, i.e. those which are not directly related to performing the responsibilities as medical personnel. This additional set of competency includes: organisational, legal, economic issues, but also those in the field of psychology, sociology and social communication.

The research consists of two parts. In the first part being a quantitative method 24 hospitals throughout Poland have been surveyed, regardless of their size, organizational structure, and the status of their property (public or acting in the form of a company). The main research was supplemented by studies in which it was decided to use the qualitative sample, with the deliberate choice of hospital units. In accordance with the provisions of the research project, it has been accepted
to carry out research in 6 hospitals that simultaneously meet the following conditions:

- they are the General Health Centre Hospitals (HP 1.1.) within the meaning of the classification of registry codes of health care unit types,
- their corporate body is the Regional Council of the Voivodeship.

In the hospitals eligible for the study, it was agreed to analyse the following professional groups of medical personnel:

- nurses and midwives (15 tested),
- medical doctors (15 tested),
- managing personnel (the General Director or one of his deputies) (1 tested).

Simultaneously, the team has developed a research tool for the identification of demand for knowledge of medical personnel in hospitals covered by the survey. It was decided to apply the survey method, using the techniques of formal interviews.

A pilot study has been carried out, which allowed the study to modify and supplement the responses contained in the research tool, and also allowed for an initial conclusion as to possible further results. Preliminary studies have shown that medical staff (doctors, nurses and midwives) do not have a broad knowledge of management in health care, despite the fact that in many tested areas the personnel declare its possession (declarative knowledge). This provides evidence of lack of awareness of medical personnel associated with their ignorance in terms of their knowledge of economics and management. They remain in this ignorance as they seldom use the knowledge of the above. In addition, it was noted that the medical staff have very high requirements regarding knowledge called for among hospital managers. Medical personnel expect of managers not only technical skills, but above all those regarding sociological and psychological aspects in management; resulting from the understanding of employees issue, the recognition of their work as important, listening to them, making fair decisions.

It has been considered necessary to develop research in this area and to identify trends in the additional study, detailing conclusions from the main study.

The research tool was a structural survey, and the survey had a nature of a layer study, carried out within the framework of previously separated occupational categories (doctors, nurses and midwives, managers). 162 respondents have participated in the study, and the sample structure, broken down by sex, was as follows:

- women: 130 respondents (80.25%),
- men: 32 respondents (19.75%).
It has been brought to the attention the significant feminisation of the sample, but this stems directly from the fact that the profession of nurses is performed mostly women. In the professional group of practitioners and managers, one no longer sees this clear trend, but a significant representation of women is clearly noticeable.

One of the major limitations of the research has been the manageability of surveys. It has been found that the highest manageability referred to nurses and midwives (which has a direct influence over the indicated above overrepresentation of women in relation to men). The structure of the sample by the professional groups is shown in Table 2.1.

**Table 2.1. The structure of profession groups in the study**

<table>
<thead>
<tr>
<th>Professional group</th>
<th>Number of respondents</th>
<th>[%]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nurses and midwives</td>
<td>96</td>
<td>59,25</td>
</tr>
<tr>
<td>Doctors</td>
<td>61</td>
<td>37,65</td>
</tr>
<tr>
<td>Managers</td>
<td>5</td>
<td>3,1</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>162</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author’s own.

Nurses and midwives constituted more than half of the respondents and medical doctors less than 40%. It should be noted here, that the empirical study was conducted in hospitals during industrial action of the medical circles, related to the dissatisfaction with new legal regulations. Doctors disagreeing with the frame of refunding act adopted by the legislator, decided to express their protest, which directly affected the manageability of these surveys. Some doctors concluded that the cooperation with superiors in this matter may be perceived as concessions from the protest. Thus the team met with a refusal to participate in the study, and the argument was the action mentioned above.

One of the key problems of the health sector are straining factors in the workplace, such as the mental overload, profession-related stress, burnout and lack of social support (Matecka, 2010). For this reason, over recent years, it has been observed much less interest among graduates of secondary schools in attending nursing studies. Although, the interest in medical and nursing studies remains very common, but only those courses carried out in a stationary mode and with the EU subsidies. This offer is directed by universities to the nurses that have gained professional qualifications at secondary medical schools and they are entitled to per-
Demand for managerial knowledge of hospital medical personnel

form their profession. Therefore, the number of students in this major does not affect the overall number of graduates of nursing supplying the job market. In this study, the team has identified the surveyed sample in terms of age, trying to answer the question of whether the personnel of the health sector is ageing. The results of this analysis are presented in Table 2.2.

Table 2.2. The structure of the sample in the age groups

<table>
<thead>
<tr>
<th>Age group</th>
<th>Number of respondents</th>
<th>[%]</th>
</tr>
</thead>
<tbody>
<tr>
<td>up to 30 years</td>
<td>6</td>
<td>3,7</td>
</tr>
<tr>
<td>between 30-40 years</td>
<td>38</td>
<td>23,46</td>
</tr>
<tr>
<td>between 40-50 years</td>
<td>70</td>
<td>43,21</td>
</tr>
<tr>
<td>between 50-60 years</td>
<td>30</td>
<td>18,52</td>
</tr>
<tr>
<td>above 60 years</td>
<td>2</td>
<td>1,23</td>
</tr>
<tr>
<td>No response</td>
<td>16</td>
<td>9,88</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>162</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author’s own.

The results obtained did not correspond explicitly to the question raised because 16 people have been identified (which is 9,88% of all respondents) who did not reply to the question about their age. However, with the rejection of those responses, one can note an overrepresentation of the group of employees aged 40-50 years (43,21%). The second most numerous group is the one of employees aged 30-40 (23,46%).

The team has analysed the results obtained by the closed and open questions, and then made the correlation of responses. During the interpretation of the results, it has proved interesting the comparison between declarative knowledge and expected knowledge by the respondents, that is to say, how they assess their peri-medical skills themselves, and what skills they expect of their superiors. In the literature of the subject is noted that from a sociological point of view, it is easier to expect certain competency of other people (especially those of higher level of management), and significantly more difficult to expect it of oneself. Simultaneously with this awareness declarative competence often deviates from facts, which may be influenced by high and unjustified self-esteem.

The results showing the area of knowledge, being of interest among respondents, are presented in Figure 2.1.

As it can be seen in the above figure, more than half of the respondents did not demonstrate interest in any of the areas of peri-medical knowledge. As many as 83 of
the surveyed (51.23%) claimed that no area of knowledge and competence, which is not directly associated with the performance of their professional responsibilities, is in their area of interest. It seems that this conclusion is all the more astonishing that, only recently publications pointed out that a significant number hospital managers come from medical professions. Medical doctors are the leaders in that, whereas among lower management more nurses decidedly prevail. This could mean that the personnel performing managerial and administrative duties realise them solely on the basis of general competence resulting from their personalities, or they lead a management policy intuitively.

Figure 2.1. Area of knowledge interesting to the respondent

Source: Author’s own.

It is worth noting that, from among nearly half of the respondents, the areas of greatest interest have been expressed towards such as management psychology, HR management, financial management, marketing and quality. In interpreting these
results, it can be concluded that HR management may be viewed by employees as a desire to obtain knowledge about employees own rights more than expectations of gaining the ability to manage others. Similarly, financial management can be associated with familiarising oneself with ways of financing the medical benefits more than with knowledge of cost accounting and management accounting. Nevertheless, these conclusions do not arise directly from the study, but rather from its interpretation.

The results obtained from the study concerning declarative knowledge must be confronted with results stating what knowledge employees expect of their superiors. In order to do so, the respondents have been asked what competency (from the group of so-called soft competence, and therefore from the areas of sociology, psychology and social communication) managers should possess. This question was of a quantitative nature and the respondents were able to provide multiple answers.

The quantitative distribution of responses is shown in Table 2.3.

<table>
<thead>
<tr>
<th>Competency</th>
<th>Number of responses</th>
<th>[%]</th>
</tr>
</thead>
<tbody>
<tr>
<td>leadership capacity</td>
<td>761</td>
<td>7,50%</td>
</tr>
<tr>
<td>resistance to stress</td>
<td>759</td>
<td>7,48%</td>
</tr>
<tr>
<td>responsibility</td>
<td>758</td>
<td>7,47%</td>
</tr>
<tr>
<td>creativity</td>
<td>754</td>
<td>7,43%</td>
</tr>
<tr>
<td>communicativeness</td>
<td>752</td>
<td>7,41%</td>
</tr>
<tr>
<td>availability</td>
<td>716</td>
<td>7,06%</td>
</tr>
<tr>
<td>the willingness of permanent education</td>
<td>715</td>
<td>7,05%</td>
</tr>
<tr>
<td>perseverance</td>
<td>713</td>
<td>7,03%</td>
</tr>
<tr>
<td>assertiveness</td>
<td>708</td>
<td>6,98%</td>
</tr>
<tr>
<td>regularity</td>
<td>703</td>
<td>6,93%</td>
</tr>
<tr>
<td>optimism</td>
<td>694</td>
<td>6,84%</td>
</tr>
<tr>
<td>openness</td>
<td>688</td>
<td>6,78%</td>
</tr>
<tr>
<td>empathy</td>
<td>683</td>
<td>6,73%</td>
</tr>
<tr>
<td>precision</td>
<td>680</td>
<td>6,70%</td>
</tr>
<tr>
<td>other characteristics</td>
<td>64</td>
<td>0,63%</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>10,148</td>
<td>100,00%</td>
</tr>
</tbody>
</table>

Source: Author’s own.

The above results prove the earlier said effect of the difference between declarative knowledge and expected knowledge. In fact, employees in relation to each
other, have significantly lower requirements for competence of any medical objective, than in relation to their superiors. It is worth noting that the results obtained do not put forward any particular competence as being most significant. Each competence's share varies within the limits of the 6-7%, which means that employees would like their manager to be competent in all of the listed criteria of competence.

Discussed earlier test results, answering the question of what knowledge areas are of interest to medical employees, have been verified once more and this time in terms of what is the need for training and possible improvement of competence. The goal of this study was to indicate that declarative knowledge alone, and therefore such that an employee is interested in, may not mean the willingness to continue training in such by the employee. Moreover, the numerous examples of training companies operating on the health care market show that prepared educational offers, although part of popular areas of knowledge, but they do not attract such an interest on the part of employees, as one may expect. Therefore, the team has set a task before the respondents to make a decision in which areas raising their peri-medical competence they would like to participate in. This study was of a quantitative nature, and employees marked a discipline selected on their own. They were able to provide multiple answers.

The results are shown in table 2.4.

Table 2.4. Areas in which the respondents wish to improve their peri-medical competence

<table>
<thead>
<tr>
<th>Competency</th>
<th>Number of responses</th>
<th>[%]</th>
</tr>
</thead>
<tbody>
<tr>
<td>labour law</td>
<td>103</td>
<td>18,83</td>
</tr>
<tr>
<td>interpersonal communication</td>
<td>101</td>
<td>18,46</td>
</tr>
<tr>
<td>management psychology</td>
<td>87</td>
<td>15,90</td>
</tr>
<tr>
<td>quality management</td>
<td>86</td>
<td>15,72</td>
</tr>
<tr>
<td>HR management</td>
<td>36</td>
<td>6,58</td>
</tr>
<tr>
<td>change management</td>
<td>36</td>
<td>6,58</td>
</tr>
<tr>
<td>marketing</td>
<td>27</td>
<td>4,94</td>
</tr>
<tr>
<td>Information management</td>
<td>26</td>
<td>4,75</td>
</tr>
<tr>
<td>finance management</td>
<td>20</td>
<td>3,66</td>
</tr>
<tr>
<td>management accounting</td>
<td>16</td>
<td>2,93</td>
</tr>
<tr>
<td>infrastructure management</td>
<td>8</td>
<td>1,46</td>
</tr>
<tr>
<td>other</td>
<td>1</td>
<td>0,18</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>547</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author’s own.
The results obtained show that there is coherence between responses to the question about the areas of knowledge interesting to employees, with the replies to the question about the interesting areas of training. In both these cases it has been found that disciplines which prevail are those so called "soft trends" which relate to interpersonal communication (18.46%), psychology of management. The highest share of responses concerning labour law reaffirms the previously expressed doubt that labour law may constitute the area interesting to employees from the point of view of the employed, and not one managing teams. Quality management came fourth in the survey. This position can be interpreted by the fact that the Polish health care industry and particularly in hospitals, there is a very strong emphasis on the pro-quality policy. Each hospital is interested in obtaining the certificate of quality system based on the ISO system, or obtaining some accreditation. Unfortunately not every medical establishment can afford to conduct these activities, despite the fact that the legislator tries to create a system of incentives in the legal system, thanks to which the medical entity will have a lower premium of civil liability insurance or will have higher financing of benefits under the public system. Unfortunately, the costs of quality are often too high and therefore not every hospital can incur them. Yet, it does not change the fact that every medical service entity seeks to implement the standards, procedures, whose task is to raise the quality. Since the employees know how important this the area of knowledge is, and also identify it within the framework of their tasks and responsibilities (although, quality management alone does not have to relate to performing medical professions), they make a declaration to raise their competence in this area.

At the end of the list of training, in which the respondents wish to participate there are not less important areas, such as management of infrastructure or management accounting. These are very important, to the hospital, medical knowledge areas. However, employees perceive them as difficult and unattractive from their point of view. Consequently, a low share in responses may be attributed to the above.

2.4. Conclusions

This report presents only part of the results of the study conducted, however, the conclusions reached on the basis of the data presented are representative for the entire analysis. The assumption made in the beginning presumed that medical staff is willing to raise their own medical competence more than peri-medical has been proven. Doctors, nurses and midwives belong to professional groups, of which constant improvement of professional competence is required, in such a way that they keep up with the with the development of science and medical knowledge. Constantly introduced new medical and operational techniques, therapies, result in
the necessity of continuing education for medical personnel. In the light of the above, a question therefore arises, why among these employees, for which raising competence is embedded in their specific profession, there is no effort to raise competence in the peri-medical areas? The study conducted does not answer this question, because its purpose is to identify the phenomenon. However, one interpretation might be simply lack of awareness among medical personnel of the usefulness of this knowledge. Such a proposal may appear after the analysis of the demand for training, where (aside from labour law) one of the disciplines with the highest share of answers is management psychology, interpersonal communication. It can therefore be assumed that doctors, nurses and midwives recognise the need to improve their competence in this respect, not least on the grounds that it is needed in the care for the patient. All the more so that interpersonal communication classes are not included in the training programmes for doctors. However, scientific and medical circles along with the Students’ Parliament of the Republic of Poland requisition such training (Żebryk). Nonetheless, this still proves the fact that the medical staff do not seek to raise so called general competence that is one which does not arise directly from their professional tasks. They do not use a pre- vision approach, i.e. such that allows them to develop in the future. Despite the fact that managerial skills can become handy to each medical employee, not only to the hospital manager. They may be useful even in the daily operations of their own professional practice, cooperation with financial institutions, banks. And yet, no strong interest can be noticed in this area. Competence prevailing in the declaration of the respondents, is not of medical nature, but it can be identified as peri-medical.

From the employer's perspective, it is possible to achieve an effect of creating demand for managerial knowledge among medical personnel, and this can be achieved through increased delegation of privileges and responsibilities (particularly the latter), enabling employees in decision-making processes, as well as strengthening the procedural activities in the organization. As it is known the use of standards for design management by means of process policy requires to define the areas of uncertainty, the projected deviations from the drawn up plan, and most importantly – the individuals responsible for different stages of the project. Design management is not commonly applied in the health care industry which is supported by (evidence identified in the study) using intuitive management. Since medical doctors, nurses and midwives become promoted to managerial posts (of higher and middle management), yet at the same time they do not improve their competences in this area, this means that they draw on their own experience, personality and charisma. These factors, however important they are for the manager, they do not replace the actual competence, understood as a combination of skills, experience, formal qualifications and interest.
CHAPTER 3

SUPPORT FOR SMALL AND MEDIUM – SIZED ENTERPRISES IN ACCESS TO FOREIGN CAPITAL

3.1. Introduction

Small and medium-sized enterprises (SME) enact very important role in innovation, employment and the entire economy. Nevertheless, they have many problems, among others in access to financial capital, what constrain their development. Grant schemes are very popular in Poland and other European Union (EU) countries but limited in their extend. It is crucial to rise the leverage effect of public finance by using more revolving financial instruments.

The aim of the article is to estimate importance of the financial support instruments, which help in access to foreign capital in both Poland and other countries of the European Union for the small and medium-sized enterprises.

3.2. Financial support instruments for small and medium-sized enterprises in chosen countries of the European Union

The financial support instruments for small and medium-sized enterprises in the EU were being scrutinized under for example FinNetSme project or its continuation Difass project. However, there are many kinds of the financial support instruments for small and medium-sized enterprises. In connection to this they were systematized in the table 3.1.

It can be said that financial support instruments help in access to both equity and foreign capital. In the article the second measures of the mentioned above were analyzed, using the benchmarking method. The most efficient and effective instruments in the chosen countries of the EU were found.

The criteria were: how many SME used the measures, how many new enterprises and jobs were created, what was the growth of revenue, what was the value
of used funds. In case of lack of these information the additional criteria were how long has the instrument functioned and how many countries/regions used it.

Table 3.1. Systematic of financial support instruments for small and medium-sized enterprises

<table>
<thead>
<tr>
<th>Financial instruments which help in access to:</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal sources:</strong></td>
<td></td>
</tr>
<tr>
<td>1. Fiscal instruments: income tax breaks, income tax exemptions, accelerated amortizations, lower tax rate, value added tax exemptions, real property tax exemptions</td>
<td></td>
</tr>
<tr>
<td>2. Grants for: start a company, investments, export, advisory services and new employees</td>
<td></td>
</tr>
<tr>
<td><strong>External sources:</strong></td>
<td></td>
</tr>
<tr>
<td>1. Direct instruments: pre-seed capital, investment readiness, seed capital, venture capital, business angels networks, special stock exchanges.</td>
<td></td>
</tr>
<tr>
<td>2. Indirect instruments: income tax breaks, income tax exemptions, fund administrative cost subsidies, guarantees</td>
<td></td>
</tr>
<tr>
<td><strong>Foreign capital</strong></td>
<td></td>
</tr>
<tr>
<td>1. Direct instruments: interest rates subsides, loans/credits for a start or development of existing company, guarantees, leasing cost subsidies.</td>
<td></td>
</tr>
<tr>
<td>2. Indirect instruments: securitisation.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s own.

The financial instruments, which influence on SME both directly and indirectly were presented in the table 3.2.

Table 3.2. The financial instruments, which help in access to foreign capital in the chosen countries of the EU

<table>
<thead>
<tr>
<th>Direct instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
</tr>
<tr>
<td>EU</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
Support for small and medium–sized enterprises in access to foreign capital

<table>
<thead>
<tr>
<th>Direct instruments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
<td><strong>Instrument</strong></td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>Loans/credit for start a company</td>
</tr>
<tr>
<td></td>
<td>Interest rates subsidies</td>
</tr>
<tr>
<td></td>
<td>Guarantees</td>
</tr>
<tr>
<td></td>
<td>Leasing cost subsidies</td>
</tr>
<tr>
<td><strong>Greece</strong></td>
<td>Loans/credit for start a company</td>
</tr>
<tr>
<td></td>
<td>Interest rates subsidies</td>
</tr>
<tr>
<td></td>
<td>Guarantees</td>
</tr>
<tr>
<td></td>
<td>Leasing cost subsidies</td>
</tr>
<tr>
<td>Direct instruments</td>
<td>Country</td>
</tr>
<tr>
<td>--------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Spain</td>
<td>Spain</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Holland</td>
<td>Holland</td>
</tr>
<tr>
<td>Ireland</td>
<td>Ireland</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Lithuania</td>
<td>Lithuania</td>
</tr>
<tr>
<td>Germany</td>
<td>Germany</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Support for small and medium-sized enterprises in access to foreign capital

### Direct instruments

<table>
<thead>
<tr>
<th>Country</th>
<th>Instrument</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portugal</td>
<td>Interest rates subsidies</td>
<td>The Bank Loan Scheme (“Mecanismo de Bonificação de Taxa de Juro”) is a preferential interest rate mechanism for SMEs, coordinated by IAPMEI. Under this scheme, enterprises can obtain bank loans where the applicable interest rate is partially financed by IAPMEI (within a certain threshold), according to co-operation protocols agreed between IAPMEI and several financial institutions. A total of 503 SMEs are benefiting from this scheme, representing €805 million in operations supported.</td>
</tr>
<tr>
<td>Portugal</td>
<td>Guarantees</td>
<td>The Project to enhance Mutual Guarantee Schemes (“Projecto de Dinamização do Caucionamento Mútuo”), launched in 1994, developed a system whereby a number of mutual financial guarantee companies help SMEs to secure access to finance by acting as a “guarantor” for the investment. In order to benefit from this scheme, SMEs must contribute to the capital of a mutual guarantee company (“SPGM-Sociedade Portuguesa de Garantia Mútua”). While the system has so far been based on this large “holding” company, five regional subsidiaries are being set up in 2000. A total of 188 SMEs are being supported through this scheme, corresponding to grants of over €42 million.</td>
</tr>
<tr>
<td>Hungary</td>
<td>Loans/credit for developing a company</td>
<td>Within the frameworks of the JEREMIE initiative the New Hungary Micro Credit Programme was introduced at the end of 2007. This programme, subsidized by the EU and budgetary funds, allows entrepreneurs to obtain micro credits through a regional network of intermediary institutions. The core goal is to make micro-enterprises more bankable.</td>
</tr>
<tr>
<td>Great Britain</td>
<td>Loans/credit for start a company</td>
<td>West Midlands Region, Advantage Small Loan Programme (ASLP) for start-ups and SMEs with credible business plans.</td>
</tr>
</tbody>
</table>
| Great Britain | Loans/credit for developing a company | 1. Connect Midlands (InvoRed, Springboard, Roundtable, Conference). Depending on the programme, Connect Midlands offers networking possibilities and showcasing events for investors and companies, support and advice services as well as loans up to £3.5 million, aimed at technology sector businesses.  
2. Street UK Micro-Finance is a member of CDFI group, this specialist micro-finance organization is providing support to microenterprises, which includes networking opportunities, business advice and access to finance (including Starter Loan, Developer Loan and Lease Rental).  
3. Advantage Transition Bridge Fund – loan fund of £50 000 - £500 000 aimed at supporting businesses affected by decline of MG Rover, which have a viable business plan but no funding opportunities. |
<p>| Great Britain | Guarantees          | Small Firms Loan Guarantee Scheme (SFLGS). This scheme guarantees a loan from the bank or other financial institution for SMEs with viable business plans yet unable to secure a loan on account of lack of security. Loans range from £5 000 to £250 000 with SFLGS offering 75% of the loan. |</p>
<table>
<thead>
<tr>
<th>Country</th>
<th>Instrument</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>Loans/credit for start a company</td>
<td>Microcredit Fund ESF. In line with the institutional aims of the European Social Fund, provides support aimed at combatting unemployment and social integration in the labor market through the financing of entrepreneurial initiatives promoted by micro and small businesses, nonprofit organizations and private social workers located in the region that, for subjective and objective conditions, have difficulty accessing traditional channels of credit.</td>
</tr>
<tr>
<td>Italy</td>
<td>Guarantees</td>
<td>Guarantees issued by Agemont to credit institutions with which it has agreements in the interest of the beneficiary companies for the provision of medium-term loans intended mainly for the realisation of investments. BENEFICIARIES are the SMEs, newly founded or already operating that have their headquarters or a production facility within the region’s mountain area. The guarantees issued by Agemont S.p.A. for medium to long-term loans (minimum 18 months, maximum 10 years) may not exceed 258,228,45 Euro per operation and per company. The guarantees issued may cover up to a maximum of 50% of the loan granted. It is pointed out that preliminary costs and commissions are not paid by the beneficiary companies, as these constitute aid to the business considered “de minimis”. The guarantees are issued solely for medium to long-term loans (minimum 18 months, maximum 10 years) aimed at realising investment projects, and so exclude any loans raised to cover simple losses.</td>
</tr>
<tr>
<td>EU</td>
<td>Leasing cost subsidies</td>
<td>FRAI fund intended to support the processes of re-industrialization to be implemented in the areas of industrial plant and in crisis areas identified by the law according to the priorities for action defined by the Regional Council. The financial instrument through which the FRAI works is financial leasing with which the implementing SFIRS SpA acquire the industrial buildings and the simultaneous leasing at financial market conditions.</td>
</tr>
<tr>
<td>EU</td>
<td>Subsidies to administrative costs incurred by commercial banks</td>
<td>SMEG, element 2: Microcredit financing, the CBS program activities of the partnership. Subsidies to reduce partially the high administrative costs of banks in providing micro-credit. They cover the cost of technical assistance to improve the appraisal procedures for SME. The program aims to lead to an influx of funds to SME in countries with low banking intermediation.</td>
</tr>
<tr>
<td>EU</td>
<td>Securitisation</td>
<td>Guarantees to support securitisation structures to assist financial intermediaries in mobilising debt finance for SME.</td>
</tr>
</tbody>
</table>

Sources: (Bąk M. et al, 2001), (Besold et al., 2005), (Bielinis, Minalgaite, 2005), (Cerqueira, Miranda, Neves, 2005), (Creating an entrepreneurial Europe. The activities of the European Union for small and medium-sized enterprises (SMEs), 2003), (DIFASS - Good Practice
The first of the estimated instruments, which influence directly on SME are loans and credits. Their interest rates are lower than in commercial banks. There is a chance of a grace period in a repayment. The collaterals are not as high as in commercial banks. They are intended for start-up companies (the examples are from Germany and Great Britain), including persons, which saved money to set up their own enterprises (France and Germany).

SME, which are in the further stages of development are able to these instruments too. The special loans and credits have sometimes additional requirements, which SME have to meet, for example high level of management (Spain). They can also be intended for some sectors (Ireland, Great Britain) or for the areas, which require regeneration (Great Britain and Italy). These all measure are favourable for SME because commercial banks offer them credits at higher interest rates. Furthermore, they more often reject applications of SME than in case of big companies. SME often do not have appropriate collateral, specially the ones in the first phases of development. They are not able to present the data for previous periods or they are insufficient. Thus, the offered loans and credits are for them the only way to access to foreign capital. These financial instruments are effective way to realize other priorities of development of regions i.e. support some sectors or areas. The alternative for the measures mentioned above are interest rates subsidies for commercial bank credits (the examples from the UE-15 countries and Lithuania). It lets lower the cost of credits and increase private funds in SME. However, the enterprises have to meet the requirements demanded by banks what may constrain the potential amount of credits. These instruments are intended rather for bigger SME, which have been functioned for several years. The effectiveness of this measure depends on the development level of bank sector in a region or a country.

Support in the form of a guarantee lets for obtaining a credit in commercial banks by SME. The measure is used in most of the countries of the EU. It is offered for all SME or only some of enterprises, which are i.e. innovative (Holland) or make goods for export (France). The guarantee level is from 25% (Portugal) to 75% (Great Britain). The instrument is important specially for the new enterprises, which often do not have any collateral or they are no appropriate. The guarantee lets for increase commercial banks credits in SME. The empirical data verify the effectiveness of this measure. However, it depends on functioning of the enough
developed bank sector in a region. Support in a form of leasing cost subsidies realized both on the level of the EU (SMEG program) and member states (France, Germany). It includes help by knowledge economy investments in case of lack of collateral (the EU) and purchase buildings and equipments. This support is intended to leasing companies to lower their costs in case of SME. These enterprises have better access to leasing than to bank credits. The costs of leasing are but higher then in case of bank credits. The instruments, which can lower the costs should be consider as positive. However, the leasing companies finance mainly the purchases of some fixed assets like cars of machines.

The instruments influencing indirectly include the subsidies for financial institutions, which are to lower the high administrative costs connected with microcredits. This measure belongs to SMEG program of EU. The aim of this instrument is to lower the fixed costs, which are connected with consideration of the credit application form like estimation of lending capacity of SME. In case of the microcredits the average cost of their consideration and services is much higher then by big credits. The effect of this support should be lower rates of the microcredits. The requirement for obtaining help in securitisation is to allocate part of the raised funds to SME for loans. This instrument belongs to SMEG too. It indirectly helps SME in access to the financial markets, including the stock exchanges. It is impossible to evaluate the effectiveness of these two measures mentioned above because there are not any empirical data. However, it seems that they can help to increase the involvement of private funds in SME.

3.3. Financial support instruments for small and medium-sized enterprises in Poland

The financial instruments, which help in access to foreign capital started to functioning in the second half of the nineties. There were loans offered under the TOR 10 program, Fundusz Mikro (Micro Funds) and Inicjatywa Mikro (Micro Initiative). The acceleration of this process was in the last decade. All instruments, which help in access to foreign capital in Poland nowadays are presented in table 3.3.
### Table 3.3. The financial instruments, which help in access to foreign capital for small and medium-sized enterprises in Poland

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest rates subsidies</strong></td>
<td>Bank Gospodarstwa Krajowego manages the DOKE Program (interest-rate support for export credits) which is an instrument used to support exports financed with medium-term and long-term credits at fixed interest rates. It is a stabilization mechanism for interest rates on export credits (or interest make-up scheme) that can be extended to the buyers by Polish or foreign banks or international financial institutions. Mutual settlements of interest differences (subsidy or surplus) are carried out directly between BGK and the financing bank with whom a DOKE agreement has been concluded in relation to a supported export transaction.</td>
</tr>
<tr>
<td><strong>Loans/credits for a start or development of existing company</strong></td>
<td>The Technology Credit Fund was created as the state target fund in a form of a bank account, from which technological bonuses will be paid out. The authorized disposer is the appropriate sector minister for economy, whereas the bank servicing is conducted by BGK (Bank Gospodarstwa Krajowego). The Fund's means is composed of subsidies from the state budget in the amount defined in the budget act, interest from Fund means deposits in banks, receipts from Fund means investments in securities issued by the State Treasury or investment units on the monetary market, as well as other receipts. As of January 1st, 2009 the principles of granting technological credit changed. It is granted by commercial banks from their own means, whereas BGK will pay off a part of an incurred credit in a form of technological bonus from the Technology Credit Fund. Technological credit is granted to micro, small and medium-sized enterprises by these commercial banks, which signed a co-operation agreement with BGK. It is possible to use the Fund's means merely for repayment of credits, by granting a thermomodernization bonus. The loans are offered by the regional funds too. For example in Małopolska region there are: Fundusz Mikro, Fundusz Pożyczkowy Fundacji Rozwoju Regionu Rabka (FRRR), Fundusz Pożyczkowy Małopolska Południowo-Zachodnia Stowarzyszenia Samorządowe Centrum Przedsiębiorczości i Rozwoju (SCPIR) w Suchej Beskidzkiej, Fundusz TOR 10 SCPIR, Fundusz TOR 10 Fundacji Promocji Gospodarczej Regionu Krakowskiego (FPGKR), Inicjatywa Mikro, Fundacja Promocji Gospodarczej Regionu Krakowskiego, Fundusze Pożyczkowe Małopolskiej Agencji Rozwoju Regionalnego (MARR) and Tarnowskiej Agencji Rozwoju Regionalnego (TARR). They offered loans from 10 to 250 thousands zł for the period from 1 to 5 years. The interest rates are 5-8 %; the commissions are 1-3 %.</td>
</tr>
<tr>
<td>Instrument</td>
<td>Characteristics</td>
</tr>
<tr>
<td>------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>1. Loan repayment securities/guarantees, granted in cooperation with banks providing credit facilities under the government program “Supporting Entrepreneurship through BGK Sureties and Guarantees”</td>
<td>A surety/guarantee is a form of loan repayment security which the Entrepreneur may receive in order to obtain an investment or a working capital loan, in particular for: projects co-financed by the European Union, infrastructural projects, projects related to the development of the SME sector, including projects implemented with the use of public funds. A surety/guarantee enables a borrower who does not own sufficient assets or does not want to use them to secure a part of the loan. Sureties or guarantees may not be granted for loans extended by BGK. Sureties/guarantees are granted in the amount of at least PLN 100,000 and up to EUR 10,000,000 (according to the average currency exchange rate) and for up to 80% of the loan amount. BGK charges a commission fee for granting a loan repayment surety/guarantee. The fee is paid annually in advance and is calculated on the basis of the amount of loan repayment surety/guarantee valid as at the beginning of the year of surety/guarantee for which the fee is due, with the exception of revolving loans, for which the commission fee is calculated on the basis of the amount of the loan limit surety/guarantee. The basic rate of the commission fee amounts to 2.0% p.a. for a surety and 2.5% p.a. for a guarantee, and applies to the calculation of the commission fee in cases where the margin of the Bank extending the loan is not higher than 5.0%. Moreover, BGK charges a commission fee for considering an application for granting a surety/guarantee, as well as for considering an application for the amendment of the surety agreement or of the wording of the guarantee, pursuant to the payment and commission tariff applicable in BGK. The basic security for a loan repayment surety/guarantee is a blank promissory note with a “no protest” clause. BGK may apply for an additional security in the case of high liability payment risk. The client submits the application for the surety/guarantee to the bank providing credit facilities.</td>
</tr>
<tr>
<td>2. Export Credit Insurance Corporation Joint Stock Company (KUKE S.A.) provides insurance services to Polish entrepreneurs. They insure export and domestic transactions of our clients, facilitating safe trade in Poland and abroad. Their activities focus on covering trade receivables arising from sales of goods and services with deferred terms of payment. Also, as part of their insurance activities they issue bonds and guarantees. They are the only institution in Poland authorized to provide export insurance backed by the State Treasury. Thanks to insurance facilities backed by the State Treasury, Polish exporters are able to safely</td>
<td></td>
</tr>
</tbody>
</table>
## Direct instruments

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>supply goods and services to buyers in distant, often exotic countries.</td>
<td>In addition, they are the only institution in Poland covering long-term export projects financed with a credit of two years and more. The guarantee funds act in regions too. For example in Malopolska region there are:</td>
</tr>
<tr>
<td>Inclusion</td>
<td>1. Fundusz Poręczeń Kredytowych TARR. It has a capital of 8.2 million zł. The maximum amount of guarantee is 70% of the loan. It may not exceed 80 thousand zł for micro, 250 thousand zł for small and 400 thousand zł for medium-sized enterprises. The maximum guarantee period is 5 years. One-time commission is dependent on the period and ranges from 1 to 2% of the guarantee.</td>
</tr>
<tr>
<td></td>
<td>2. Małopolski Fundusz Poręczeń Kredytowych MARR. It has a capital of 13.5 million zł (8.25 million zł is engaged). The maximum amount of guarantee is 70% of the loan but not more than 450 thousand zł. The maximum guarantee period is 5 years. The commission is 1% of the guarantee. Security is a blank bill.</td>
</tr>
<tr>
<td></td>
<td>1. Małopolski Fundusz Poręczeń Kredytowych, where the majority of the shares is held by the city of Nowy Sącz. The maximum amount of guarantee is 70% of the loan, but it can not exceed 5% of the capital. The maximum guarantee period is 5 years. The commission is 1-2.5% of the guarantee, depending on the period of guarantee. Security is a blank bill.</td>
</tr>
</tbody>
</table>

Source: (Barańska-Płonka, Stryjecki, 2006), (Fundusz Poręczeń Unijnych, 2007), (Mieszczyn, 2006), (Oferta Tarnowskiej Agencji Rozwoju Regionalnego, 2007), (Radziejowski, 2006), (o stanie funduszy poręczeń kredytowych w Polsce, 2009), (Rzucidło, 2007), (Ustawa o Funduszu Poręczeń Unijnych).

Loans at special interest rates are offered by many regional institutions. These loans cannot but exceed 250 000 zł, what constrains the scope of investments. Moreover, loan funds have rather small capital. The repayment period is not allowed to exceed 5 years what constrains also the time of investments. The conclusion is that this incentive is intended to microenterprises. There are only a few instruments supporting access to the foreign capital for small and medium enterprises. The Technology Credit scheme, which can be amortized is really good solutions. The BGK Guarantee Fund, which helps in a grant application process is a good solution too. There is lack of interest rates subsidies other than the export credits and support instruments for leasing. The similar problem is with mutual guarantee schemes, which are very important in other member states. All these measure should be assessed by SME.
3.4. Assessment of the financial instruments, which help in access to foreign capital by small and medium-sized enterprises

The survey was conducted in form of a questionnaire in June and July 2009 on approximately 250 enterprises. SME from Małopolska region, which had already used support instruments were chosen in order to ensure credibility of the data. In connection to this these were enterprises that received grants from Support for Enterprises program (SKO-WKP) in the years 2004-2006. 26 companies (10%) sent filled questionnaire. It was about 10% of the firms, which were invited to the survey. The enterprises using their knowledge and experience assessed importance of every support instrument in all: stages of enterprise development, firm sizes, and sectors. They could choose four answers – importance: large, medium, small or none. Each of them had its own rank what is presented in table 3.4.

Table 3.4. The assessment of support instrument importance

<table>
<thead>
<tr>
<th>Importance</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>none</td>
<td>0</td>
</tr>
<tr>
<td>small</td>
<td>1</td>
</tr>
<tr>
<td>medium</td>
<td>2</td>
</tr>
<tr>
<td>large</td>
<td>3</td>
</tr>
</tbody>
</table>

Source: Author’s own.

The medium enterprises, which are already in the higher stages of development have sent the most questionnaires. They were more than a half (53%) of all surveyed firms. Most of them have survived the first development phases. It can be said that they have enough knowledge and experience in order to assess the needs of both micro and small-sized enterprises. The small firms were the next group (35%). Most of them also have enough experience in order to assess the needs for support of microenterprises. They can also predict what their needs would be in the further stages of development when they will be classified as a medium companies. The fewest group were the microenterprises (12%). It seems that they are able to assess the needs for support of the small firms, which they could become soon. However, it is hard for them to assess the needs of medium companies.

The manufacturing was the most common sector in the survey – 38% of all firms. Apart constructing, the share of other sectors did not exceed 10% (that means two enterprises) or they were not represented. It is a result of the fact that mainly the manufacturing firms received grants.
The questionnaires received from SME let assess the importance of financial support instruments, which help in access to foreign capital. The general ranks of the instruments and the ranks according to the enterprise seize and sector were presented. They were calculated by average of all the questionnaires. Given the following sectors: trade, financial services, real estate and other business statistics were represented by few surveyed companies, they were considered together as a service sector.

Table 3.5. General rank of financial support instruments, which help in access to foreign capital (scale: 0-3)

<table>
<thead>
<tr>
<th>Phase of company development</th>
<th>Seize of firm</th>
<th>Sector</th>
<th>Loans/credits</th>
<th>Interest rate subsidies</th>
<th>Guarantees</th>
<th>Leasing cost subsidies</th>
</tr>
</thead>
<tbody>
<tr>
<td>idea</td>
<td>micro</td>
<td>advanced technologies</td>
<td>1.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>others</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>start-up</td>
<td>micro</td>
<td>advanced technologies</td>
<td>1.7</td>
<td>1.7</td>
<td>1.6</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>others</td>
<td></td>
<td></td>
<td>1.4</td>
<td></td>
</tr>
<tr>
<td>entrepreneurial phase</td>
<td>micro, small</td>
<td>advanced technologies</td>
<td>1.8</td>
<td>1.7</td>
<td>1.4</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>others</td>
<td>1.9</td>
<td></td>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td>expansion</td>
<td>small, medium</td>
<td>advanced technologies</td>
<td>2.0</td>
<td>1.7</td>
<td>1.7</td>
<td>2.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>others</td>
<td>1.9</td>
<td></td>
<td>1.7</td>
<td></td>
</tr>
<tr>
<td>intrapreneurship</td>
<td>medium</td>
<td>advanced technologies</td>
<td>1.8</td>
<td>1.2</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>others</td>
<td>1.5</td>
<td></td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>rethinking business, change of strategy</td>
<td>medium</td>
<td>advanced technologies</td>
<td>2.2</td>
<td>1.6</td>
<td>1.5</td>
<td>1.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>others</td>
<td>2.0</td>
<td></td>
<td>1.4</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s own.

Loans/credits (1.5-2.2) and support in leasing (1.4-2.0) received the highest rank as the instruments, which help in access to foreign capital. They have been offered only in other countries than Poland so far, what is presented in table 3.5. The importance of loans and credits is growing in the successive phases of development, achieving a maximum in the last one – rethinking business. Based on the survey, leasing and interest rate subsidies are the most important in the early stages of development. They received the same rank (2.0 and 1.7). They have fewest
importance in the intrepreneurship phase (1.4-1.2). Guarantee schemes have the similar rank as the interest rate subsidies (1.3-1.7). However, they are the most important in the expansion phase but the last important in the intrapreneurship stage. It is noted that support instruments for advanced technology sector are more important for the surveyed enterprises than in case of other sectors (difference is maximum 0.3).

Loans and credits for advanced technologies got quite low rank from the microenterprises – see table 3.6. Other instruments received the similar rank but only in a intrapreneurship phase. In the further stages they are of no importance for the microenterprises. Loans, credits, guarantees and leasing schemes are but more important for small than for medium-sized enterprises. On the contrary interest rate subsidies got better rank from medium firms.

**Table 3.6. Rank of financial support instruments, which help in access to foreign capital according to the seize (scale: 0-3)**

<table>
<thead>
<tr>
<th>Phase of company development</th>
<th>Seize of firm</th>
<th>Sector</th>
<th>Loans/credits</th>
<th>Interest rate subsidies</th>
<th>Guarantees</th>
<th>Leasing cost subsidies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>micro</td>
<td>small</td>
<td>medium</td>
<td>micro</td>
</tr>
<tr>
<td>idea</td>
<td>micro</td>
<td>advanced technologies</td>
<td>0.3</td>
<td>2.0</td>
<td>1.5</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>micro</td>
<td>others</td>
<td>0</td>
<td>2.3</td>
<td>2.0</td>
<td>0</td>
</tr>
<tr>
<td>start-up</td>
<td>micro</td>
<td>advanced technologies</td>
<td>0.3</td>
<td>1.9</td>
<td>1.9</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>micro</td>
<td>others</td>
<td>0</td>
<td>2.3</td>
<td>2.0</td>
<td>0</td>
</tr>
<tr>
<td>entrapreneurial phase</td>
<td>micro, small</td>
<td>advanced technologies</td>
<td>0.5</td>
<td>2.0</td>
<td>1.9</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td>micro, small</td>
<td>others</td>
<td>0</td>
<td>2.5</td>
<td>1.7</td>
<td>0.5</td>
</tr>
<tr>
<td>expansion</td>
<td>small, medium</td>
<td>advanced technologies</td>
<td>1.0</td>
<td>2.4</td>
<td>2.0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>small, medium</td>
<td>others</td>
<td>0</td>
<td>2.5</td>
<td>1.7</td>
<td>0</td>
</tr>
<tr>
<td>intrapreneurship</td>
<td>medium</td>
<td>advanced technologies</td>
<td>0.5</td>
<td>1.9</td>
<td>2.0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>medium</td>
<td>others</td>
<td>0</td>
<td>1.9</td>
<td>1.5</td>
<td>0</td>
</tr>
<tr>
<td>rethinking business, change of strategy</td>
<td>medium</td>
<td>advanced technologies</td>
<td>0.5</td>
<td>2.5</td>
<td>2.3</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>medium</td>
<td>others</td>
<td>0</td>
<td>2.5</td>
<td>1.9</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Author’s own.
Instruments, which help in access to foreign capital received the best ranks from the constructional SME. But loans, credits and leasing schemes are more important for the manufacturing than for the service companies. The firms from both above mentioned sectors gave better ranks to the instruments for advanced technologies. The constructional SME thought that these instruments have the same importance as the ones for other sectors.

3.5. Conclusions

There are many efficient and effective instruments, which help in access to foreign capital. However, they were used and tested under some circumstances that are in the chosen regions and countries. It may be disparities in comparison to Poland. There is a question which of them can be and should be introduce in Poland in order to help SME in their development. In Poland first support instruments were used in the beginning of the economic transition. However, they were developed just after the accession of Poland to the EU. In connection to this it was crucial to make the assessment of these measures by SME.

It turned out that loans, credits and support in leasing are the most important instruments, which help in access to foreign capital. They received quite good ranks from the surveyed SME. The importance of loans and credits grows in the successive phases development in contrast to leasing cost subsidies. The interest rate subsidies and guarantee schemes have a little lower ranks. Most of the instruments, which help in access to foreign capital are more important for small firms. Only the interest rates subsidies got better ranks from medium enterprises. The instrument, which help in access to foreign capital are more important for constructive enterprises.

The results of this study may help policy makers in planning allocation of funds for development of enterprise in Poland. Appropriate policies to promote enterprises like for example facilitating access to foreign capital has a significant importance for the socio-economic development.
CHAPTER 4

USER-DRIVEN INNOVATION – A CONSUMER AS A SOURCE OF INNOVATION IN THE ENTERPRISE

4.1. Introduction: A consumer in the spotlight of an enterprise

In the past, companies typically focused their efforts on the product and its production. This approach meant that consumers were purchasing products manufactured by the company at the designated time and place. Presently, in order to achieve success in sales on the market, companies need to offer what the potential customer wants to buy in a place and time convenient for him/her and for the price accepted by the buyer. It has become necessary, therefore, to focus not on what to produce, but on what people are willing to buy and why (Pomykalski, 2001).

It is particularly important, therefore, to establish appropriate relationships with customers by, among others, subordinating all activities in the sphere of production and services to the wishes of the final recipient, stimulating and developing the needs of the buyer, integrating the consumer with the enterprise and building lasting relationships with him/her, encouraging innovation and permanent changes in supply and stimulating demand (Pomykalski, 2001).

The process of reaching the current level of interrelations between business and consumer is usually described in the literature as a number of separate, consecutive phases:
- production orientation,
- sales orientation,
- marketing orientation,
- strategic marketing, evolving towards social marketing.

The evolution of the concept of marketing, taking place in the global economy and characterised in Table 4.1 and Table 4.2, has contributed to the creation of five main market orientations in businesses: production orientation, product orientation,
sales orientation, marketing orientation, and social orientation in marketing (also referred to as humanistic) (Karwowski, 1998).

Table 4.1. Development phases of marketing concepts

<table>
<thead>
<tr>
<th>Phase</th>
<th>Time</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>production orientation</td>
<td>late 19th-early 20th c.</td>
<td>Focus on the organisation of the production process in order to achieve high performance, low cost and supply growth.</td>
</tr>
<tr>
<td>sales orientation</td>
<td>1930–1950</td>
<td>The leading rule: &quot;Sell what you have produced.&quot; Concentrating on distribution channels, significant value placed on the means of communication (advertising, sales promotion).</td>
</tr>
<tr>
<td>marketing orientation</td>
<td>1950–1980</td>
<td>The leading principle: &quot;Produce what you can sell.&quot; Focus on the target market, customer needs, coordinated marketing and profitability. The growing importance of marketing mix and market research.</td>
</tr>
<tr>
<td>strategic marketing</td>
<td>1980–?</td>
<td>Predicting changes in the environment, the system of marketing planning, strategies taking into account the need for globalisation and the expectations of local organisations, individual marketing, megamarketing.</td>
</tr>
</tbody>
</table>

Source: (Knecht 2008), (Karwowski, 1998).

Table 4.2. The evolution of market orientation and characteristics of orientation of businesses

<table>
<thead>
<tr>
<th>Production orientation</th>
<th>Sales orientation</th>
<th>Marketing orientation</th>
<th>Humanistic and social orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>– solving material, organisational and technical problems, – selling goods seen as a minor problem, – limits on the supply side, – basic instruments of influencing the market: production volume and price of the products.</td>
<td>– weakening of restrictions on the supply side, – increasing constraints on the demand side: substitutes, extended product range, – increasing role of distribution, – growing employment in the sales department, – the role of trade is not limited to selling products.</td>
<td>– consumer market, the growth of so-called discretionary funds, – increase in the supply of goods, – shorter product cycle, – greater innovation, – use of marketing mix, – market research, – pro-market strategy, – organising marketing in the company.</td>
<td>– the highest form of market orientation, which treats man subjectively, – suitable system of incentives and motivation, – safe working conditions, – staff training system, – social mission of a company, – humanism in relation to the customer.</td>
</tr>
</tbody>
</table>

Source: (Knecht 2008), (Karwowski, 1998).
The customer orientation of an enterprise is a kind of measure of the level of adaptation of the company to the requirements of a market economy. A large number of buyers in the market implies a high diversity of needs and desires of consumers resulting directly from the differences both in terms of their personal characteristics and circumstances in which they currently are. The key issue, therefore, is a thorough penetration and identification of the needs of the market where the company operates. Potential buyers should be explored in terms of their needs, motivations, behaviour and market environment. The more satisfied customers feel with the consumption of specific goods, the more often they choose products and services of those who provide them, and the more they multiply the profits of the enterprise.

Today, the condition of the company’s market success is identification of customer needs and understanding their nature, and consequently providing the right product to the right buyer, in the right place and at the right time. Today’s consumer is not an uncritical recipient. The growing awareness of buyers in terms of their aspirations, which are expressed by greater involvement in making purchase decisions, creates a critical attitude towards available offerings. This is a growing problem for businesses, but also an impetus for further development.

Changes in the attitude of entrepreneurs to new relationships with customers and the obvious rise of the client’s importance are reflected primarily in the new approach to management, which is expressed by customisation, or its more advanced version that is customerisation. As a result of these changes we no longer talk so much about the consumer, but the prosumer (Krawiec, 2009), (Dziedzic, Szymańska, 2011). A consumer becomes, in a sense, a producer gaining the ability to create the business space, individual design, stating the manufacturing process so as the product corresponded to his/her specified requirements. Don Tapscott (1999) specifies the production of goods and services by the recipient as prosumption. McKenna (1995) argues there is a need to involve the buyers in the process of designing and constructing new products by establishing a dialogue using the currently available information technology.

4.2. The concept of user-driven innovation

The answer to the need to engage customers in the design and construction of new products may be the concept of user-driven innovation (UDI). This concept is a specific method of implementation of innovation. Its advantage over other methods relies on better understanding and knowledge of both explicit and implicit preferences, needs, expectations and consumer needs. They are the driving force
behind this kind of approach to innovation. In other methods the user knowledge is mainly used to confirm or verify the finished products and services, which is not conducive to generating new innovative solutions.

It is worth to mention other approaches to innovation described in specialist literature. For example, FORA\textsuperscript{2}, the research unit working for the Danish Ministry of Economics and Business Affair, lists three main categories of innovation (Table 4.3): research approach to innovation (research-driven innovation), demand approach to innovation (user-driven innovation), and the cost approach to innovation (cost-driven innovation) (\textit{Understanding User-Driven Innovation}, 2006).

### Table 4.3. Approaches to innovation

<table>
<thead>
<tr>
<th>Approach</th>
<th>Area of operations</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>research/technology</td>
<td>knowledge, links between the sphere of research and industrialisation, commercialisation of the research results</td>
<td>new pharmaceuticals&lt;br&gt;Ericsson's mobile systems</td>
</tr>
<tr>
<td>(research-driven innovation)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cost/price</td>
<td>cost-effectiveness</td>
<td>implementation of \textit{Enterprise Resource Planning} logistic systems&lt;br&gt;outsourcing</td>
</tr>
<tr>
<td>(cost-driven innovation)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>consumer needs</td>
<td>better understanding and implementation of the revealed and hidden needs of consumers, commercialised solutions improved by the users</td>
<td>Swiffer mop (Procter &amp;Gamble)&lt;br&gt;Lego Mindstorms – a series combining building blocks with electronic sensors</td>
</tr>
<tr>
<td>(user-driven innovation)</td>
<td></td>
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Source: \textit{(Understanding User-Driven Innovation}, 2006),
(http://www.eurofound.europa.eu), (Szymańska, 2012).

Over the past several dozen years the growth of importance of innovation and the development of theoretical concepts in that area has been observed. This is evidenced by Figure 4.1, which presents the evolution of approaches to innovation. There is a departure from the linear model of innovation and the rise of non-technological approach to stimulate innovation. An example of this approach is the concept of user-driven innovation also referred to as the demand approach to innovation (the others being innovation networks, international networks, etc.).

The emergence and development of the concept of user-driven innovation (UDI) is the result of the evolution of both models and the understanding of the concept of innovation. This establishment and development of the concept is the

\textsuperscript{2} The unit subordinate to the Danish Council of Enterprise and Construction, engaged in the development and publication of reports on the concept of UDI, and conducting scientific research in this area.
result of observation of the market environment of the company and the consequence of being convinced the consumers’ interest in the available offer is on the decline. It is also the result of increased consumer interest in their participation in the creation and development of ideas, which they would like to buy as a product or service (Dziedzic, Szymańska, 2011).

Figure 4.1. Development of the concept of innovation
Source: (User-Driven Innovation. Context and Cases in the Nordic Region, 2008); (Polska Agencja Rozwoju Przedsiębiorczości, 2010).

According to the definition proposed by the Nordic Innovation Centre the concept of the demand approach to user-driven innovation is "a process of using the user's knowledge to develop new products, services and ideas, which is based on a true understanding of user needs and which systematically involves users in the company's development" Polska Agencja Rozwoju Przedsiębiorczości, 2010). The driving force behind the demand approach to innovation is a satisfied, demanding consumer.

In the concept of the demand approach to innovation (UDI) two theoretical approaches are mentioned: the method of the "voice of the customer" and the method of the "lead user"³. In the concept of the "voice of the customer" the hidden needs of consumers and their creative thinking are recognised and the information obtained in this way is used to improve the product that already exists on the market. However, in the case of the method of the "lead user" the consumer’s task is not only to express his/her opinion on draft articles made by specialists in a particular company, but also to create his/her own innovation ideas or in cooperation with

³ These user-driven innovation currents (UDI) are the result of academic research and practical experience of such scholars as David Kelley, Tim Brown and Eric von Hippel.
4.3. The process approach to the concept of user-driven innovation

Using the concept of user-driven innovation in innovation activities of a company is connected with the implementation of several successive stages. In 2005, the FORA proposed a model of the innovation chain consisting of six steps: observing consumers; designing solutions and creating new ideas, assessing abilities and technological capabilities, assessing market opportunities, designing an innovation strategy; implementing (Rosted, 2005). In subsequent years, this model was improved by adopting a circle of innovation (Figure 4.2).

![Figure 4.2. Circle of innovation](User-Driven Innovation. Context and Cases in the Nordic Region, 2008).

The innovation process is divided into two phases: the pre-innovation (also called the "WHAT" phase) and the "HOW" phase. Each of these phases consists of...
four steps. It should be noted that companies do not always realise all the steps in a sequence. Some of them may be omitted, while others repeated.

In the "WHAT" phase companies answer the question what to offer consumers and users. In order to answer this question it is necessary to understand consumers’ problems, needs and preferences. The "WHAT" phase consists of the following steps: opportunity identification, data collection, pattern recognition and concept idea. In the "HOW" phase the company must answer the question to what extent the innovation will be useful and bring profit. This phase consists of the following steps: conceptualisation, prototyping, test and implementation.

Companies using the method of user-driven innovation typically use methods that can be grouped into four general categories within two dimensions: the degree of a user’s involvement in the innovation process and the level of the user’s awareness of his/her needs (Figure 4.3).

Consumers may be directly or indirectly involved in the process, depending on what information the company is looking for. The knowledge obtained from consumers may be related to their acknowledged and confirmed needs, but also to unconscious needs that consumers are not able to verbalise and communicate.

Based on the above dimensions the following methods are defined: user exploration, user participation, user innovation, user tests. It should be noted that in
the process of innovation more than one method of proconsumer approach to innovation can be used. Testing products or services by the user (user tests) usually occurs at the end of the innovation process, when a finished product (or service) has already been developed and the task of the user or potential consumer is to verify whether he/she will be interested in purchasing it. At this stage of the process, however, only small corrections are possible. Any major changes to the product would be too expensive.

The tools used in research include focus groups, conjoint analysis and multi-attribute analysis. The users are asked questions relating to their conscious needs, preferences and tastes. User exploration is directly related to observing, analysing and understanding their daily habits. These observations may be conducted in their home, workplace, as well as during daily routine situations (e.g. shopping). They are primarily aimed at understanding the needs that users are not able to express in words. Ethnographic tools are used to learn the habits of users in a cultural context. The most commonly used tools include video ethnography, user shadowing and user diaries. Numerous observations conducted with the tools are then continued with the use of direct interviews.

We talk about user innovation when companies work closely with users at certain stages of the innovation process. In the process of innovation experts (e.g. doctors, nurses, engineers, etc.) or "advanced users" in a certain area (e.g. regular software users) are actively involved because they usually have more knowledge about a specific product or service than the company. In this context, the "advanced user" is not synonymous with the term "lead user" as proposed by von Hippel (2005). An advanced user works with a company to commercialise a product or service. In contrast, the lead user works on innovations to solve the problems he/she experienced during the use of the product. He/she works for his/her own purposes and not for the company. The tools used here depend on the time of the user's involvement in co-operation with the company. These are usually workshops conducted with experts, whose goal is to attract highly advanced and specialised users. Experts are involved in the conceptualisation of ideas and creating the initial prototypes of highly specialised products.

The concept of user participation covers an area of the project participatory design, and participatory innovation. In this case, the companies cooperate together with their users, including them in the team working on creating new ideas. The application of this concept promotes the transfer of tacit knowledge enabling to learn customers’ hidden needs. The tools used here favour thinking and creating opinions which users themselves were not previously aware of. Some of the most interesting and well-known tools include:
"prootypes" - provoking reactions and motivating users to think in a way they have not previously used, which promotes awareness of what people like and what they do not like, leading to knowing them "from within";

cultural probes - rely on equipping the user in a variety of tools (e.g., photo camera, film camera, etc.). The users’ task is photographing, filming, drawing, describing the daily habits, experiences, and other aspects of their daily lives. The collected materials are then discussed jointly by the tested users and a team of researchers. The resulting information enables a better understanding of the daily life of users and specifying the unconscious needs of users;

experience prototyping - testing the user’s experience on the use of yet unfinished products or services provided in the form of workshops in the later stages of the innovation process. Such a study covers only basic features used in the description of the basic mock-ups of the product and is mainly aimed at improving the innovation process by creating prototypes that are not too detailed. Excessive detail of the prototype can cause the users to focus too much on the final appearance of the product. This method is also used to discover the unconscious needs of users;

"props" - are intended to stimulate new ideas by the users, who participate in workshops in order to express their own ideas, which are not directly related to specific products or services being upgraded at the time. This allows users to realise the needs which they have not been aware of so far.

If the company applies user innovation and user participation the target users involved in the workshops are usually end-users (customers), their employers or clients B2B. They participate in joint workshops with a company research team where they work on common concepts. These workshops are often held in homes or workplaces of users.

4.4. Conclusions

Today, in the times of rapid information and technological change, innovation based on research and development (R&D), knowledge and education is becoming more and more significant. In developed economies it contributes to increasing productivity and is a key factor behind economic growth. It generates a significant added value for both industry and services.

A specific method of implementation of innovation is a user-driven innovation, the concept of leveraging the knowledge of users in order to develop new
products, services and ideas. This process is based on understanding user needs and engaging them in the process of the company’s development.

According to the demand-driven approach, innovation should be based on understanding the real needs of consumers in order to identify new opportunities to create value for customers. Reaching hidden and unexpressed feelings, motivations, preferences and needs of customers requires unconventional research methods that go beyond the traditional marketing research. The need to achieve the fullest possible knowledge about customers imposes reorganisation of the innovation process which would involve the innovative input of direct recipients of products or services.
CHAPTER 5

THE POSSIBLE UNRELIABILITY OF SELF-EFFICACY BELIEFS AND PERCEIVED CONTROL - WHEN NASCENT ENTREPRENEURS MAY BE OVERCONFIDENT

5.1. Introduction

Self efficacy is a central part of Bandura’s social cognitive theory (1977). Bandura has been interested in the way efficacy beliefs affect performance. In his numerous research and theoretical papers he explored the antecedents and consequences of self-efficacy beliefs. There is an extensive literature covering this aspect of human convictions that usually indicates its positive effects. Bandura and Locke (2003) argue that regardless of what methodology is used and no matter if between or within participants research design is utilized, self efficacy has been proved to yield positive results. However recently scholars have started to explore the possible detrimental effects of efficacy beliefs. Results obtained by Vancouver and Kendall (2006), Vancouver et al. (2001, 2002, 2008), Whyte et al. (1997) and Yeo and Neal (2006) indicate that under certain circumstances self-efficacy may lead an individual toward a failure. This data obviously cannot be claimed to discard voluminous literature on the positive aspects of self-efficacy. It rather induces to search for a more fine-grained answer regarding the relationship between self-efficacy and its consequences. An answer that includes more variables that can mediate and moderate this relation.

The similar situation concerns control level perceived by an individual. Extensive literature regarding this phenomenon indicates that most often it is better to believe that one can control situation than to believe that one lacks this control (e.g. Taylor, Brown, 1988, Bandura, 1989, Taylor et al., 2003). However under some circumstances one may develop illusion of control that may result in committing
oneself to a losing course of action and be persistent when withdrawing would be much wiser and more beneficial (Golwitzer, Kinney, 1989). A more detailed answer indicating under what circumstances perceived control turns into the illusion of control is also needed.

The importance of acquiring such an answer has also got its important practical implications. This is due to the fact that self-efficacy and perceived control can be presented as factors influencing human behavior in a variety of situations. Their malleability makes it one of the common objects of training and educational interventions. It is therefore important to establish under what circumstances interventions promoting self-efficacy and control beliefs can be recommended and when, on the other hand, it is more beneficial to warn people about their possible negative consequences. Self-efficacy and perceived control have been studied among nascent entrepreneurs and have been described as their important characteristic (Chen et al., 1998, Zhao et al., 2005).

The goal of this article is to present theoretical framework that highlights when particular sources of self-efficacy can lack reliability and review research findings regarding illusion of control. Quoted research findings are interpreted in relation to the situation of nascent entrepreneurs. In order to accomplish the latter purpose findings regarding environment in which illusion of control is likely to be developed are discussed and compared to the environment in which people who start a venture operate.

5.2. Limitations of the reliability of self-efficacy sources

Bandura defined efficacy expectations as “a conviction that one can successfully execute the behavior required to produce the outcomes” (Bandura, 1977, p. 126). Self-efficacy is domain specific as expectations that an individual holds about her/his chances to obtain a desired goal differ across areas of activity. For example one can believe that he/she can successfully run a business and at the same time be convinced that she/he would not be able to become a professional scholar. Self-efficacy regarding a particular domain is defined in terms of beliefs people hold regarding their abilities to obtain a desired outcome which may or may not be realistic when it comes to their verification. It can be proposed that among other factors, the actual source of efficacy convictions may determine their reliability.

According to the proposition put forward by Bandura (1977) self-efficacy can stem from several different sources that may operate jointly or separately. Those sources are as follows:
- mastery experiences,
– social modeling (vicarious experiences),
– social persuasion,
– emotional arousal.

**Mastery experiences** are the most important source of self-efficacy (Bandura, 1994). People that experience an opportunity to succeed in a given task are able to develop sound efficacy beliefs that allow them to be persistent in their attempts to reach desired goals and recover quickly from failures that are inevitable in every professional career. It can also be proposed that experiencing one’s success is the most reliable source of self-efficacy. Repeated opportunities to experience one’s agency that results in obtaining a desired outcome most often provides an individual with a verified knowledge regarding one’s abilities. Additional self confidence regarding this particular task type in that case is on a sound basis. It should be mentioned that even though usually efficacy beliefs originating from this source can be trusted, sometimes people may be motivated to distort the perception of obtained results.

One of the most significant examples is ‘the better than average effect’ which has been proved to be prevalent across the variety of populations and skills, including activities specific to certain populations, e.g. college teaching (Cross, 1977) and academic performance (Alicke, Govorun, 2005) and more common ones including driving a car. This effect is based on people’s conviction that they possess positive qualities to higher extent than the population’ average. The opposite applies in turn to negative qualities – those are perceived to be a part of one’s characteristic to a lesser extent.

One may argue that there is an important conceptual distinction between assessing one’s own skills within a particular domain that includes a variety of tasks (e.g. academic performance) and self-efficacy beliefs. The latter by definition concern one’s ability to reach a desired outcome. However, it can be stated that the distinction between the two disappear when a certain measurement level and situation type is introduced. When the better than average effect is analyzed on a task level and the task requires competition it becomes directly related to an overestimation of one’s efficacy. Consider an example of a nascent entrepreneur that is asked to answer the following question before presenting her/his offer to a potential client: ‘How well in comparison to your competitors are you able to convince your potential client to chose you as his supplier?’ In accordance with the better than average effect most entrepreneurs would be likely to overestimate their ability. Providing that in a real world only few of them can in fact become suppliers, it can be stated that some of the competitors will be overconfident and have inflated efficacy beliefs.
It can therefore be stated that despite the fact that mastery experiences are the most important and the most trustworthy antecedent of adequate efficacy beliefs, they can also be misleading. People are motivated to protect and enhance self-esteem and the better than average effect is one of the biases aimed at his goal. What’s more, the self-serving bias makes people take credit for success and attribute failures to more external factors (Miller, Ross, 1975, Pal, 2007). It makes people consider the instances when they reached their goal as mastery experiences but at the same time underestimate the importance of information regarding one’s lack of abilities obtained during failures.

It is also worth mentioning that sometimes people hold positive illusions regarding the outcomes they can obtain even if they are provided with very regular feedback, e.g. provided daily. A vivid and significant example of such phenomenon that affects a majority of people living in developed countries is connected with time assessment. Research findings indicate that people are in a persistent way poor when it comes to accurately assessing how much they can do during a particular time period (Buehler et al., 1994). What’s more, people are much better when it comes to assessing others and find it easy to indicate that someone else’s plans are impossible to accomplish, when, at the same time, they still hold illusions regarding themselves. This bias hold even though for most people it is necessary to plan activities and assess the amount of time needed to perform them on daily basis. The term ‘planning fallacy’ was coined for this effect (Kahneman, Tversky, 1979). In one of the most famous demonstration students were asked to estimate the time needed to complete their thesis. The average time they estimated was 33.9 days, when in fact it took them on average 55.5 days (Buehler et al., 1994). It can be proposed that also nascent entrepreneurs may be particularly prone to suffer because of the planning fallacy. Self-employed are described as a group of professionals that are particularly time-short (Trevelyan, 2008) as it is necessary for them to perform multiple and diverse activities.

Vicarious experience is another source of self-efficacy. When people have an opportunity to witness someone succeed they may start believing that an observed result is attainable for them as well. Bandura (1994) emphasizes that perceived similarity to an observed model for efficacy beliefs to raise. However, this source of efficacy may be misleading as there are many similarities that may become salient in a given situation and at the same time not be related with actual chances of success. For example when someone who considers becoming an entrepreneur has a possibility to observe or talk to a successful entrepreneur of similar age, social background and who claims that it is not very difficult to be successful, erroneous beliefs regarding ones chances of success may be easily developed.
Social persuasion can also be used in order to establish efficacy beliefs within an individual. Bandura (1994, p. 71) stated:

‘People who are persuaded verbally that they possess the capabilities to master given activities are likely to mobilize greater effort and sustain it than if they harbor self doubts and dwell on personal deficiencies when problems arise.’

This statement is likely to be true in most cases, however sometimes those that use social persuasion as a way of instilling self-efficacy beliefs may do someone an ill turn. An instance when such a course of action may likely take place is when those that use persuasion are not experts themselves. For example lay people often hold stereotypical views regarding what it takes to successfully pursue a particular career. People for example believe that in order to become a successful psychotherapist one should have the ability to easily develop and communicate solutions to other people’s problems. Another example of instilling efficacy beliefs that may lead to overconfidence is when flattery regarding another person’s skills is used that does not correspond with actual abilities. These two instances also apply to nascent entrepreneurs.

Emotional arousal is the final possible source of self-efficacy. Bandura (1994) proposed that reducing one’s stress level and shaping the way in which physiological and emotional arousal is perceived may have an influence on efficacy beliefs. It cannot be argued that those who perceive arousal as an energizer might believe that they have what it takes to accomplish a goal, but again their confidence does not necessarily stem from a firm basis. It should be accompanied by skills and knowledge that enhance the possibility of a genuine mastery experience to be fully credible.

5.3. Perceived control and illusion of control

A common psychological bias that is connected with overconfidence is illusion of control. It is connected with risk assessment - the higher perceived control, the more lenient risk assessment (Klein, Helweg-Larsen, 2002). Dunning (2005) proposes that the level of actual control that one has over a situation may be one of the most important factors that accounts for the relationship between predicting one’s ability to succeed (self-efficacy beliefs) and actual results. In situations that are highly controllable this relationship is strong but diminishes as it gets weaker. For the purpose of this article it is important to state that illusion of control may be directly related to inflated self-efficacy and that it may be both trait-like and state-like. In the next paragraphs both trait and state approached to perceived control and
Perceived control was one of the most widely and thoroughly researched psychological constructs (Hock, 2004). It began with the classic work of Julian Rotter (1966) in which the distinction between the internal and external locus of control was introduced. Rotter claimed that the way in which an individual perceives her/his responsibility regarding experienced life events may be described in terms of an individual variable. People that are characterized by internal locus of control believe that to large extent they influence obtained reinforcements. Hock (2004) asserts that among forty studies presented as those that changed psychology, Rotter’s has been most widely cited. Literally hundreds of subsequent research have been conducted that employed locus of control. Its importance for entrepreneurs has also been discussed (e.g. Zaleśkiewicz, 2004).

Another important line of research regarding perceived control was started by Seligman (1975) who introduced the concept of learned helplessness. It is the result of repeatedly experiencing situations during which one has no control over the environment. That kind of deprivation according to Seligman leads to adopting a pattern of thinking that is typical of depression. Some research results indicate even that people who are not depressed are characterized by control illusions whereas those that experience depression perceive themselves more accurately (Alloy, Abramson, 1979). As previously stated, this findings indicate that sometimes overconfidence regarding one’s control may have good results. However, it should be mentioned that it has been questioned by other scholars (e.g. Dunning, Story, 1991).

There are also situations when perceived control may not be that beneficial, particularly when it is inflated. For example Folkman (1984) indicated that when stress-coping are considered, those that are task-oriented cannot always be considered more effective than those that focus on emotions. When an event that is to large extent uncontrollable is encountered erroneous perception of its controllability may result in the implementation of maladaptive strategies aimed at dealing with problem. Under such circumstances emotion-focused strategy which has its goal in dealing with ones emotional state is more beneficial. Another consequence of Illusion of control related with performing actions even when they should be ceased is the escalation of commitment, when people devote themselves to a losing course of action when there is little or no chance of succeeding (Zuckerman et al., 1996).
5.4. Illusion of control as an individual variable

Zuckerman et al. (1996) proposed that the extent to which one holds conviction that she/he can control controllable and/or uncontrollable events can also be regarded an individual difference. Zuckerman and colleagues created a scale that measures those two constructs (i.e. Realistic Control Scale and Unrealistic Control Scale). They found these two scale to be unrelated which means that all four within person combinations of results obtained on these scales are possible. Therefore there are not only people who think that they control both controllable and uncontrollable events and those who think that they can control none of them, but also those that are the most and the least accurate. The first group obtains high scores on realistic control scale and low on unrealistic control scale, whereas the latter obtains the opposite pattern. This last result is the most surprising because it indicates that this group members believe they cannot control what is in fact controllable and at the same time regard uncontrollable events to be within their control. It should be however mentioned that the obtained score pattern can be interpreted in relation to other people’s scores and not in absolute levels.

In their research Zuckerman et al. (1996) found that when situations differ regarding their actual controllability those two different kinds of beliefs contribute differently to perceived control. In situations low in controllability only unrealistic control beliefs are predictive of the level of control perceived by an individual. The opposite holds true in highly controllable situations. Under ambiguous circumstances – when the situation is moderately controllable, both sets of convictions play their role and both predict individual/s perceived control.

Literature on entrepreneurs’ biases including illusion of control has proved their pervasiveness (Simon et al., 1999). It is even proposed that the illusion of control among nascent entrepreneurs might be one of the mechanisms responsible for the venture creation. For example Hayek (2012) proposed that the fact that in general people are characterized by a higher level of realistic compared to unrealistic control beliefs may be responsible for the small part of the population that decides to pursue entrepreneurial career. As previously stated, a high degree of unrealistic control beliefs has got is possible negative consequences. Zuckerman et al. (1996) demonstrated that people who score high on unrealistic control beliefs scale spend more time trying to succeed in a task that is in fact unsolvable. While pursuing this goal they also display more negative emotions. They are thus more likely to commit themselves to a losing course of action and suffer from emotional distress than those that hold more realistic beliefs. The inability to withdraw from goal-directed behavior that is doomed to failure has been demonstrated o be one of
the possible negative consequences of high self-efficacy (Whyte et al., 2007). This further emphasizes the theoretical relationship between perceived control and self-efficacy. Among nascent entrepreneurs the illusion of control may be therefore responsible not only for the very venture creation, but also for the inability to withdraw from a losing course of action that may be detrimental.

5.5. Does the environment in which nascent entrepreneurs operate facilitate the development of illusion of control?

Proposition put forward by Rotter (1966), Seligman (1975) and Zuckerman et al. (1996) state that perceived control is a trait-like characteristic. These authors indicate that its possible sources may be related to convictions adopted during childhood. Rotter (1966) states that those children that learn that reinforcements they receive depend on their actions develop internal locus of control. In a similar manner Seligman (1975) postulates that when a child is deprived of a possibility to exert control, learned helplessness may develop. When it comes to realistic and unrealistic control beliefs Zuckerman et al. (1996) propose that when a child often experiences situations when she/he is praised and blamed for results that were in fact were not under their influence, she/he may develop unrealistic control beliefs.

As previously indicated, the illusion of control is prevalent among entrepreneurs (Hayek, 2012). Even though the hypothesis indicating that entrepreneurs may more often be recruited form a population that in childhood received reinforcements for events that they did not necessarily control may seem interesting, it is more plausible to search for situational determinants of potential unrealistic control beliefs among nascent entrepreneurs. A valuable clue comes from research conducted on traders working in the City of London investment banks (Fenton-O’Creevy et al., 2003). Fenton-O’Creevy and colleagues demonstrated the negative relationship between illusion of control and performance. They also proposed how the trading environment in which traders operate is comprised of possible antecedents of illusion of control. These conditions to large extent are similar to those encountered by nascent entrepreneurs. The most significant similarities are regard the following characteristics:

− The inability to clearly establish to what degree one’s actions are responsible for outcomes – entrepreneurs’ outcomes are contingent on a myriad of factors, including those that cannot be fully analyzed or have their influence on performance with a significant delay.
− Stress – research findings indicate that illusion of control level is enhanced under high stress (Friedland et al., 1992). Fenton-O’Creevy et al. (2003,
p.57) made a statement about traders: ‘Trading is a highly stressful occupation in terms of workload, time pressure, visibility and uncertainty coupled with limited control opportunities.’ This statement to large extent applies to entrepreneurs.

- Competition – this is another factor that may increase the illusion of control (Langer, 1975). The necessity to cope with situations characterized by a high level of competition is a part and parcel of entrepreneurial career.

- Implemental mindset – Gollwitzer and Kinney (1989) proposed the distinction between the deliberative and implemental mindset. The first one is characteristic to people before they are about to make a decision, whereas the second after it is made. People under the implemental mindset become more optimistic regarding their chances for success and underestimate possible threats. In an environment when quick decisions often have to be made implemental mindset is often developed followed by the illusion of control. This characteristic is also typical of entrepreneurs (Trevelyan, 2008).

Fenton – O’Creevy et al. (2003) demonstrated that traders with a high level of illusion of control do not perform as well as those characterized by low level of illusion. Their finding thus support the notion that at least in situations when the amount of actual control one can exert is limited, high perceived control may not be beneficial. The research finding indicating that in an environment that makes it likely for an individual to develop illusion of control, those that develop it to a lesser extent obtain better results induces an important question. What individual difference or differences is responsible for this effect? - i.e. for whom it is easier to resist the influence of the environment and develop realistic control beliefs. It seems that the answer to this question still needs to be developed. The importance of obtaining it and applying to interventions focused on nascent entrepreneurs cannot be overstated as it may be even decisive in terms of venture’s success.

5.6. Conclusions

This article was aimed at highlighting situations when self-efficacy beliefs and perceived control may not be a good predictor of the subsequent performance. Self-efficacy sources proposed by Bandura differ in their ability to produce reliable convictions that one has what it takes to reach the desired outcome. Even the most trustworthy source – mastery experiences may at times be misleading and result in overconfidence when we take into consideration the way in which self-serving bias operates. Other factors that determine self-efficacy (i.e. vicarious experiences and
social persuasion) are probably not only a source of more elusive efficacy beliefs, but usually also can be trusted to lesser extent.

Also perceived control can sometimes be regarded to have a substantial degree or little overlap with reality. Theoretical approaches and research findings cited in this article indicate that sometimes people may develop illusion of control and believe that they can control the uncontrollable. Results obtained both in a laboratory and in work environment indicate that illusion of control may result in devoting oneself to a losing course of action and is negatively related to performance.

Nascent entrepreneurs are among those who are prone to establishing erroneous self-efficacy beliefs and hold illusory convictions regarding the amount of control over a situation. Both these aspects may be considered to be at least to some extent responsible for venture creation and on the other hand sometimes be decisive of its lack of success. Therefore a more detailed answer regarding individual and situational determinants of positive and negative influence of self-efficacy beliefs and perceived control on entrepreneurial decisions and actions is necessary. This issue calls for more detailed laboratory and field research.
CHAPTER 6

STARTING AND MAINTAINING A BLOG AS AN EXAMPLE OF AN ENTREPRENEURSHIP

6.1. Introduction

Blogs (weblogs) are said to be a ‘new form of mainstream personal communication’ (Rosenbloom, 2004), where people can share their knowledge, exchange information and constitute relationships and networks. A blog is a frequently updated website with new personal posts and web links, displayed in reverse chronological order, where the most recent posts appear first. The word ‘weblog’ was first introduced by John Barger (1997), the employee of the Northwestern University. He suggested that it can be defined as “a web page where a blogger logs all the other web pages she finds interesting” (Barger, 1997). The system of all blogs and the interconnections between them is called blogosphere.

Blogs are very popular communication tools among internet users. They can be used by experts with a desire to share their expertise and they are also a perfect tool for people who are keen to show their interests, diaries within a tiny group of well-known others. Winer, one of the blogging pioneers, presented the four basic characteristics of weblogs: personalized, web-based, community-supported and automated. The first feature – personalized - indicates that blogs are created for individuals, who use the informal and personalized style of writing. The second - web-based - means that blogs can be maintained and updated very often. The access is also very easy via the web browser. The third characteristic – community-supported - draws attention to the possibility for a blogger to link to other websites and blogs, and therefore stimulate sharing ideas between bloggers. According to the author the last weblog feature of great importance is being automated. It means that the existence of many blogging tools enable bloggers to concentrate only on the content of their blogs, without the need of writing the HTML codes.
According to the Universal McCann report in March 2008 (http://www.scribd.com/doc/3836535/Universal-Mccann-on-Social-Media) the popularity of blogs has surged over the last years into circa 185 million in the world, and among them 2.84 million blogs were in Polish. According to this report the total worldwide viewership of blogs in 2008 was estimated to be approximately 346 million (http://www.scribd.com/doc/3836535/Universal-Mccann-on-Social-Media). The survey held by Pew Internet and American Life Project (http://pewinternet.org) in 2008 indicated that 40% of adult internet users in the United States have their own blog. In comparison, in 2003 there were virtually no blogs.

### 6.2. Problem statement

The most important research problem in this study concerns the process of starting and maintaining a blog. This can be presented as an example of entrepreneurship behavior, which is characterized as an organized process based on the certain idea. In order to achieve a specific and well defined goal, the opportunities have to be found and exercised. The entrepreneurship process consists of the following elements and stages: identifying business opportunities, developing a business plan, determining the resources required and managing the enterprise (Hisrich, Peters, Shepherd, 2005).

The main objective of this research is to identify the elements of the blogging activity in terms of its start and maintenance which can be compared to the similar stages of the entrepreneurial process. To do so, thorough research in the blogosphere was done and a sample of weblogs, especially those committed to the blogging aspect, was chosen.

The remainder of the paper is organized as follows. Section 1 provides the introduction to the subject. Section 2 gives the idea of the research problem. Section 3 describes what kind of research questions this study addresses. The literature review of the subject of blogging and entrepreneurship was discussed in Section 4. Section 5 contains information of the process of gathering and analyzing data. The most important limitations were also introduced in this section. Next section contains the findings of the study. The paper is concluded in Section 7.

### 6.3. Research questions

Drawing into the ideas in the previous chapter, this study addresses the following research questions:
– How can aspects of blogging be presented as the elements or stages of entrepreneurial process?
– Is this reasonable to present aspects of blogging as the elements or stages of entrepreneurial process?

6.4. Literature review

The number of studies on blogs has considerably increased due to the growing popularity of blogs. The focuses of these articles vary from motives of blogging, sociodemographics, journalism blogs or among many others blogs concentrated on political matters (Herring et al., 2005) Many studies reveal that the majority of blogs attract small amount of visitors, mainly because of the personal content of the blog (Schmidt 2007) (Gunter, 2009). Therefore, they will never achieve wide readership. Only a small number of weblogs can have significant readership and wide recognition, very often leading to financial success. A short list of the most popular weblogs and bloggers, known as the “A-List” (Herring et al. 2005), has been created. One of the A-list was prepared by Technokrati (http://technorati.com/blogs/top100) and is available online.

The potential value of the blogs started to be seen also by businesses, where employees are stimulated to use this medium. According to Schaefer (2011) there are many corporate blogs, from which Starbucks, Marriot, General Electric, Fiskars and Manpower weblogs are among the best ones. Nevertheless, the author of this article finds this area still open for marketing-channel development.

A lot of different studies have been done on the entrepreneurial process. Bygrave (1989) argues that this process is chaotic. Reynolds and Miller (1992) also didn’t find any pattern common for all organization’s behavior in its first stage. Hovewer, Katz and Gartner (1988) mentioned four signs of the process of starting a new business:
– intention to create an organization,
– assembly of resources to create an organization,
– development of an organizational boundary,
– exchanges of resources across the boundary.

Haber and Reichel (2007) presented in their article an integrated dynamic model of entrepreneur choices and resource accumulation. In this model each phase of the process cumulates with all the others. After an investigation on more than 300 tourist ventures the authors discovered that the entrepreneur’s human capital with the emphasis on the managerial abilities notably influenced the performance of the organization.
There are many articles covering the subject of entrepreneurial process from different perspectives. Nevertheless, so far the number of studies focusing on the relationship between blog and entrepreneurship is very low. The present study tries to fill the gap in research on the possibility of presenting the aspects of blogging as the elements of the entrepreneurial process.

6.5. Data gathering and analysis

6.5.1. Data gathering

The empirical data were collected in May and June 2012 among polish blogs focused mainly on blogging, technology and e-marketing or very often a combination of all the above. By using in Google and Google Blog Search (http://www.google.com/blogsearch) websites keywords such as blogs, new technology and e-marketing, the sample of 50 blogs was chosen. The preliminary study showed different blog contents and also the variety of readers’ comments. Nevertheless, most of the blogs appeared to be irrelevant for the purpose of this study. Firstly, there were no posts regarding the issue of starting or maintaining a weblog. Secondly, the blog was no longer active. Of the 50 blogs chosen in the preliminary sample, seven blogs appeared to meet the given criteria, i.e. were active and contained at least one post on the process of creating or maintaining a successful weblog.

6.5.2. Data analysis

The aim of the analysis of data is to highlight useful information and suggest conclusions. In this study, the postings and comments were first transferred from the blogs to the separate file. Then, the main issues were identified and divided into different subgroups. For example, such crucial research areas as advice on the best way of starting the blog and problems faced during the first period of having a weblog were recognized.

In order to enhance this study, the materials from weblogs were analyzed by the author. Thoughtful and thorough reading of the material was vital in order to sort the data and also enabled the author to come to the conclusions about the bloggers and entrepreneurs comparison.

6.5.3. Limitations

A few limitations appeared during the study. Firstly, there was no possibility to find all Polish blogs with posts concerning the subject of starting and maintaining the weblog, so the sample had to be chosen. Secondly, only the textual part
available on the blogs was examined. Thus, the audiovisual materials such as videos and photos were not reviewed and not taken into consideration in this study. Finally, no attempt was made to access whether the information available on weblogs concerning the problem of starting and maintaining the blog is useful and led to the expected outcome, both for bloggers and readers. A separate study would have to be done to find answers to the questions stated above.

6.6. Findings

The bloggers discussed the variety of issues related to starting and maintaining the blog, such as how to create a successful blog, where to start the weblog, what techniques are most efficient, how the workflow should look like, what are the tips on the motivation aspect and how to create the compelling and unique content of the weblog. Very often bloggers found extremely important the aspect of making the plan of starting the blog and its maintenance (http://urszulaphlep.com/2012/01/o-czym-pisac-bloga).

First of all, the act of starting the weblog is taken into consideration. The authors of the selected weblogs give advice to those wanting to start the blog. Very often the question “how to write a blog” is the key element of the posting, sometimes even it is its title. Bloggers insist that the following technical and content related issues are the most important in this stage of blogging:

- Decision whether to host or not to host – there are two main possibilities: to have own domain name such as Kwestia Smaku (http://www.kwestiasmaku.com) or to start a blog with a free blogging service such as Blogger and as an example the blog White Plate (http://whiteplate.blogspot.com) can be given. The decision has to be made at the beginning and has many implications. The first option is more costly, but enables us to have a unique address and gives us flexibility and independence. The usage of blogging service makes the process of starting a blog easier and is cost-free. Nevertheless, there are many limitations such as the weblog’s outlook and its maximum space and transfer.

- What kind of blog should it be? What is interesting to the blogger? What does he find fascinating? What can he write about? Answers to these questions are also crucial in the first stage of creating the blog.

- The choice of the blog’s name seems to be also one of the key aspects that need to be taken into consideration. A good name can attract many readers, so it is also an issue worth spending time on.
Starting and maintaining a blog as an example of an entrepreneurship

- Bloggers insist on planning the activities connected with blogging: starting with preparing the postings in advance, planning the frequency of posting, to the changes they would like to introduce to their blogs.

Then, the maintenance of the weblog has to be discussed further. Once the blog is created, many problems arise that need solving. In the beginning there are not many readers and there is a need to attract them. This can be compared to the situation of entrepreneurs in the first stage of running the company when the customers do not recognize the company and therefore something has to be done to make the business well known and recognizable.

There are many ways to attract new readers. First of all, the content of the blog must be interesting and regularly updated, understood as adding new posts with the previously specified regularity for example once a day or twice a week. Bloggers should also answer the readers in a timely manner. The interaction between the blogger and the reader should be visible on the blog, as this is what bloggers find their competitive advantage.

One of the other aspects of blogging is earning money. There are a few possibilities to obtain an income on blogging such as product advertising, sponsored blogging (writing about the products received from the company), partnership programs and banners. This subject seems to be important both to bloggers and readers, as very often posting regarding this matter has noticeable feedback. In the USA the issue of making money on blogs has been researched and the lists of top earning blogs are created (http://www.incomediary.com/top-earning-blogs).

Table 6.1. Comparison of blogging and entrepreneurship aspects in terms of starting and maintenance

<table>
<thead>
<tr>
<th>Aspect of blogging</th>
<th>Aspects of entrepreneurship</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Starting</strong></td>
<td></td>
</tr>
<tr>
<td>Decision whether to create a blog on the free blogging service or to buy the domain</td>
<td>Where should the company be created?</td>
</tr>
<tr>
<td>What kind of blog should it be?</td>
<td>What kind of business should it be?</td>
</tr>
<tr>
<td>The choice of the weblog’s name</td>
<td>The choice of the company’s name</td>
</tr>
<tr>
<td>Planning</td>
<td>Planning</td>
</tr>
<tr>
<td><strong>Maintenance</strong></td>
<td>How to maintain the blog posts frequency? How not to lose readers?</td>
</tr>
<tr>
<td>How to attract new readers?</td>
<td>How to attract new clients?</td>
</tr>
<tr>
<td>How to make money?</td>
<td>How to make (bigger) money?</td>
</tr>
</tbody>
</table>

Source: Author’s own.
Table 6.1 presents the comparison of blogging and entrepreneurship aspects in terms of its starting and maintenance. On the left part of the table aspects of blogging mentioned by the bloggers were presented. On the right part of the table the corresponding aspect of entrepreneurship were mentioned.

Table 6.2. Comparison of blogging and entrepreneurial process in terms of its elements and stages

<table>
<thead>
<tr>
<th>Elements of entrepreneurial process</th>
<th>Elements of blogging process</th>
</tr>
</thead>
<tbody>
<tr>
<td>identifying business opportunities</td>
<td>What kind of blog should it be?</td>
</tr>
<tr>
<td>developing a business plan</td>
<td>Planning what and how to do</td>
</tr>
<tr>
<td>determining the resources required</td>
<td>How to update the blog regularly and with a good content?</td>
</tr>
<tr>
<td>managing the enterprise</td>
<td>Attracting new readers, making money, keeping the “old” readers, taking care of the blog’s content</td>
</tr>
</tbody>
</table>

Source: Author’s own.

Table 6.2 presents the comparison of blogging and entrepreneurial process in terms of its elements and stages. As opposed to to the table 6.1, the elements of the entrepreneurial process were introduced and then the equivalent phases of the blogging process were presented.

6.7. Conclusions

This research is viewed as a starting point to the discussion on blogs and its characteristics compared to the aspects of entrepreneurship. In his study, the blogging activity was presented as a set of elements which can be compared to the stages of entrepreneurial process: identifying business opportunities, developing a business plan, determining the resources required and managing the enterprise. The results of the study indicated that bloggers, weblog readers and commentators very often treat the blogging activity as the area where entrepreneurship takes place, giving as an example starting the blog, looking for the best content for the blog, searching for the most attracting sponsors of competitions and taking care of the recognition of the blog in order to have the wider possible readership.

In the future, there is a plan to conduct a more comprehensive analysis of the subject of blogs and entrepreneurship.
CHAPTER 7
TRANSFORMATION OF SMALL AND MEDIUM-SIZED ENTERPRISES IN POMERANIA DUE TO STAGING THE EURO 2012 WITH PARTICULAR EMPHASIS ON THE HOTEL INDUSTRY

7.1. Introduction

The implications of mega sports events for the organiser’s economy remain virtually unexplored in Poland. The fact that our country was entrusted with organising the 2012 European Football Championship spurred interest in the issue. In the course of preparations to the event many doubts have arisen as to the actual cost-benefit balance affecting the hosting country. An attempt at arriving at the nagging question, i.e.: „Is organisation of such a large event profitable from the economic point of view?” is hindered by the specificity of events of this kind. This specificity is due not only to the huge scale of the projects pursued, but also to the long-term impact on the organiser’s economy, stretching long beyond the several-year period of preparations.

The economic impact of mega sports events can be viewed from different perspectives. The most frequently indicated factors include changes in the GDP of the hosting country or region, changes in the labour market, development or upgrading of the infrastructure, and trends in the area of the tourist flow volumes. (Cashman, 2005), (Wasilczuk, 2010) The channels of impact from such huge events are, however, far more numerous and include: public, political, and cultural life, information, education, sport, and psychological aspects. (Wasilczuk, Zawadzki, 2011) While there is considerable literature on event impacts, few studies actually address the business activities and competitiveness behind them. In this paper, the micro level is considered, namely the potential impact of Euro 2012 on the business decisions in selected sectors, particularly connected with the mega sport event in the Pomeranian region.
7.2. Literature background

As was mentioned above, there are relatively few studies dedicated to impact of sporting events on the sphere of business. The vast majority are associated with the impact of infrastructure (Roche, 1994), (Essex, Chalkley, 1998), (Chalkley, Essex, 1999), (Chen, Spaans, 2009), changes in the flow of tourist (Deery et al., 2004), (Fredline, 2005), (Getz, 2005), (Weed. 2008) and creating new jobs (Baade, Matheson, 2002), (Hotchkiss et al., 2002) in the context of large areas.

Still, the long-term effects are certainly much easier to capture for a smaller area, since contribution to the overall business activity is doubtlessly highest at this level. Therefore Matheson (2006) postulates to focus on the smallest possible affected area, e.g. a city, perhaps a region, instead of the whole country. The SME sector plays an important role in the development of the region through its participation in the GDP and jobs; thanks to the SMEs allocative changes of production factors occur in the region as a result of seeking market niches, increasing business activity and efforts to develop SMEs (Strużycki, 2004).

Preuss and Alfs (2009) add that Major sport events may be perceived primarily as a public investment in the regional image and, thereby, be used as a signaling tool for the host as, for example, a business location, aiming at the reduction of informational deficiencies with regard to potential investors and visitors. The authors therefore do not focus on the corporate sector, but rather on the determinants that may affect the sector and decisions taken by entrepreneurs.

The confirmation of this thesis is the approach represented by Preuss (2007), who notes that a better business destination would be developed through event infrastructures such as an upgrade of the general infrastructure (notably traffic systems), knowledge understood as security and organisational and service skills, skilled labour, image as a business location, and political and business networks.

This dependence on a regional basis is called a local feedback (Wach, 2008). The city and the region where the event is being organized becomes more recognizable. It is perceived as being more attractive for investors, which should lead to an increase in investment. In addition, the event is associated with intensive promotion of agglomeration and the region, especially abroad. So, one can expect the improvement of the competitiveness of SMEs sector as well as the entire region.

7.3. Methodology

The research reported in this study focused on the relationship between UEFA Euro in Poland and the decisions taken by representatives of SMEs. There-
fore, looking at those results in terms of general topic, I state that even the small impulse from the market would accelerate operations at the region’s firms. I expected that perceived increase in demand, because of infrastructure spending, additional demand from visitors (during Euro 2012 and after), additional demand caused by multiplication effect, would encourage owners to increase their activities in the selected sector.

In order to evaluate the link between organisation of the Euro 2012 in Poland and the entrepreneurs’ decisions, a questionnaire-based survey has been conducted. The main purpose was to identify the entrepreneurs’ stance with respect to the opportunities and threats connected with organisation of the Euro 2012. In view of the above, the following set of questions was addressed to them:

1. What are your hopes in connection with the Euro 2012?
2. Do you anticipate any support in connection with the Euro 2012, and if so, of what kind?
3. Are you preparing for the Euro 2012 (planning to introduce new products or services, embark on investments aimed at enhancing your competitive edge, etc.)?
4. What problems can you see in connection with the organisation of the Euro 2012?

The survey was conducted under the direct interview method in October 2009, i.e. less than three years before the Euro 2012. Hence, one can request a fairly expansive approach to business and big business ambitions. If only 2 percent of respondents intend to reduce or eliminate the activity, it means that despite the economic downturn they perceive their prospects more optimistically. The population sample was made up of 300 businesses employing at least one person and no more than 250 people. In other words, the survey focused on the SME sector, except for the self-employed. The rationale for the latter’s exclusion was that businesses hiring no employees were formed primarily to create jobs for their proprietors and their developmental potential was marginal. The surveyed businesses operated in Pomerania, and specifically in three municipalities: Gdańsk (40%), Gdynia (20%), and Sopot (10%), and their vicinities, i.e. the communes of: Kartuzy, Puck, Nowy Dwór, Tczew, and Wejherowo (30% in aggregate). The inclusion of the municipalities next to the tournament venue was obvious. However, it was resolved to go deeper into the neighbouring communities because of the assumption that entrepreneurs from outside Gdańsk and the Tri-City might join in the preparations for the Euro 2012. The distances from Gdańsk to the capital towns of the communes were: Kartuzy – 32 km, Tczew – 32 km; Nowy Dwór – 39 km, Puck – 57 km, Wejherowo – 45 km. The authors then selected the branches they thought should benefit most from the organisation of the Euro 2012. The
survey comprised the following industries: hoteleering, transport, catering, and construction. Each industry was equally represented (25%). The tourist trade was consciously excluded from the survey, since a vast majority of firms operating in the industry deal with outbound tourism, which means that organisation of the Euro 2012 will be neutral to them. Most businesses included in the survey have a long history and enjoy a well-rooted position in the market. 15% of companies were established earlier than in 1990, 42% SMEs were formed between 1990 and 1999, which was the period of peak entrepreneurial explosion in Poland, 33% were set up in 2000-2006, and only 11% represented young firms with the history going back to 2007-2009. As concerns the legal form of the analysed entities, proprietor businesses predominated, which is typical for SMEs (44%), limited liability companies accounted for 34%, whereas joint stock companies and general partnerships accounted for 4% of the population each. The remaining 14% of the respondents represented other legal forms, or did not answer the question.

In addition to a survey conducted three years before the Euro 2012 an analysis of the state of accommodation during the event. For this purpose one defined the requirements set by the UEFA to the host cities and the state of preparation of the hotel industry already during the final round. In the final part of the study the attempt to determine the impact of the legacy of the Euro on the development of the Pomeranian region was undertaken.

7.4. UEFA requirements to meet by the hosts in the field of accommodation

UEFA set out guidelines for the preparation of the hotel base for the four groups of recipients (UEFA):
- UEFA and the Event Company and their respective employees, officials and representatives;
- the delegation of each of the national associations which are participating in UEFA EURO 2012 (including, without limitation, players, coaches, medical doctors and officials);
- referees; and
- doping Control Doctors.

UEFA require one 5-star hotel in each Host City from the commencement of UEFA EURO 2012 until each match scheduled to be played in the relevant Host City has been played. These hotels will be used as UEFA and the Event Company’s organisational centres for the Official Sites in the relevant Host City. The number
of rooms to be occupied during UEFA EURO 2012 vary depending on a variety of factors including the final match schedule. Nevertheless, a minimum of 40 bedrooms should be available for UEFA and the Event Company throughout the required period. In addition, each of these hotels should provide four offices as well as one permanent meeting room and be no more than 45 minutes drive from any relevant Stadium.

In relation to accommodation centres for the 16 Teams, their delegations should be offered appropriate accommodation which satisfies the following requirements (UEFA):

- most of the hotels offered should be 5-star but a few 4-star hotels should be offered for cost-conscious teams;
- the hotels should have recreational facilities (e.g. fitness rooms, swimming pool, billiards, etc.);
- a minimum of 60 rooms should be reserved at each hotel. Some teams may wish to book the entire hotel on an exclusive basis and others will permit members of the public (other than media representatives) under certain conditions. In each case, the team and the immediate staff require absolute privacy with segregated entrances and walkways;
- hotels should offer the possibility of installing team offices, team meeting rooms and specific rooms for medical treatment and massage;
- hotels should offer flexible food arrangements and for team’s cooks to use their kitchens;
- hotels should offer preferable rates with regard to bedrooms and meeting rooms/offices;
- it should be possible to implement strict security measures in and outside the hotels;
- bidders should present a good mix of city centre and country-side hotels.

Besides the specified requirements, UEFA indicate the need to prepare accommodation for other target groups such as Commercial Partners, media and broadcaster representatives and supporters, nevertheless in this case specific, detailed guidelines have not been determined.

7.5. The results of the survey among Pomeranian small and medium enterprises’ representatives

Entrepreneurs can actively prepare for the event so as to generate additional profit in the phase of preparation to it or in its course. Alternatively, they can remain passive watching for the potential changes following the event, and only then
make decisions about injecting additional funds in the business, if any. Due to research 87 per cent of the surveyed companies did not conduct any activities related to the organization of Euro (Figure 7.1).

![Figure 7.1. Involvement of businesses in the SME sector due to the organization of Euro 2012 [in %] (more than one answer possible)](image)

Source: Author’s own.

These results confirm that many small and medium-sized companies are established ad hoc, using this opportunity at a time. Rarely comes to planning activities, especially in the long term. Such a high percentage of companies not planning to engage may also indicate the absence of Euro 2012 in the minds of entrepreneurs at the end of 2009, when the study was conducted.

The research results in the figure 7.2 indicates the fact that Pomeranian enterprises anticipated however the possibility of utilization of Euro effect. Only 21% of companies in Gdańsk did not see any prospects for development.

Most, because 39% of them have suggested the possibility of expanding the market and revenue growth.
Apart from Gdansk most opportunities to use the fact of the organization of Euro 2012 saw the companies from Gdynia. In turn the most pessimistic were enterprises from Sopot.

**Figure 7.2. Opportunity for the development of enterprises in relation to the Euro 2012**

Source: Author’s own.

If one take into account the impact of the industry on the perception of opportunities for development, the best prospects in the organization of Euro 2012 predicted units from hotel and catering industry, mainly specifying the opportunity to revenue growth grow revenue and increase in profits (Figure 7.3). Much worse projections were shared by companies in the transport and construction industries. Having regard to the units which have not answered, almost half of the companies in these two sectors did not see growth opportunities in relation to the Euro.

Such state of affairs can be explained by the positive correlation between the increase in the number of tourists and the increase observed in the hotel and catering sectors. In the construction industry merely the greatest units may expect the lucrative contracts. Smaller companies can apply only to subcontracting.

On the other hand, considering the transport services it was difficult to clearly determine which channels the fans get into Polish. There was also a lot of risk
that the necessity to move around the various host cities would be solved by modernized, efficient public transport.

![Figure 7.3. Opportunity for the development of enterprises in relation to the Euro 2012 depending on sector [in %] (more than one answer possible)](source: Author’s own.)

Surveyed entrepreneurs were asked to indicate the changes taking place in Gdansk, which were associated with the greatest opportunities for growth (figure 7.4). The hotel and catering industries associated highest hopes with the promotion of the city.

The specificity of these industries is the fact that they always benefit the promotion of the region because it is related to the influx of tourists and the increased demand for the service offered by these industries. Not surprisingly, most transport companies involve their chances with the development of transport infrastructure. However, the construction industry counted most on building the stadium in Gdansk and the creation of a new district in surroundings of this building.

Analyzing the results of the research prospects of the hotel industry in Pomerania relative optimism should be noted that representatives of the industry combined with the organization of the Euro 2012. In comparison with the representatives of other sectors, they have high hopes pinned primarily due to increased
revenues and profits as a result of the expected increased flow of tourists. With the promotion of the city of Gdansk hoteliers long before Euro 2012 predicted chance of developing its activities after the event.

Figure 7.4. Changes in Gdansk and the perception of opportunities by sectors [in %] (more than one answer possible)
Source: Author’s own.

7.6. Development of the tourist accommodation in Gdansk in relation to the organization of Euro 2012

Before the event, in accordance with the requirements set out by UEFA there was a need for the development of tourist services infrastructure, which led to the necessity in prior preparation and development of the hotel base. Therefore, there was an increase in the investment made in the hotel industry. In preparation of accommodation for the teams, UEFA Family and fans a special purpose vehicle PL.2012 along with host cities engaged in intensive action to ensure the preparation of a suitable accommodation.
In each city run municipal coordinator for accommodation, which cooperated closely with the national coordinator of accommodation. The main objectives of accommodation area indicate: (Sprawozdanie..., 2012).

1. **Accommodation centers for teams** – Poland indicated 21 locations in the official catalogue of centres sent to 53 European Football Federations. From 16 teams of finalists as many as 13 teams chose the stay in Poland (not Ukraine) what is outstanding evidence for the quality, the standard and fulfilling the expectations of the teams.

2. **UEFA Family hotels** – according to UEFA guidelines Poland should prepare a sufficient number of rooms in the highest standard 4 and 5 stars in various host cities, i.e.: Warsaw – 6,100, Gdańsk – 3,075, Poznań – 2,765, Wrocław – 2,745. The total fulfillment of these requirements by the cities took place at the turn of 2011 / 2012, when the official agency for the accommodation guaranteed UEFA the appropriate number of rooms.

3. **Accommodation for fans** – due to the number of fans which arrived in Poland this operational task was the most difficult in the area of accommodation. Cities, based on hints of UEFA experts identified a range of accommodation within 2 hours drive from the stadium. According to these data the number of existing accommodation ensured an adequate number of beds for the fans, which was confirmed during the tournament among others with fact of appearing of vacancies in hotels, available on match days.

In June 2012, there came to Poland 652 thousands of fans from 119 countries (Sprawozdanie..., 2012). Apart from hotels, at fans' disposal there were also available: motels, boarding houses, hostels, private rooms, farm tourism boarding houses, halls of residence and campings. The following table presents a list of available accommodation databases in Gdansk, along with the regions located within a 2 hour drive from the PGE Arena stadium.

From the point of view of the number of the offered accommodation facilities in Pomerania, it is worth emphasizing the great importance of private quarters which are included in the category of non-categorised buildings. The total number of beds with their involvement is exceeding the total number of all remaining units repeatedly.

A presence of halls of residence is also paying attention. Some universities, such as Gdansk University of Technology decided to shorten the academic year, in order to be able to offer a place in the halls of residence for visiting fans.
Table 7.1. Availability of accommodation in Pomerania in relation to Euro 2012

<table>
<thead>
<tr>
<th>Specification</th>
<th>Buildings</th>
<th>Rooms</th>
<th>Beds</th>
</tr>
</thead>
<tbody>
<tr>
<td>hotels</td>
<td>193</td>
<td>9118</td>
<td>19111</td>
</tr>
<tr>
<td>non-categorized objects</td>
<td>6 178</td>
<td>41846</td>
<td>149583</td>
</tr>
<tr>
<td>hostels</td>
<td>5</td>
<td>22</td>
<td>153</td>
</tr>
<tr>
<td>motels</td>
<td>7</td>
<td>98</td>
<td>230</td>
</tr>
<tr>
<td>guesthouses</td>
<td>63</td>
<td>466</td>
<td>2148</td>
</tr>
<tr>
<td>farm tourism boarding houses</td>
<td>842</td>
<td>3517</td>
<td>12889</td>
</tr>
<tr>
<td>apartments</td>
<td>57</td>
<td>198</td>
<td>653</td>
</tr>
<tr>
<td>halls of residence</td>
<td>25</td>
<td>2468</td>
<td>6012</td>
</tr>
<tr>
<td>campings</td>
<td>96</td>
<td>498</td>
<td>5713</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7466</strong></td>
<td><strong>58231</strong></td>
<td><strong>196492</strong></td>
</tr>
</tbody>
</table>

Source: Author’s own based on: (Sprawozdanie…, 2012).

For most hotels there were prepared three-star facilities, not much less two-star. The least, not surprisingly, were offered hotels with the highest, five-star category. Despite this, the number of rooms and beds exceeded those which were in the offer of the lowest standard hotels (Figure 7.5).

![Figure 7.5. Number of hotels, rooms and hotel places in Pomerania divided into categorization](image_url)

Source: Author’s own based on: (Sprawozdanie…, 2012).
It is worth noting that Gdansk and wider the Pomeranian region can boast of the largest number of available beds among all Polish Euro 2012 host cities / regions (Figure 7.6). In terms of the number of buildings, rooms and beds the Polish capital – Warsaw - were even overtaken.

Moreover Tri-City in Poland, which consists of Gdansk, Gdynia and Sopot, achieved with regards to hotels the highest average daily rate (ADR) across all the Polish cities during the tournament, with ADR reaching €225.61 (+199.3 percent). The city also managed to keep ADR level close to €220 during the games played there: ADR reached €219.94 (+169.9 percent year to year) on 14 June, €222.46 (+176.5 percent y/y) on 18 June and €240.43 (+219.9 percent y/y) on 22 June. (http://www.hotelnewsnow.com/Articles.aspx/8472/Daily-hotel-performance-data-from-EURO-2012; date: 25.10.2012) Naturally It does not change the fact that the hotel sector whilst benefiting from the influx of visitors on the night of a game, still had rooms available throughout the championship period. The average length of stay was a short one and was 2 days. The total occupancy of Pomerania hotels is estimated at 75%.

Figure 7.6. The total number of accommodation places divided into host cities

Source: Author’s own based on: (Sprawozdanie…, 2012).
7.7. The impact of the legacy of Euro 2012 on tourism in Pomeranian region

The mega sport events tourism legacy is largely positive because the media coverage increases the desire of potential tourists to visit the country after the tournament due to change in perception. From the economic point of view it is interesting to look at the infrastructure that was built for the event and its post-event impact. Chalip (2003) demonstrated that many sport facilities ran at the deficit or were torn down because they were too underutilized. The UEFA evaluation commission puts great weight on the accommodation structure when visiting the applicant cities during the bid process. Cities have to provide at least thousands of hotel beds during the event time.

Owing to the fact that hotels are private properties, the huge demand for hotel rooms in order to successfully bid for the event, forces local governments to provide public incentives for private hotel construction. Both, the opportunity to get subsidiaries and high expectations in the games like European Football Championships may create an oversupply of hotel rooms after the event. It must be questioned whether a possible gain in image and the publicity effect of the mega sport event will suffice to increase the bed supply for the few days of the tournament in such a way that an adequate occupancy rate of the hotels after the event can be achieved. A new image and higher awareness, new and upgraded infrastructure and additional tourist attractions will increase the post – event tourism. However to what extent, depends on the ability to use the short Euro effect to leverage tourism.

7.8. Conclusions

The organization of Euro 2012 in Pomerania was an event without precedent. Never before has such a large event had no place in Poland. The consequence of this state of affairs is unprecedented scale of the changes in the infrastructure environment.

These changes flow to the SME sector, which attempted to capture the benefits from the fact of the Euro organization, although the results of the research presented in the article indicate the exceptional restraint in this regard. As many as 87% of the surveyed companies had not taken any action before the final tournament, even though they treated the event as a chance to develop. Because of football meetings played in Pomerania the hotel business was an industry which expected the greatest benefits. It should be emphasized the importance of promoting
the city and wider the whole region for the future operation and development of this sector.

Pomerania region turned out to be the best prepared to accept hundreds of thousands of visitors - football fans. In quantitative terms, the extent of various types can be counted at almost 200 thousand beds. The number of hotels rose, including those of the highest standard. At this moment in Gdansk and the surrounding area there are eight five-star facilities.

There is a significant fact of using the Euro 2012 by hoteliers, which is reflected in the increase in the average price of accommodation.

Gdansk led in this regard across the country reaching an annual ADR growth close to 200 per cent. It is a surprising growth in terms of its scale which, however, was not discouraged potential tourists to use hotels. It was confirmed by the high 75 per cent occupancy rate of the hotel beds throughout the duration of the tournament.
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AUTHORS

Chapter 1  – Joanna Pniewska, M.Sc, Centre for Knowledge and Entrepreneurship at Gdansk University of Technology
Chapter 2  – Piotr Karniej, PhD, Hospital Organisation and Management Research Team “AVICENNA” Jagiellonian University, Cracow; The Health Science Department of Wroclaw Medical University
Chapter 3  – Maciej Woźniak, PhD, AGH University of Science and Technology
Chapter 4  – Anna Irena Szymańska, PhD, Pedagogical University of Cracow
Chapter 5  – Paweł Ziemiański, M.Sc, Faculty of Management and Economics, Gdansk University of Technology
Chapter 6  – Aleksandra Roslan, M.Sc, Faculty of Management and Economics, Gdansk University of Technology
Chapter 7  – Krystian Zawadzki, PhD, Faculty of Management and Economics, Gdansk University of Technology

Editor’s note

Krystian Zawadzki, PhD, born in 1976, financier, an active stock market investor and athlete. Academic tutor employed at Gdansk University of Technology and The State School of Higher Professional Education in Elbląg. “Zawadz o fi-
nance” blog founder. Research interests focus on the mega sporting events’ impact on the host’s economy. In this area he has been the author or coauthor of several academic papers, including first polish language book on the financing of mega sporting events, titled “Euro 2012. Czy ten mecz można wygrać?”