



¹Vlado MEDAKOVIĆ, ²Bogdan MARIĆ

ORGANIZATION AND CHARACTERISTICS OF BUSINESS ZONES

¹University of East Sarajevo, Faculty of Mechanical Engineering East Sarajevo, East Sarajevo, BOSNIA & HERZEGOVINA

²University of East Sarajevo, Faculty of Education Bijeljina, Bijeljina, BOSNIA & HERZEGOVINA

Abstract: The paper presents general organization and characteristics business zones. One of the modern ways of support to small newly established enterprises and entrepreneurs, which are in a development life phase, is the system of technological infrastructure: entrepreneurial incubators, technology centers, science parks and business zones. Those are different organizations which help entrepreneurs to develop their business ideas and to overcome more easily the initial problems in business, for which, in a wider context, the term business incubators is used, and also the clusters related to entrepreneurs who are in an advanced phase of entrepreneurship.

Keywords: SMEs, entrepreneurial, entrepreneurial infrastructure, business zones

INTRODUCTION

The beginning of the nineties, characterized by the breakdown of the former state, the outbreak of civil war, especially at the territory of B&H, stopped not only the development of entrepreneurship but also the fundamental economic activities.

The support to the development of small and medium-sized enterprises in the Republic of Srpska had gained in importance in 2002, with the adoption of the Program of Small Business Development, and after that the Law on Stimulating the Development of Small and Medium-sized Companies was adopted. The adopting of the Law has created the basis for legislative, institutional and financial help to this area.

On the basis of the Law, during 2004, there were formed: Department for SMEs and Production Craftmanship at the Ministry of Economy, Energy and Development of the Republic of Srpska and the Republic Agency for the Development of Small and Medium-sized Enterprises. At the same time, on a local level, local agencies for the development of SMEs were being established. The support to the development of SMEs at a local level is also given by municipal development departments which, together with the above mentioned institutions, make support network for the development of SMEs.

Infrastructure is important for entrepreneurial activities [3] and may have different forms and functions. As first, the development of trade and industrial growth require physical infrastructure, road and railway traffic and transportation etc.

After the World War 2, when the state had nationalized private property [4], the spirit of entrepreneurship at the territory of former SFRY, including B&H as well, was cut at the roots.

The economic philosophy of a new economic system was based on the criticism of all the aspects of capitalism such as individualism, private ownership over the means for production, entrepreneurship in a wider sense etc. Entrepreneurship was identified with private ownership. In the beginning [1] that had been small business. However, with further breakthrough and propagation of small business, the term private entrepreneurship occurred, which, as such, was accepted in official frameworks.

Namely, in the economic structure of the SFRY, especially after 1976, after the Law on Associated Labour had been adopted, a significant number of labour organisations (enterprises) emerged, of combine type, in the field of mining, metallurgy, metal processing industry, military industry, wood processing industry, with a great number of basic organizations of associated

labour and complex organizations of associated labour, which had the disregard of market laws as a common feature. Such enterprises, being labour-intensive, were oriented to the employment of a great number of people. The society propagated the need of full employment. There was general safety, especially once when a state job had been got. No one thought about a great individual engagement in the area of entrepreneurship. The structure of individual sector consisted of agriculture, then of independent forms of production, service and construction craftsmanship and independent catering, independent car-transportation activity and independent trading activity. In the SFRY, the percentage of the employed, as stated by [1], in small enterprises from 7 to 100 employees was only 2.4%, and in enterprises with 1 to 6 employees was 5.6%. The number of employees was limited to 10. In the process of building socialism, the private sector was called small business, and it operated under numerous limitations in terms of what it could deal with, with whom and how many employees it could employ.

Such conditions are a phenomenon which is characteristic for all former socialist countries, and which is related to a lack of small and medium sized enterprises in the an economic structure, and, by means of that, to the absence of creating an entrepreneurial infrastructure.

In all developed Western countries and in many developing countries, entrepreneurship and small enterprises as a whole are supported by the state, state institutions and nongovernmental organizations in many ways [4]. Such an orientation of a market-developed countries has deep roots, regarding the fact that the capitalism has tried many development models as opposed to one-dimensional models of economic flows control which have been practiced more-less for decades in the countries of socialist and similar socio-economic systems.

Similarly to the leading countries of the West, many small countries which started with the implementation of market-capitalistic principles in the development of economy three to five decades ago, have reached an enviable level of development today [4] exactly due to the development of small enterprises.

The determinations of Bosnia and Herzegovina [1] related to the SMEs development sector rely on the recommendations of the European Charter and the Act on Small Business.

The Law on Ministries and Other Control Bodies of Bosnia and Herzegovina has also defined the institutional framework in the field of issues in the sector of SMEs whose difficulties reflect, above all, in: approaches in defining policies, development strategies and goals in the sector of SMEs, competences, way of work a harmonized monitoring of the results in this area,

mutual cooperation and profitability and excessive administration.

At the level of the Republic of Srpska, within the Ministry of Economy, Energy and Development, there is a department for small and medium-sized enterprises, the head of which is an assistant minister with the responsibilities in the work fields:

- » development of entrepreneurship and craftsmanship,
- » making of medium-term and long-term development plans, and
- » making of the development strategies of SMEs and entrepreneurial activity.

Pursuant to the (Law on Enterprises of the RS 2006), an enterprise is a legal person which performs the activity to gain profit, and an entrepreneur is a physical person who performs the activity to get profit and the activity of free profession, while an individual agriculturist is not an entrepreneur. The Law does not know the notion of small and medium-sized enterprise, and because of that the same provisions apply to them as to the other enterprises.

The new (Law on Business Companies 2008) is a modern regulation, greatly harmonizes with the directives of the European Union company law and as such should contribute to the creation of a legal framework complementary the internal market of the European Union.

The Law on Business Companies of the Republic of Srpska [5] is based on the best solutions of modern national law of the surrounding countries, and also of some countries from Europe and the USA (Illinois), the Statute of the European Company from 2001, OECD Principles of Corporate Governance from 1998 etc. Entrepreneurship, in the sense of the (Law on Development of SMEs of the RS, 2013), is an innovative process of creation and development of business ventures or activities and of creation of business success at market.

Entrepreneurial infrastructure presents spatial-technical forms for toe support of entrepreneurship development, with a special emphasis on establishing and development of SMEs.

In recent time [2], there is a greater emphasis in the commercialization of university research, especially through the creation of spin-off enterprises. They emphasize inhomogeneity of the concept of university spin-off enterprises and point out their heterogeneous properties.

The suggestions of [2] for the classification of university spin-off enterprises are:

- » independent spin-off enterprises,
- » connected spin-off enterprises, with joint investment, and
- » as organizational units of universities.

Three key approaches are used for differentiating the types of university spin-off enterprises: researchers as entrepreneurs of spin-off enterprises, by the nature of knowledge transfer and the participation of external partners in a new company. These different criteria make the phenomena contained by the concept of university spin-off enterprises.

BUSINESS ZONES AS ENTREPRENEURIAL INFRASTRUCTURE

Formation and development of business zones is a long-term, planned activity directed to stimulation of economic development and employment at the territory of a local community, with the use of adequate equipped space and other instruments of support, which enable a more efficient and faster economic and spatial development of enterprises which operate in a zone.

Business zones (the Law on Development of SMEs of the RS 2013) are a form of entrepreneurial infrastructure which presents a constructionally arranged and communally equipped space, intended for a harmonized and planned use by a greater number of enterprises and entrepreneurs, where the planned and harmonized approach enables a joint use of the space, as well as of communal, administrative, financial, technical and other services, thus realizing lower costs of business.

The terms of entrepreneurial infrastructure and business infrastructure often have multiple meanings, because the development terminology mostly has not been set, because of its complexity, by a legislation, and the fact that those are relative new development mechanisms.

The notion of business zones can define the widest notion of zones in general, which presents a certain area of an infrastructurally equipped building lot which is regulated by spatial-planning documentation, intended for business, i.e. the creation of added value.

Pursuant to the first classification [4], the zones can be classified into four groups:

Specialized zones: incubators, technology centers, technology parks, centers for transfer of technologies and zones specialized for certain activities;

Industrial zones, present the areas with a great concentration of industry, predominated by big enterprises; Entrepreneurial - craft zones, present the areas with a great concentration of small enterprises and entrepreneurs; Agricultural zones are the zones founded on soil which is not intended for building and is used for agricultural production.

Pursuant to another classification, business zones can be classified in the following four categories: Industrial zones are larger zones mostly oriented towards bigger industrial enterprises from similar agricultural sectors, but also the small and medium-sized enterprises (SMEs) related on the principle of subcontracting with bigger enterprises. A special category of industrial zones are so-

called industrial parks, whose specificity is to have a company as the operator which manages the zone on behalf of one or more owners.

In developed countries, the operator can be in public property (public communal enterprises and/or municipality and state), can be a public - private partnership or in private ownership. The aim of creating this form is a more efficient management of the zone and better planning of its development. Entrepreneurial zones are smaller zones primarily intended for SMEs and entrepreneurs, which have a more favorable support treatment with the aim of faster development, i.e. to invest in equipment, human resources and working assets, and less in the business premises. Business centers are business zones where business, trading and logistical centers oriented to service activities are grouped most often. The building of business centers is most frequently a private or public-private initiative.

Technology parks are the zones directed to high technologies and usually emerge near universities (with technical faculties and institutes). Located in technology parks, there are usually small, micro and medium-sized enterprises based on high technologies, application of new knowledge and introduction of new practices to economy.

Besides the named classifications [4], on the basis of strategic importance, industrial zones could be divided into zones of strategic interest defined pursuant to different criteria, as projects of special interests, and emerge by an initiative of Government towards the realization bearers, which can be of different levels and legal status (from top to bottom) and local zones of municipal or regional importance and oriented towards smaller industrial capacities. Their size is from 10 to 60 ha, depending on the needs and possibilities of the organizer. The initiatives for the development of such zones originate from one or more municipalities (initiative from bottom to top).

Business zones present special organized business units in which, at one location, well connected with communications, the types of production and service activity on the principles of cluster organization are developed, with the use of developed infrastructure and accompanying services which have their specific industrial features.

Basically, business zones secure the competitiveness for businesses in two aspects. The first of them is related to the possibility of using the effects of integration of similar and related businesses within a zone, resulting in the making of competitive advantages for downstream activities within the zone by means of:

- » access to different inputs in raw materials, components, packaging and services;

- » lower transaction costs, because the locations of providers and producers are identical;
- » efficient coordination based on availability and constant exchange of information among the buyers and suppliers in the zone;
- » improvement of innovation process on the basis of good knowledge of the consumers' needs and of joint work in solving problems; specialization and efficiency rising and the application of new technologies in a strategic partnership of enterprises in the zone;
- » firmer integration of providers and related industries in the chain of values of enterprises in the zone, especially in cases when downstream activities are orientated towards international markets; partnership with related industries in cases when they can service a few enterprises, for example when distributive enterprises in the zone can distribute the products of a few producers.

The second aspect is related to efficiency offered by the location of the zone for its members by means of:

- » decrease of investment costs for production and business objects;
- » decrease of operational costs of functioning, transportation, maintenance and safety of an object, and the services organized in the zone;
- » joint use of certain objects (laboratory, copy-room, energy sources etc.).

Business zones appear under different names. The terms also in use are: industrial park, economic zone, business zone, industrial possession, business zone, artisanal zone, eco-industrial park and some other, but basically they denote what has been stated under the notion of a business zone.

Regardless of how we name them[4], all of them have two characteristics in common:

- » common location of enterprises oriented to a mutual business cooperation, and
- » common structure of management.

They vary one from the other in the sense of type and size. They are most often divided due to the type of investment, i.e. the preparedness for investment, to green field and brown field. In the first case, green field, we talk about the creation of business zones at completely new locations, while in the second case, a brown field zone has been created from already used ground and objects in industrial centers.

From the aspect of Bosnia and Herzegovina, especially significant is the use, or reactivation, of infrastructural capacities of former state enterprises, whose value gets rapidly destroyed by the lack of use. In cases when the reconstruction of existing capacities is more expensive than the construction of new ones – the advantage is given to the first option.

Business zones have certain specifics in relation to free zones which are, in many countries, one of the instruments for conduction of trading policies.

Namely, free zones are specially denoted and arranged areas of one state, where business activities take place under special conditions, mostly with certain benefits related to freeing of duties and taxes for activities directed towards export. So, free zones are basically the means of export promotion and of promotion of direct foreign investments to some countries.

Besides the stated differences, business zones and free zones also have some similarities, in the sense that both forms of organizations are directed towards the building of competitiveness by means of creating a competitive advantages of a certain location of production.

Moreover, the free zones in industrially developed countries have lost significantly in their primary meaning of economic oases based on the advantages of a duty-free area and the avoidance of taxation, and they get more importance in creating the competitive advantages from the fundamentals of a quality infrastructure of a free zone, high technologies applied in the zone, advantages of specialization, innovations and low transactional costs and other advantages created by the business zones in a narrower sense.

Business zones should be observed as one of instruments in realization of new industrial policies which promote many important economic goals. Among the goals, the following ones stand out: restructuring of production, growth of employment, rising of productivity and efficiency in economy, improvement of the technological level of production and business in general, improvement of export and export competitiveness and development of small and medium-sized enterprises (SMEs).

Building of competitiveness in a small country, especially in the conditions of responsibility for regional and local development, is related to the growing role of small and medium-sized enterprises. Specificity of a development based on the promotion of SMEs is related primarily to the need of creating a business environment in which the enterprises will have the conditions for building of sustainable competitive advantages. In many elements, the business environment of SMEs exhibits specificities.

The enterprises do not have the strength to act independently at big markets because of their fragmentation, so it is logical that in the business environment they start to build a partnership and develop cooperation in horizontal and vertical dimension and to promote the cluster-type cooperation. Namely, what cannot be secured as a desirable business environment in economy in general, is often achieved within business zones, so that they become attractive for the location of productions which mean the entering into

a higher phase of competitiveness or mean a greater efficiency within the stadium of competitiveness which marks an economy guided by factors of development.

Some of the goals[4] for founding of business zones can be the following ones: securing of long-term conditions for development of small and medium-sized entrepreneurship and production craftsmanship, long-term decrease and alleviation of the trend of unemployment and support to entrepreneurs to open new job positions, especially within the production activities, stimulation of growth and development of entrepreneurs, especially in terms of development of new products, application of new technologies and support to export, facilitating of communication and support of cooperation among the entrepreneurs within a zone, especially the support for association in realization of concrete entrepreneurial and development projects, creation of conditions for transfer of a part of production activities from a narrower town center to use that space for more adequate and profitable contents.

Economic development of an area is greatly determined by available potentials, i.e. resources, at one side, and certain factors, i.e. the measures which create a favorable ambient and support to development, at the other side. Available resources for an economic development of a region, contained in: infrastructural capacities (roads, railway), natural potentials, power sources, installed economic capacities, personnel, with the geographic position, present a relatively solid basis for a future designed development of the Region.

CONCLUSIONS

Every local community or a set of local communities which are connected geographically, to attract a larger number of enterprises to their territory, the territory of the Region, takes various activities to improve the conditions of work of SMEs. Local community plays a very significant role, while the task of the country, or the government, is to activate the inner resources, as additional development impulses. A prudent activity of local communities with the aim of developing own infrastructure and entrepreneurial potential and attracting of investments can be a concept of regional development. Local community must develop an attractive environment for capital and enterprises. The establishment of business zones accelerates and simplifies the placement of spatial resources in the function of economic development, investments, growth and employment. Everywhere in the world, business zones present a significant instrument for the stimulation and development of entrepreneurship and general economic growth of a certain area. They are established on the basis of a clearly expressed interest between the businessman and bodies of local and regional government, with the support of higher levels

of government and research-educational organizations, universities and institutes.

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University POLITEHNICA Timisoara,
Faculty of Engineering Hunedoara,
5, Revolutiei, 331128, Hunedoara, ROMANIA
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