REGIONAL DEVELOPMENT AS RESULT OF COMPANY MANAGEMENT STRATEGIC CHOICE

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Abstract

In the contemporary regional science we criticize the lack of insufficiency and secondary role that is given to the micro-level, and to the importance of the personality of the entrepreneur and his business. The paper analyzes theories of regional development vis-à-vis organization theories. Regional development theories derive its behavior and operation of the business to a large extent by the environment in which it is located. Our study stresses second aspect, which methodologically proceeds in the opposite direction. The environment the company operates in can be considered as a consequence of corporate behavior and its activities. This perspective offers much greater freedom of choice for organizations. It dedicates great attention to the decisions made by management and to the organizational structures deep within the enterprise.

Keywords: theories of regional development, location theory, organization environment, business behavior.

JEL Classification: P48, R1, R58.

Introduction

Company is a place where social and economic processes meet and therefore exists urgent need to occupy with this in the frame of both managerial and regional sciences. Small and medium sized enterprises are a heterogeneous group of units working in various fields and sectors of economy. There are small machine workshops, handcraft makers, computer software firms. They are operating in manufacturing sector, service and trade. They are classified by the number of employees or total turnover level. We create a debate on how surrounding company environment and regional development determines and influences its behavior and performance.

Objective

The main task for contemporary management and regional theories is to identify and describe spatial characteristics of economic activity patterns and to explain them. We need to identify structural and functional characteristics of the businesses being concerned with behavioral aspects of the firm. Increasing complexity and differentiation of decision-making processes in companies make it necessary to include in theoretical concepts of regional science of organization patterns. Article refers to Corporate Social Responsibility when small and medium-sized businesses are focused since the word “corporate” is often associated with larger companies.

In the contemporary regional science there is a lack of insufficiency given to the micro-level, and to the importance of the personality of the entrepreneur and his business. Our objections are divided into theoretical and methodological. From the methodological point of view, the question is how to determine conclusively the role and importance of the regional environment on behavior and economic competitiveness of the enterprise. The environment is either the one having a decisive primacy and fatal impact on the business or the business environment is subordinated to the company. To resolve this we need to take both the management, company and regional sciences into consideration. From the theoretical point of view the paper analyzes contemporary organization theories and regional development theories. We investigate how environment determines and management decision-making. To reach this we outline several critical issues of the predetermined environmental effects to the company.

Research Problem

In the contemporary regional science there is a lack of insufficiency given to the micro-level, and to the importance of the personality of the entrepreneur and his business.

The paper analyzes theories of regional development vis-à-vis organization theories. Regional development theories derive its behavior and operation of the business to a large extent by the environment in which it is located. Business environment determines and influences its behavior and performance.
Over the time environmental effects of company decision making has been committed in another context in the location theories. It is assumed that any deviation from the “optimal site” exposure is accompanied by a proportional reduction of the achieved profitability. Article thus creates a debate on how the surrounding company environment determines and influences its behavior and performance. We assess methodological issues and problems.

**Method**

From the methodological point of view, the question is how to determine conclusively the role and importance of the company environment on behavior and economic competitiveness of the enterprise.

The research method is a qualitative examination. The reason for choosing this method is that this area is quite complex. It involved the collection and analysis of qualitative data. The main characteristic of the method held was an in-depth insight that has been applied. It was a case study of 10 enterprises. The task of the project was to explain company management decision making from the perspective of regional development. This required explorative approach.

**Theoretical implications and findings**

The environment is either the having a decisive primacy and fatal impact on the business or the business environment is subordinated to the company. We have chosen to examine both perspectives in this paper as it is difficult to decide ultimate resolution of various arguments.

Just like Steed (1971) and Krumme (1969), nowadays flexible accumulation theorists like Scott (1983), Schoenberger (1988) and others are concerned with organizational adjustments to the instability of the environment, albeit under a different theoretical flag.

The difference is that they do not forget to incorporate the effect of agglomeration economies. This leads to conclusion, that when environmental conditions change rapidly, organizations are able to adjust to uncertainty and instability of the environment. It is assumed, that enterprises actively seek to deal with macro-economic uncertainty while remaining passive towards scanty resources in the local business region. There is only one possible conclusion from this standpoint: it is whereas organizations are thought to be able to cope with global uncertainty, they are assumed to be unable to deal with local resource deficiencies effectively. From this conclusion we may infer that if scientists wish to reduce the deterministic overtones of spatial theory, they must focus less on environmental change or contingency than on a firm’s dependency on the availability of local resources.

The complexity of a firms’ environment is only moderately accounted for by its location. The number and diversity of relevant environmental activities depends mainly on such things as an organization’s growth strategy, industrial sector and macro-economic developments. In so far as the spatial setting affects the complexity of the environment – and Scott argues that spatial proximity stimulates organizations to enter into linkages, which subsequently makes the task environment more complex. However complexity contributes to uncertainty. This means that economic conditions are uncertain and hence favorable in densely built-up regions than in peripheral areas.

There are critical issues of the predetermined environmental effects to the company. We detect increasing attention devoted to firms’ environment in the course of time. In this respect, management theory has come a long way since McDermott and Taylor noted their results (1982). They advanced locational explanation by more fully exploring relationships between organizations and the environments within which they operate. To produce the theoretical framework, ideas derived McDermott and Taylor’s studies of external linkages and information flows. They have reviewed them and amalgamated with ideas embodied in organization theorists’ contingency models of organizational structure. The amalgamation yields an a priori model of organization environment interactions.

Pfeffer (1972, 1978, 1982) sees organizations as being embedded in networks of interdependencies and social relationship. The need for resources, including financial and physical resources as well as information, obtained from the environment, makes organizations potentially dependent on the external sources of these resources – hence the characterization of the theory as resource dependence.

Dependencies are often reciprocal and sometimes indirect. Organizations are obviously constrained by their situations and environments. There are opportunities to do things such as co-opting sources of constraint, to obtain more autonomy and the ability to pursue organizational interests. Because of the effect of external constraints on both profits and decision autonomy, organizations possess the ability to negotiate
their positions within those constraints using a variety of tactics. Like this there comes the observation, that organizations have strategic choice possible (Chakravarthy, 1982).

The change in emphasis switches from organizational suppliers and customers to other entities in the environment as governmental organizations. As firms try to alter their environment, it becomes subject to new different constraints as their patterns of interdependence change and firms try to further negotiate. Typical image of firms are dynamic interaction, firms are acting strategically to manage their resource dependencies (Pfeffer, 1978).

The relation between firm and its environments require more and more attention. Contemporary models agree on the importance of organizational environments in order to understand management decisions and structures. But they differ in evaluating the importance of the role of environmental selection. We have to include sources from organization science, administrative science and organizational behavioral science.

Webber made studies examining the effect of social structure of environment. Organization economists were concerned with ability of a firm to acquire market power and modify environments (Webber, 1974).

Castrogiovanni distinguishes different kinds of environment to the company and he conceptualizes them. He observes the “lowest environmental level, resource pool, sub-environment, task environment, aggregation environment and macro environment. At the lowest level, stocks of particular resources are the analyst’s concern. Studies of resource dependency tend to focus at this level also. Pfeffer identified how critical various resources were to particular organizations and how difficult it was to acquire these resources. In conceptualizing the organizational environment we specify characteristics or dimensions of environment and its impact on organization functioning.

**Corporate Social Responsibility**

Corporate Social Responsibility is phenomenon that refers more and more frequently to a lot of firms. Company efforts to contribute to sustainable development by finding a balance between the social, environmental and economic dimensions. Corporate Social Responsibility takes into consideration ethical and moral values but there exists a widespread conception that it brings financial benefits as well Porter (1990). Companies can benefit from businesses getting involved. Many of them participate in the encouragement of businesses to engage in Corporate Social Responsibility issues. It is important to include SMEs in the sphere of social responsibility. The role of SMEs is to ensure that social responsibility spreads among all sections in the economy. Corporate Social Responsibility is closely related to the concept of sustainable development and can be understood as the business contribution to sustainable development. The objective with Corporate Social Responsibility is to reach sustainability ultimately.

SMEs are influenced by message of Corporate Social Responsibility. In order to inform SMEs and get them engaged in environmental and social responsibility issues worldwide it is essential to invest in local and regional networks. Different levels should be active to work together in order to raise awareness among SMEs. It is necessary to provide tools that help them to integrate environmental and social affairs into day-to-day business practice and establish economic framework conditions that reward these efforts.

Governments have the opportunity to stimulate initiators already committed to CSR as well as taking on an approach to those who are yet to become involved. Guiding business through policy framework and positions, develop nonbinding guidance or codes of conduct, mandating transparency or disclosure, provide tax incentives and facilitate stakeholder dialogue are some example of the facilitation role of government. The government has an important role in stimulating the exchange of good practices and building knowledge. Awareness rising can be done through publication and information. It is crucial to adapt the support measures with the characteristics of the target group in mind and to communicate via existing networks. To understand how government promotes SMEs in social responsibility, it is essential to get them involved into responsible entrepreneurship.

SMEs operate in all kinds of sectors and they all have their particular needs of support. They are labor-intensive and capable of creating many new jobs at low costs. They are a source of innovation and dynamism. They are economically vulnerable and therefore more sensitive to shifts in demand than larger companies. SMEs often play a role as suppliers to larger companies and serve their needs. They contribute to external competitiveness of these firms. SMEs often lack time, information and money, which can be seen as main barriers to evaluate their activities. Resource limitations are evident in SMEs and they often struggle to stay in business. Fear of bureaucracy is another barrier.
SMEs social responsibility is an issue that implicates the whole supply chain. Larger companies can demand their suppliers to work with Corporate Social Responsibility issues, which affect the SMEs that often act as suppliers. The support to strengthen the SMEs work within these issues can also come from the larger companies. Most SMEs are very innovative businesses and it is therefore not surprising if they come up with creative solutions of these environmental and social problems.

Many SMEs are already involved in social responsible activities but are not aware of the importance of relating social responsibility to core business strategies. This is crucial for achieving good results in their work in these issues. The important elements of firms’ strategies and some of the potential benefits that drive SMEs to engage in social responsibility should be supported.

Conclusions

In order to meet research objective, first an analysis was conducted on the views prevailing in regional and managerial science about the role of the environment relative to the firm in explaining development. Basically, theories can be arranged into two broad approaches. One gives priority to environment and the other one gives priority to the firms. Behavioral and managerial approaches have developed criticism of subservience of the individual entrepreneur to the environment.

Article reveals that in the decentralized location model, there is a "successful business" rapidly growing small or medium sized enterprise, using innovative methods, which shows that less conspicuous and less prominent alternative locations do not obstruct effective operational performance (Chapman, Walker, 1991).

We portrayed other existing approaches, some of which directly refutes the premise of the so-called environmental determinism. According to these approaches, the forces controlling the operation of the organization and its competitiveness are not to be found in the surrounding environment, their original lies within the organization itself and within its management characteristics.

Therefore, our study stresses second aspect, which methodologically proceeds in the opposite direction. So the environment the company operates in can be considered as a consequence of corporate behavior and its activities (Child, 1972). This perspective offers much greater freedom of choice for organizations. It dedicates great attention to the decisions made by management and to the organizational structures deep within the enterprise.

Among other things, this article offers positive and stimulating information for economic and political decisions made in the name of harmonious regional development in the context of the CSR and sustainable development as it is likely to lead to positive effects on society. European governments declared corporate social responsibility (CSR) as a deliberate strategy. CSR can be understood as a contribution by the private entrepreneurs to sustainable development.

References