

Creative and innovative region – a case study of Nowy Sącz, Poland

1. Introduction

The Author cannot cite any objective research results, but can bet anyone that if there was a poll of Polish entrepreneurs, experts or journalists, to name the top 5 entrepreneurial cities, many of the respondents would name Nowy Sącz as one of those cities. The answer would be even more probable when polled about entrepreneurial cities under 100 000 inhabitants. This image of an entrepreneurial city did not emerge recently, neither is it a result of a media campaign consciously planned by the city's authorities. Rather, and this is the view of the Author, it is a result of two mutually reinforcing processes: the Nowy Sącz Experiment from the 1950's and the entrepreneurial explosion during the 1980's and 1990's.

Nowy Sącz is characterised by the emergence, during the first half of the 1990's, of several large companies and investments that took on national-level importance, which were created by its native sons and daughters and remain to this day, with one famous exception, in the hands of families that created them. Those companies emerged in different industries and market segments, but their nationwide success is primarily based on innovation.

It is difficult for the Author, a creator of one of the most spectacular successes in Nowy Sącz, to present an objective explanation, therefore this analysis is of a subjective nature, intended to point towards further avenues of enquiry.

2. Nowy Sącz Experiment of the 1950's

When entering the academic world during the 1990's, and especially when meeting senior social science academics (past their 60th birthdays), the Author, when introducing himself as an inhabitant of Nowy Sącz, always met with a warm and emotional reaction. Many of those scientists recalled their participation, as young academics, in researching the consequences of the Nowy Sącz Experiment, which was a unique for the Communist Block attempt to stimulate the development of local governance. The idea and its realisation came from the Nowy Sącz and parish¹ authorities/leadership, with the active support from local and regional leaders of the Polish United Workers Party. Started in 1958, the Experiment earned enthusiastic and spontaneous social support, which was powerful enough to cause (after only two years) a "slowdown policy" from the political leadership, fearful of losing its own control over the social environment. The Author, then a primary school student, is convinced that he and others, who created famous Nowy Sącz companies, benefited from the Experiment and its related social awakening of the 50's and 60's, by acquiring a belief that anything is possible, the only limits are those that come from dreams, and that even formally unrealistic projects can be completed.

¹ A sub-voivodship administrative unit, the main unit of local government.

3. Nowy Sącz economic flagships and their creators

I. "Konspol" and Kazimierz Pazgan

Already a pioneer of economic activity in the 1970's, Kazimierz Pazgan and his Konspol (chicken manufacturing) have achieved success through innovation. Pazgan, with the support of his scientists, introduced a unique meat production technology that allows for the transformation of chicken meat products without the use of pig fat. Over the last 30 years Pazgan went through the complete company cycle, from a small company through the creation of a joint-venture firm with foreign (Polish expatriate) investment, all the way to a corporation possessing the complete production chain with an annual turnover of 400 million PLN (about 100 million EUR).

Pazgan successfully passed a test, which was a major stepping stone for most entrepreneurs before 1990: from operating in a shortage economy (that assured a ready market for any product) to surviving and growing in an extremely aggressive free market.

II. "Optimus" and Roman Kluska

Both the company and its owner are well-known in all of Poland: Optimus, founded in the late 1980's, as a garage-based computer manufacturer, grew so fast that by the mid 1990's it was producing about 100 000 computers and was fast approaching the top 10 European computer manufacturers. Kluska's innovation focused on the sale of computers backed by the provision of complete IT solutions and he was the first to notice the potential offered by the World Wide Web, which brought his greatest success: the creation of Onet.pl, Poland's biggest new/information/email portal. Kluska sold Optimus at the highest point of the "dot com bubble" in the late 1990's, but the major reason for his withdrawal from the industry was a prolonged conflict with the tax authorities due to weaknesses in the tax law, combined with activities by politicians, all of which, according to Kluska, made ethical business activity in Poland totally impossible.

III. "Koral" and the Koral brothers

Koral is the biggest Polish manufacturer of ice cream, a company that has achieved a notable market share in the face of strong international competition from corporations like Algida, Sholer. It was created in the 1970's by two brothers, Jozef and Marian Koral, from Nowy Sącz. For many years it was a small operation that sold directly to customers, but during the systemic transformation period they decided to purchase part of a bankrupt State-Owned Enterprise (SOE). Their idea filled pent-up market demand, as they began producing cheap ice cream on a large scale, and engaged in a policy of tying to their company hundreds of little shops located in villages and small towns by equipping them with Koral ice cream freezers free of charge (a move welcome at a time when many small shop owners were initiating business activity without access to any funds). International corporations, accustomed to easy cooperation with large distribution networks and large retail chains did not appreciate the specificity of the Polish market. When they did, the direct sales market was already taken—that of a child going to buy some ice cream in the small neighbourhood shop.

IV. "Fakro" and Ryszard Florek

As a producer of roof windows, Fakro is one of a few Polish firms that have a notable global market share in a crucial industry—building materials. It was created by Ryszard Florek, also from Nowy Sącz, who started his business in the 1970's from a small timber yard located a dozen kilometres from Nowy Sącz. During the late 1980's and early 1990's he saw an opportunity in the transformation of the Polish building industry: the free market would bring with it an increase in the number of houses being built and with that would come architectural changes focusing on the optimal utilisation of internal space. He located his roof windows production line in the facilities of a bankrupt SOE in Nowy Sącz, and quickly entered the international market and began competing with the world leader "Velux" in terms of price and quality. He won over multiple dealers (because

windows are never purchased directly from the manufacturer) by bringing them to Nowy Sącz and showing them the tourist opportunities of the region. Currently Fakro is a company using the most advanced technologies and developing new products and solutions (10 new patents filed annually), which has a notable impact on the global market.

V. „Wisniowski” and Andrzej Wisniowski

The development of this Nowy Sącz company, whose immense facilities dominate the Nowy Sącz-Krakow road, is for many a symbol of post-1989 economic development. Wisniowski started from a small shed in which he assembled the first Polish gates after 1989 and since then market demand has required constant growth. Currently the company covers 4,5 hectares of production facilities and is a true symbol of Nowy Sącz entrepreneurialism.

VI. "ZNTK", now known as "Newag" and Zbigniew Konieczek

The case of Newag differs from the previous examples. ZNTK (Zakłady Naprawy Taboru Kolejowego – Railway Rolling Stock Repair plant) was the biggest employer in pre-1989 Nowy Sącz, but underwent gradual economic decline during the 1990's, as it suffered from the collapse of its sole client: the Polish rail system. During the 1990's, PKP (Polskie Koleje Państwowe, the SOE tasked with running the Polish rail system) constantly reduced its purchases of new stock and the repairs/servicing of existing stock and caused the bankruptcy of several companies like ZNTK all around Poland. ZNTK was close to collapse itself. At this time ZNTK was run by Zbigniew Konieczek, who was gradually trying to rebuild ZNTK's position and worked towards regaining lost business. In 2002 a new owner appeared, a person suspected to tax fraud – his actions highlighted a possibility that he wasn't interested in restoring the welfare of ZNTK – rather he was looking for bankruptcy and the follow-on profit-making process of asset stripping. The ZNTK Board of Directors engaged in a spectacular "move", which should be taught in most MBA courses: they bought the debts of their new owner and thus regained control over their company. Currently, ZNTK, under the new "Newag" name and a new owner, Z. Jakubas, is a fast-growing company that once again is increasing its employments and is the pride of Nowy Sącz.

VII. "WSB-NLU" and Krzysztof Pawlowski

It is difficult to present Nowy Sącz entrepreneurial successes without mentioning WSB-NLU. The School was a political idea – as a Senator in 1989, I wanted to create conditions for the educational development of my constituents. In 1989–91, I thought that I could find brilliant ideas and their implementers in the Polish academic community, yet it turned out that Polish professors are so tied to their state-owned universities that the move to a small town (when combined with a lack of funds and uncertainty about the future) proved impossible. Instead of settling for the negative option – creating a smaller, worse copy of a state university – I decided on an entrepreneurial approach – transplanting onto Polish soil the teaching programmes of an American university. This required additional steps: accepting the organisational culture of National-Louis University, treating the students as a client and partner. There is no doubt that our cooperation with the American university was the backbone for WSB-NLU's later successes, as it grew steadily despite the emergence of multiple private universities and acquired an identifiable brand. The School has clearly affected Nowy Sącz, not only through the natural promotion of the town and the educational improvement of many of its inhabitants, but also through enhancing its economic development and the welfare of the people (the student population has a notable impact on the town's economy). Currently, after 15 years of development – modern infrastructure, teaching and living facilities for 4000 students, own teaching and scientific staff – WSB-NLU is initiating a new project that will influence the future of Nowy Sącz: "Multimedia City cluster".

4. Other examples of Nowy Sącz entrepreneurialism

For the long-term economic success of Nowy Sącz it is extremely important to utilise the tourist-oriented aspects of the immediate and nearby environment. The changing nature of weather patterns in Poland brings with it the need for the development of a wide offer in terms of the breadth of possible activities that, besides the sport, recreation and health ones, requires the development of cultural, gastronomic offerings, museums, etc. Each such activity has its leaders. It is worthwhile to focus on:

The Economic Forum, Krynica (located 30km from Nowy Sącz) is an immense event in September each year for over 2000 guests from around the world. Not only does it promote the region, but also extends the hotel season. Zygmunt Berdychowski, a local politician, who invented the Forum in 1992, has been working tirelessly to turn it into the "Davos of Central and Eastern Europe". Alongside the main event, multiple conferences, seminars are organised by other institutions, boosting the conference orientation of Krynica and improving its economy.

When utilising European funding, an important role is played by an ancient-wooden-settlement museum on the outskirts of Nowy Sącz – at this time a different project is close to completion: Galicja Town with a main square and two churches. The museum now has 54 buildings and constructions (aiming for a total of 70) and is becoming a European tourist attraction. The museum is supported by a dedicated group of museum staff and the ex-chairman of the Małopolskie Voivodship.

The Małopolskie Culture Center "Sokół" plays an important cultural role. Its director, Antoni Malczak, has been able to rebuild a small local cinema into a massive cultural complex of 25000 cubic metres, which has a selection of auditoriums capable of seating 1000 people and a large cinema room for 400, where concerts and theatre plays are offered. Sokół is the only cultural centre built after 1989 in Poland, and is actively involved in the improvement of the Nowy Sącz region's standard of living.

An interesting idea is the creation of the "Carpathian Europe" institute, a classical NGO focusing on the organisation of international conferences, cultural and political events aimed at strengthening the relationships of Carpathian regions in all Central European nations. The project is run by the ex-vice-president of Nowy Sącz, Leszek Zegzda.

Janusz Kasztelewicz from a village near Nowy Sącz developed a unique tourist offer: around high traditional beehive/honey production he now offers an entire tourist experience centred on the nature and history of honey production.

A selection of initiatives around the Nowy Sącz mountains (Beskid Sądecki) focuses on offering wide-ranging services for selected groups of clients: Wierchomla Skiing Station or Irena Eris hotel in Czarny Potok near Krynica, offering spa holidays with a focus on women. Jerzy Pazdan spent many years building a chain of specialised, high-quality restaurant in and around Nowy Sącz (Kupiecka, Dom Pierogów/Ratuszowa, Staromiejska in Stary Sącz).

It is worthwhile to present some typical firms, which started in the 1990's and achieved the size of mid-range firms and a defined, strong market position.

Sławomir Bugajski started his business in 1991 when he was in his twenties. At that time he was a professional cyclist and used the connections he had made in his sport career to start a trading business. After three years he decided to produce furniture, although he did not have any experience and could only experiment. He managed to find a market niche-furniture for children-and skilfully made use of the VAT differences between raw materials and finished products. VAT refund enabled him to increase turnover. He tried to find new markets all the time and soon he was exporting furniture to former Soviet countries.

The Russian crisis stopped the development of the company, but the young entrepreneur did not lament. He just found new markets: Sweden, the Balkan countries, the Czech Republic and Slovakia. Now the company, employing 100 people in 2001, exports 90% of its production.

The creator and owner of IKER furniture company used another road to success. IKER furniture is aimed at the most affluent customers. Janusz Obtulowicz, an AGH graduate, started as early as 1981 and from the very beginning he produced furniture. His motives were very simple-he wanted to furnish his flat and could not get the furniture he liked. He decided to produce it himself. The effect was surprising: he placed only one ad in the newspaper and obtained orders for half a years work. He gradually developed a company that now employs 70 people. IKER is proud of its advanced design (there only a few companies competing with it in Europe), customer satisfaction, and a turnover of one million PLN per month.

A very important aspect of the economic activities in Nowy Sącz region is agricultural products processing. Weaknesses of this sector include a lack of consolidation and problems in utilizing agricultural produce. Local cooperatives practically do not exist. Therefore it is worth looking at the activities which led to the creation of a company which reached great market success and improved the conditions of many chicken farms in the area. The egg market is characterized by seasonal sales. In summer we have considerable surplus, in winter (especially before Christmas) a deficit. Eggs cannot be stored for a long time, therefore they have to be processed. Until the end of the 1980's there was only one plant powdering eggs, in Nowa Sól, a few hundred kilometres from Nowy Sącz: it was a monopolist dictating prices and delivery conditions. In the middle of the 1990's a few owners of chicken farms decided to build their own modern plants for powdering eggs. The Basso partnership was formed, which now employs 40 people. As usually, the driving force of the enterprise was one man: Józef Basta.

Nowy Sącz has a long tradition of producing leather clothes and accessories in small crafts shops. At present we have eighty manufacturers of leather products. One of the first companies in this industry was owned by Włodzimierz Wojewodziec. At the start of the 1990's he was trying to find a living for himself and noticed that nobody in the area produced leather bags. Together with a partner he started the first leather manufacture in Nowy Sącz. Finally, in 1996 he set up his own company. He started with a few products a day. Now he produces over 50,000 bags per year and employs thirty-six people. Luxurious bags made from Italian leather and sporting their own logo "Wojewodziec" are sold all over the country. Włodzimierz Wojewodziec is now preparing for export. It is interesting to note that this still-young man (40 years old) does not think about maximizing profits. His main concern is the high quality of his products: he is fascinated with the beauty of his products.

High technology products/companies are becoming increasingly important.

The leader is "Novitus S.A.", which started as a subsidiary of Optimus and was later devolved into a separate entity after a change in ownership. It manufactures scales, cash registers and has been steadily growing in importance (from 1mln PLN in sales to 59.3mln PLN in 2006). Novitus is a leader in the provision of complex electro-IT solutions to enhance the operations and profitability in trade, services, manufacturing, logistics, and is a market leader with 24% of market share in 2006. Novitus bases its success on an in-house R&D team, whose staff are 13% of all employed by the company. The production is ecologically friendly, and the technologies implemented are a result of in-house innovation and the use of technologies sourced from strategic international partners. This company too is run by a single man: Bogusław Latka.

DR ZABER sp. z. o.o. is another Nowy Sącz company – named after its creator Zdzisław Zaber PhD, it is a leading supplier of water, wind power plants, manufacturing machinery and advanced technologies on the basis of its 24 top-class engineers. Despite being a young company, it has already filed multiple patents and was awarded the Poznan Trade fairs gold medal.

One of the typical features of the Nowy Sącz economy is a large number of transport and logistics companies, many of which operate abroad. These companies possess over 200 trucks used in international transport and constitute the strongest branch of the local Chamber of Commerce. The leader of the pack is definitely ZET Transport, a family business set up in 1993 and owned by the Załubski brothers. Interestingly, the transporting activities had been begun by their father, Józef

Załużski 10 years earlier, but it was a one-man company, having only one truck. Today ZET Transport, managed by Jan Załużski, has been given a very good position in the "Rzeczpospolita" ranking of international transport companies. Jan Załużski is a perfect example of a young, modern entrepreneur and a good manager open to innovations and firmly leading the company.

With so many transport companies located in and around Nowy Sącz, a natural logistics niche emerged, that was quickly exploited through a creation of a joint venture between Polish shareholders and the British company Bar Code Systems. Currently the firm employs over 40 specialists and has an income of 27mln PLN in 2006. BCS Poland is an IT integrator for logistics in terms of acquisition, remote sending and managing of data based on the bar code system and RFID technology. Its clients include the biggest production companies within the cluster, and in accordance with the "Polish tele-informatics market 2005" report by Teleinfo 500, BCS Poland was fourth in the provision of IT solution to the transport, courier and mailing sectors.

5. The nature of local development

Academic literature lists many factors and institutions that affect local and regional development. Fig.1. presents the most important institutions and mechanisms, from the perspective of a practitioner (rather than a theoretical analyst, scientist) who was engaged for many years and in multiple roles in the process of local development.



Source: own analysis

The Author is convinced that the most important element is also the most difficult one: individual entrepreneurship and innovativeness of people living within the locality. Any activity will be enhanced if individual entrepreneurship and innovativeness is supported by dedicated institutions, local and regional authorities, which will not only create an atmosphere of support but also create the appropriate mechanisms (tax rebates, specialised credit lines, etc). Yet, the key is the culture of individual entrepreneurship and innovativeness that is built over decades or even centuries and turns an individual intent on starting a new project into a positive character/hero who acts in the interests of the locality. To assure a multigenerational effect, the locality needs a new system of education (starting from the first class of primary school), which will develop individual entrepreneurship and innovativeness in youngsters.

The other factors presented in Fig.1. play an important role, yet are of a secondary nature – the Author believes that the health/profitability of small and medium companies within the region is much more important than the size of investments made by MNCs, which can provide an impetus for growth in their new location, but due to their very nature, MNCs can quickly withdraw and move to a different location, which will promise faster or higher profits. As a result, the support for local family-owned businesses, tied into the local population and economy will assure much more stable growth in the long run. Local and regional politics play an important role, if the leaders can understand and appreciate their subservient role – to inspire and support (e.g. by investments in infrastructure). Financial institutions and those supporting local and regional development can be important but only if their actions are elastic and well-timed – a nightmare characterising the first years of Polish membership in the European Union is the tragically bureaucratic (no other term fits) and slow process of decision-making. The majority of such "delaying" procedures are not a by-product of EU bureaucratic structures but rather are a result of "happy creativity" practiced by Polish administration officials, seeking security and to distance themselves from any incorrect decisions that may or may not have been made.

Polish regions have only recently begun to implement their long-term growth programmes. Poland is now after the first stage of its economic development since 1989, when the sheer removal of restrictions on individual entrepreneurship and innovativeness brought immense and unpredictable positive effects. But this "easy" stage, where there was so much space and opportunity and market segments to exploit (and experience above-average success in a short time) is now coming to a close. We are now entering a period where competition on local markets is already fierce, so companies and institutions that want to keep growing and developing will increasingly need outside assistance – not only from an individual/company perspective but also from the perspective of benefiting the local/regional community.

Here it is appropriate to outline the factor which will be increasingly influential in terms of assuring economic development of a town or region and its competitive potential: the educational sector (in its entirety: not just universities and research centres located and active in the region). They key, still unappreciated by local authorities, is an appropriate educational system from the early years, which shapes the character and attitudes: problem solving, intellectual courage – attitudes which have a dramatic impact on later entrepreneurialism and innovativeness. It can be now stated that it is the local communities, which will invest the most into their primary schools that will gain the most value added in several decades (assuming that they will be able to retain such youth educated within their system).

In the century of Knowledge-Based Economy and Society, local and regional development will be affected by R&D institutions: universities, research centres and supporting institutions and those that will assist in the transfer of research results into the wider economy.

The five most important regional growth factors are:

- Individual entrepreneurialism
- Company innovativeness
- Citizens education
- Scientific research
- Transfer of knowledge and technologies.

Four out of the abovementioned five are primarily dependent on the quality of higher education and research institutions that exist within the given locality and work within/for the town/region. Financial support is, of course, also necessary but is of secondary importance – required only when there are research results or innovations whose implementation will provide value added. Higher education and research are areas where local and regional governments can have a notable impact – not directly nor through direct management, but rather through stimulation, inspiration, motivation and precise, speedy financial support of specific initiatives.

The Author has recently analysed development strategies prepared by many Polish cities, towns and parishes. It is easy to draw the conclusion that they have all been prepared by the same person, who is intent on constantly repeating several phrases: high technology, agro-tourism, development of education. Rarely can a reader come across a defined strategy based on local differentials. The case of Nowy Sącz and its "big seven" shows that success can be achieved in a wide range of areas, even those that do not (initially) look like having anything to do with high technologies (like chicken or ice cream production). Local economic development is dependent upon stability (attachment to the locality) of the industries and the number of employment places created. The localisation of Nowy Sącz, on the edge of the country, far from major agglomerations and with difficult access to the town, points towards a lot of developmental impediments – yet the reality is much different: the scale and breadth of success creates the basis for further successes.

The basis seems to be the human/social capital present in the locality: in 2005 1741 companies were created in Nowy Sącz alone, with 283 created with the support of the local Labour Office (when in cities with much larger populations those numbers are much smaller: Koszalin had 150). This social capital forms the basis of a new venture: Multimedia City cluster.

6. Multimedia City cluster project

The idea for the multimedia city cluster emerged during an informal brainstorming session with a few dozen of the most successful WSB-NLU alumni during the 2006 annual alumni meeting. The idea was so fascinating that the Author and a close group of his employees immediately began implementing it. Within 2 months the outline was completed and in September 2006 the first meetings were held in Warsaw with the companies that will come together within the Multimedia and IT systems cluster (the full list of participants is available on www.multiklaster.pl).

The leadership of Nowy Sącz joined in actively, declaring their intention of donating the appropriate land, and providing organisational and financial assistance.

The Multimedia City cluster project is focused on generating a synergy of multiple mechanisms and institutional solutions which will support the development of innovation-oriented activities in the Polish economy. In one location and within one organisation system, there will co-exist: a technological-scientific park, R&D centre, entrepreneurialism incubator, multimedia cluster, investment fund and an educational/training system. All elements will be connected through a common goal of multimedia development and based on mutual benefits coming from the transfer of knowledge, ideas, financial connections and the undertaking of joint projects. The concentration in one location of so many competencies and technological infrastructure (allowing for production of movies, graphics, sound, combined with the development of architecture for information, application development and data transfer) will allow for the creation of solutions, products and services, whose innovativeness will be on world-class level.

Multimedia City cluster will offer entrepreneurs: project management, partner search, preparation of reports for patent applications and IP rights and the search for external financing.

Multimedia City cluster will directly support 250 firms per annum, but through its advisory/consulting, training and research will reach over 1000.

The project incorporates future plans for the development of Park infrastructure with offices, laboratories, workshops, studios, conference halls and specialised company facilities with 10000sq. metres of space. The entire infrastructure will be dedicated to firms, R&D centre, incubator and cluster-member entities. Additional equipment investments, required for increasing employment post numbers, are planned. The project also includes the financing of activities in promotions/marketing, consulting, education/training and is expected to be self-financing in 2014.

The extended description of the project can be found on the multi-cluster webpage (www.multiklaster.pl). The cost for 2008–2013 is estimated at 126mln EURO. Such an endeavour

has never been attempted before in Poland. It is an attempt at creating an entirely new environment for WSB-NLU, changing the nature of the town, creating a true "knowledge town" and stimulating Nowy Sącz's economic development, and through that boosting the development opportunities of WSB-NLU and changing the School into a true knowledge university and a 4th generation institution.

The Multimedia City cluster, besides shaping WSB-NLU will strongly affect the town and is an attempt at developing a competitive advantage for the Polish economy in the global competition. Currently it is managed and developed by WSB-NLU, but within the next few months a new entity will emerge: a dedicated company (with shareholders in the form of: Nowy Sącz city authorities, WSB-NLU and other strategic partners) which will take over the development of Multimedia City. At the moment several applications are going through different operational programmes (the Project realises the assumptions of Priority 5 PO IG and fulfils the assumptions of Priorities 1, 2, 3, 4) and the legal and operational framework is being prepared. One of the major assumptions is that, after a period based on EU funding, it will become self-financing to cover the costs and bring profits. According to the Author's knowledge it is the only project of such kind being developed by a Polish university, based on the assumptions of commercialisation and self-funding.

On 27th February 2007, the Multimedia City cluster was added by the Polish government to the indicative list of key projects for Polish development, with an intended funding of 30mln EURO from the "Innovative Economy" Programme to fund the 1st stage of programme development.

7. Summary

The article presents the case of a town with sizeable location-specific challenges. During the 1990's the town experienced spectacular economic successes, and is now preparing for a giant technological and civilisational leap forward on the basis of EU funding. It is difficult to estimate the long-run effects of this new initiative: only to ponder whether the effects will be huge or truly massive. The town, its authorities and WSB-NLU innovators decided to transform Nowy Sącz into the first Polish town of knowledge and undertake competing on the global scale.