SUPPORT FOR DELOCALISATION PROCESSES BY LOCAL AUTHORITIES WITH A VIEW TO SUSTAINABLE DEVELOPMENT

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Abstract: Most of humankind live in cities. They therefore play a central role in development processes. Local authorities, through their efforts to attract external investors, try to actively strengthen these processes. Nowadays, it is important for development to be sustainable, both in terms of the environment and citizenship. This article presents the delocalisation processes from three perspectives: the company, the place where the processes are located (i.e. country, region or municipality) and the inhabitant (social capital). The processes are subject to investor acceptance. This win-win strategy, which benefits all three parties, will become the common feature of all delocalisation investment projects which involve the use of available human resources at the place of investment. At present, more invaluable than the low labour cost is the quality of human/social capital, both in context of adaptation to the needs of a specific entrepreneur and one expressed by social and civic awareness. The author defines the theory of stakeholders as the key determinant that should guide municipalities in attracting investors and implementing a sustainable development strategy. Additionally, the paper uses the method of analysis of the literature on the subject, legal documents and available reports.

Keywords: delocalisation processes, local development, sustainable development, human capital, building partnerships.

1. Introduction

Development, including economic development, has become its own goal over the last several decades. Successive industrial revolutions have blackened humanity on the course of development. Progress has undoubtedly brought much good to mankind, but unfortunately it has also had negative consequences, such as the location of the settlement or the diseases the effect the inhabitants. Therefore, for several decades, development has been combined with the issues of sustainable development, which is supposed to be understood as the shaping of reality in such a way that the needs of the present generation can be satisfied without compromising the chances of future generations to satisfy them.
Thus, delocalisation processes should be looked at from a new perspective. Traditionally, this phenomenon has two perspectives: companies that apply these processes and the places where the given processes are located, i.e. the location (country, region or municipality that accepts the investment). Topical literature suggests that there are a lot of works that describe and study these phenomena in a precise way; however, they usually focus on only one perspective.

Many works contain an analysis of the discussed phenomena only from the point of view of the company. This knowledge is essential in the process of making business decisions. For example, C.K. Prahalad and G. Hamel indicate, with the help of key competence concepts, which processes can/should be outsourced. They state that companies should focus on those areas that determine their competitive advantage, while others should be separated from the structure and transferred to other entities (Prahalad, & Hamel, 1990).

A model of offshoring and outsourcing explaining the choice of a specific organisational form of production fragmentation containing a set of factors, including elements related to costs, resources, monopoly advantage, learning and organisational strategy, is proposed by M.J. Radło (Radło, 2013).

M. Greaver presents a methodology for the implementation of outsourcing projects based on seven steps: planning; strategic implications study; cost analysis and execution; supplier selection and the negotiation of conditions and transfer of relationship management resources (Greaver, 1999).

M. Power et al. describe the methodology of outsourcing implementation in companies in seven similar stages, in the context of a repetitive relationship management cycle. Their work has a very practical dimension. It contains many examples and guidelines for managers implementing outsourcing strategies (Power et al., 2006).

Within the framework of the localisation perspective (in municipalities), a lot of research has been carried out analysing the importance of local authorities in the process of localisation selection by enterprises, emphasising their positive effects (Devereux et al., 2007, pp. 413-435; Barrios et al., 2006, pp. 81-107; Domański, 2001; Kraszewski, 2001; Dziemianowicz, 2008). However, in a majority of these cases, the studies relate to investments already implemented and not potential investments. This is due to the selection of a location. Until the location is revealed, this is not so much information constituting a company secret as an individualised unique process within the framework. Therefore, it can be assumed that the representatives of a given location do not have knowledge of the detailed criteria which constitute the basis for the decision on the choice of location. For this reason, among others, specialists cannot agree on the links between the decisions of companies on the choice of location in offshoring and outsourcing processes and the activities of local governments in attracting investors. However, the issue of supporting delocalisation processes by local authorities is well recognised and presented in many works.
The Handbook for Promoting Foreign Direct Investment in Medium-Size, Low-Budget Cities in Emerging Markets, published in 2009, as a result of research conducted by the Earth Institute of Columbia University in New York as part of The Millennium Cities Initiative (MCI), which is one of the Millennium Development Goals initiatives established by the United Nations, is considered to be of particular importance. It presents, in a comprehensive way, the mechanisms for building a system of acquiring investments at the local level. Under this system, special attention is paid to the proactive acquisition of investors through individualisation of an offer dedicated to a specific enterprise (Handbook…, 2009).

Moreover, a well-known approach is the acquiring of investors for municipalities written by W. Jarczewski. In a comprehensive way, he presents the system of local authorities' influence on the investors' location decisions and conditions of particular pro-investment activities, as well as the importance of local authorities' activity in the process of location selection by enterprises. It states that it is not individual activities carried out by the municipality that contribute to supporting the entrepreneurs' decisions on the choice of a particular location, but the implementation of the whole pro-investment system, including a number of components (Jarczewski, 2012).

On the other hand, this new perspective related to sustainable development also applies to the resident. It seems that the win-win strategy is the key determinant to be followed by municipalities. Companies carry out the processes of outsourcing and offshoring mainly due to the basic objective of economics, i.e. profit maximisation. On the other hand, local authorities take actions aimed at attracting investors who create new jobs for the benefit of the region, increase tax revenues and ensure their re-election, while the inhabitants are a passive component of these processes (in the context of direct influence on decision making). The key to the success of the relationship created between investors and public authorities should not only be mutual understanding of each other's interests but should also include residents as active participants in this process.

A certain proposal in this respect may be to create a system of acquiring investors beneficial for all parties. The most important element of which should be an individualised investment offer from a given municipality for a specific investor, tailored to its needs based on optimal location criteria, as defined by the entrepreneur. However, such a situation is rare due to the fact, as noted above, that the process of selecting a location by an enterprise is unique for each investment project.

On the other hand, a common feature of all investment projects involving offshoring and outsourcing is the use of human resources at the place of investment. Currently, what counts more than the low cost of employees is their quality in terms of adaptation to the needs of a particular entrepreneur. This quality manifests itself primarily as social capital.

It is generally accepted that social capital is the basis of civil society, which is characterised by the self-awareness of its members of the needs of that community and the desire to meet them, resulting in interest and responsibility for the affairs of that community.
A low level of social capital affects the small number of ties that exist between people. This results in fewer people knowing each other, and even if people do know each other, they will not trust each other. The result of this situation is a lack of joint or individual action aimed at improving life in the community. On the other hand, a high level of social capital occurs when people have and create good relations with other members of the community, trusting each other and collectively undertaking actions aimed at improving living conditions. In economic terms, a high level of social capital translates into easier negotiations, lower transaction costs, reduction of corruption, the spread of knowledge, the development of civil institutions (the third sector) in the context of the control of public authorities, as well as the favouring of long-term investments (Fukuyama, 2013, p. 169).

It is also worth noting that the quality of social capital has a very strong impact on the self-awareness of residents in the context of education, including the need for further education, which directly translates into greater employee efficiency.

Therefore, an element of a system beneficial for the three parties (entrepreneurs, municipalities and inhabitants) may be building partnerships for pro-investment activities in a given municipality, especially in the area of education and building social capital.

This text has been prepared on the basis of available literature, results of market research carried out by professional institutions, legal regulations, as well as on the basis of the author's own observations and experience gained in his professional work in a unit dealing with acquiring and servicing investors in the local government and in an advisory and training organisation preparing staff for the needs of entrepreneurs.

2. The influence of decision makers on the location processes of companies

Although the classical approach to location theory does not take into account the role of local authorities in influencing location factors, we have been observing an increase in the activity of local authorities in promoting their municipalities for several years. These activities include both tourism and economic dimensions. In particular, the latter dimension begins to play a leading role in activities undertaken by local governments. The flagship motto of politicians around the world is to create new jobs.

On the one hand, the influence of local decision makers on business location decisions cannot be overestimated, as according to the location criteria, local authority activities generally take up distant places in terms of their importance. On the other hand, when deciding between two similar locations (similar location parameters, infrastructure, etc.), the influence of local authorities can be significant.
It is also worth noting that the role of local authorities is different, depending both on the size of a given local government community and on the investment sector. Usually, in small municipalities, it is much easier to obtain investment areas by a self-government, mainly due to their price. It is assumed that such municipalities address their investment offer preferably to investors from the production sector and their influence on possible location decisions, which is much greater than that of authorities of large cities of so-called metropolises. This is due to the fact that large cities themselves are attractive for the location of business mostly in the service sector (agglomeration effect). The dynamic development of the BPO/IT/SSC (Shared Service Centre) sector in Poland is by no means due to the local government. The examples of Kraków and Warsaw prove this best. Both these cities do not have an active policy in terms of attracting investments from this sector, and yet it is in these cities that the sector is concentrated in Poland. The natural state of affairs is the development of infrastructure and social capital in large cities needed for modern services. The existence of convenient road and air transport, the possession of educated human resources (the status of academic cities) and the functioning of a large office space market are features of all metropolises around the world.

3. Strategic approach - a vision of local development

A feature of the 20th and 21st centuries is the processes associated with the decentralisation of power. It is assumed that the closer the power is to the citizens, the more effectively individual policies (understood as comprehensive programmes concerning particular areas of inhabitants' lives) can be implemented for a given community. Decentralisation also entails equipping the lower levels of public administration with instruments to carry out their tasks. Of course, it is crucial here to provide the local authority with financial means with which it can carry out its tasks for the benefit of the local community. The consequence of this phenomenon is the way in which these tasks are performed, i.e. management. It is worth noting that over the last few decades, the very term of local community management has evolved. Initially, it meant administration and carrying out tasks commissioned from central authorities; nowadays, it means policymaking and management. This new scope of management is particularly important in the case of direct elections of mayors and municipality leaders. They have a strong directive to implement this policy after elections (Fukuyama, 2013, p. 169).

The key of all actions is a precisely defined goal, corresponding to a certain vision. Without a set objective, it is very difficult to implement activities such as attracting investors. The basic factor in this area is time and consistency of action. The vision of the development of the place where the municipality is to be located in a certain period of time obviously results from internal and external conditions. It is difficult to imagine the construction of an office park complex attracting investors from the research and development sector in a municipality with 2000
inhabitants, 100 kilometres away from a bigger city centre. On the other hand, the vision of creating a 200-ha logistics park near the eastern border of Poland in a municipality where there is a 20% unemployment rate is more realistic, assuming the existence of, or plans to build, an international road transport route in this area. The latter vision, with the use of appropriate tools and determination of local authorities, is possible to achieve. One of the conditions for its implementation is to prepare a strategic document (Kondratenko et al., 2020).

It should be noted at this point that there is not an unlimited number of external investors; therefore, it is not possible to fill all investment areas with them. This means that not all municipalities which have defined their strategic vision will achieve success through their actions. On the other hand, activities aimed at improving the investment climate may also result in the release of enormous energy among local entrepreneurs. Of course, according to the theory of foreign direct investment, external investors create new jobs directly and indirectly (through the multiplier effect), and thanks to them, the level of domestic investment increases, they bring know-how, increase productivity and provide access to new technologies and innovations. However, these phenomena can also occur thanks to local entrepreneurs. The simplest example of actions taken by local authorities to build an investment offer for external investors is the adaptation of education in local educational institutions to the labour market. These actions are also beneficial for local entrepreneurs, as economic development, and therefore social welfare, depends on the level of competence of employees (Skupiak, 2013).

To sum up, it should be stressed that, nowadays, the coordination and development area is of great importance in formulating a vision, as it creates a network of partnerships within a given municipality. Investment processes are increasingly complex, and both national and global economies are determined by interdependencies. The sum of resources of all municipality stakeholders allows for the building of a better strategy. The more stakeholders in the municipality involved in creating a vision, the more effectively this vision can be implemented. Moreover, such activities are in line with the trend of developing social participation as a way of municipal management. The involvement of stakeholders in the planning process is, by nature, multi-faceted and gradual. Literature emphasises that participation is a certain continuum - a degree of development - of activity between authorities and stakeholders, which can be scaled according to the following stages: informing the society; listening to the society; involving the society; developing agreements/partnerships (Creighton, 2012).
4. Resource analysis

Each analysis of resources must be preceded by a precise socio-economic diagnosis of the municipality. This is a very important element of creating a vision, as it is assumed that the existing advantages should be strengthened and not at any cost planned for the development of the municipality against internal and external conditions. The scope of the diagnosis should include:

- General characteristics of the municipality against the background of the region.
- Demographic structure.
- Economic structure.
- State and protection of the environment.
- Waste management.
- Technical infrastructure, including telecommunications.
- Housing management.
- Road infrastructure.
- Education.
- Culture, sport and recreation.
- Characteristics of the third sector.
- Human capital and labour market.
- Health and safety protection.

An interesting example of defining the areas of analysis is the methodology of PwC (PricewaterhouseCoopers) used in the study of Polish metropolises. According to this methodology, the analysis areas are grouped into seven development assets (Raport…, 2012):

1) Financial Source Assets, which show to what extent the city is able to find funds necessary to finance development.

2) Institutional and Democratic Assets, which show the efficiency of city institutions and civil society activity.

3) Technical and Infrastructure Assets, which show the city's infrastructure: housing, transport, accessibility, modern services and media.

4) Investment Attractiveness Assets, which show the city's potential to attract domestic and foreign investors.

5) Culture and Image Assets, which show whether the city is perceived as an interesting and culturally attractive place.

6) Human and Social Assets, which define the quality of human resources: knowledge and qualifications, demographic structure, pro-market attitude encouraging economic activity.

7) Quality of Life Assets, which show the living conditions offered by the city: the state of the environment, the level of health care, education, safety, traffic.
The above resources belong to internal conditions; however, it is also very important to analyse external conditions, which have an increasing impact on all development processes. The external conditions include:

- International environment – general social and economic situations, directions and priorities for the development of the European Union, global policy priorities, current transnational phenomena (e.g. migration problem).
- National and regional environment – sectoral and industry policies, the general political situation.
- Economic environment – dynamics of economic development, programmes supporting the development of small and medium-sized enterprises, economic development policies, active forms of combating unemployment.
- Social environment – changes in lifestyle, consumption preferences, forms of spending free time, counteracting the social exclusion of citizens and families in a difficult life situation.
- Technological environment – innovative processes, new technologies, trends in modernisation of production processes.
- Legal environment - political and legal basis for the functioning and development of the state, society, local government.
- Ecological environment - directions and priorities of social, organisational and technical activities for the protection of the natural environment and prevention of its degradation.

5. Building partnerships towards the quadruple helix

In the modern world, we can observe dynamic processes resulting in interdependence. Building an effective vision of development and its implementation seems impossible without building appropriate partnerships and the involvement of many entities. However, various actors who are involved in the development processes of a municipality must achieve certain benefits in order for this involvement to be real. This phenomenon is explained by the theory of stakeholders, whose most famous promoter is the American economist R.E. Freeman.

The most important assumptions of the Stakeholder Theory are (Freeman, 1984):
- The existence of many groups of stakeholders who are interested in assessing the functioning of an entity (e.g. municipalities).
- A given entity enters into relations with many stakeholder groups.
– Focusing on the nature of relationships, both in the areas of processes and results for the organisation.
– The interests of all eligible stakeholders have an important value, and none of them should dominate the others.

On the other hand, the purpose of the stakeholder analysis is to identify and assess the type and scope of influence in different types of interest groups (stakeholders) shaping the organisation's strategy of operation in the case of a municipality interest. The aim of this activity is to explain and analyse the expectations and behaviours of stakeholders, the relations between them and the organisation, the directions and possibilities of their influence on changes in the organisation's goals, as well as its functioning and effectiveness. A stakeholder analysis aims, first of all, at getting to know groups, business entities or institutions that are strategic partners of the organisation, determining the nature of relations that take place between them and their partners, and secondly, identifying instruments or decisions with which they exert or intend to exert influence over the organisation.

This method is a procedure of systematic collection and processing of qualitative data to define whose benefits should be considered when creating and implementing activities. It also serves to identify and evaluate people, social groups and institutions which are key to the project or undertaking and have a decisive influence on the operationalisation of activities.

In order to analyse the stakeholders in the scope of undertaking pro-investment activities by the municipality, after their identification, the following features are examined (Freeman, 1984):

- Stakeholder knowledge about the pro-investment activities and their importance.
- Benefits for individual stakeholders.
- Support or lack of support for these activities.
- Potential alliances between stakeholders, as well as the ability to influence the process of implementation of the pro-investment policy of the municipality.

Moreover, the impact, i.e. the strength with which the stakeholders can influence the implementation of the pro-investment policy of the municipality, is assessed. It manifests itself primarily in the ability to control the decisions made, the possibility to facilitate the implementation of activities, as well as the negative dimension, i.e. the possibility to block these activities.

On the other hand, the importance of stakeholders is a parameter which indicates the importance that has been assigned to the satisfaction of the needs and benefits of a given stakeholder resulting from the implementation of the measures.

The importance of stakeholder impact depends on:

- Formal authorities.
- Authority.
- Control over strategic project resources.
Building partnerships for municipality development is nothing more than shaping relations with stakeholders. Thanks to this analysis, the hierarchy of importance of the municipality's interest groups is established, and the potential tools for influencing them are defined. These tools primarily include public relations, i.e. creating a positive image of the municipality and its host as a partner for all stakeholders (Comp.: McFarland, & McConnell, 2011, p. 11).

Constant communication is crucial in the process of managing stakeholder relations (Hund, & Engel-Cox, 2002, p. 228). It is also very important to introduce elements of risk management in the area of shaping stakeholder relations, which consists primarily in eliminating potential conflicts or preparing for them.

A. Svendsen points out the following stages of building stakeholder relations, which can be attributed to the municipality's prior investment activities (Svendsen, 1998, p. 67):

1) Creation of foundations (e.g. selection of strategic directions, defining the mission, vision and values of the municipality in the context of attracting investors and support for internal involvement).

2) Reorientation of the organisation (municipality office and its subordinate institutions) – identification of potential gaps and deficiencies, evaluation of the system and structure and introduction of necessary changes.

3) Formulating a strategy (primarily in the aspect of attracting investors to the municipality).

4) Building trust between all activity stakeholders (information exchange, communication, identification of common goals, identification of conflict areas, providing resources).

5) Evaluation and repetition of those stages which require development and enhancements.

It is of key importance to identify and include inhabitants of the municipality as a group of stakeholders (today – NGOs, municipal activists; tomorrow – all inhabitants through municipal information systems). On the one hand, the activation of this stakeholder group may counteract the commonly occurring phenomena, such as: social atrophy of the inhabitants and migration movements to larger centres, and it may contribute to the construction of high quality social capital, including the much-needed creative class (Florida, 2010), the engine of economic growth.
6. Summary

In the 21st century, most business processes are developed using advanced technology and highly skilled employees, yet traditional industries continue to use cheap labour, mainly in developing countries.

At this point, it is worth noting how China is traditionally treated as a huge reservoir for cheap labour. However, there has been increasing pressure placed on raising labour costs, due to the formation of the middle classes, and their aspirations coinciding with their demands. The Chinese authorities are preparing to celebrate the centenary of the Chinese Communist Party (est. 1921). They are also celebrating the building of a "moderate welfare state", i.e. the middle class (Góralczyk, 2018).

Increasingly, simple production processes are performed by robots in the context of the fourth industrial revolution (Economy 4.0), so it seems that the key factor in attracting investors is ensuring access to qualified personnel.

In the traditional approach, municipality authorities were passive in relation to this issue. Building partnerships between local authorities and institutions of the education sector gives this aspect a dynamic dimension.

Both in the case of small municipalities and large cities, the local authorities have great opportunities to influence and create partnerships with primary and secondary schools in the context of building staff potential. Firstly, these schools often report directly to the local government units, which are the leading body for them. Secondly, the quality of education and the fate of graduates depends on the interest of potential new students (candidates for these schools). In Poland, large cities allocate about half of their budget to education, so the impact can be very high if there is an appropriate partnership based on mutual understanding of the objectives and benefits for all parties.

In many cases, the institutions of the educational system are subordinate to the local government and are characterised by a low level of knowledge about the pro-investment activities of the municipality, having a neutral attitude towards this. This means that there is a large space for including these institutions in the pro-investment policy of the municipality, due to the great possibilities of their influence as entities that prepare staff for investors by including them in the process of adjusting the educational offer to the needs of the labour market.

The construction and quality of partnerships in the area of pro-investment activities of a municipality – and thus its effectiveness – are much less affected by local authorities in the case of higher education institutions, which are not only independent from them but also fully autonomous. In this case, only mutual understanding of their interests can bring the expected benefits.
Moreover, there is a certain analogy in terms of building partnerships with the triple and quadruple helix concepts, which are the basis for the development of modern cities. They are based on cooperation and the search for collaborations between three (triple: administration, business, science) or four stakeholder groups (quadruple: additionally, residents/civic society) (Lombardi et al., 2012, pp. 137-149).

In the 21st century, human capital and its quality (inhabitants/civic society), in particular, play a key role in development. This is related to the new development paradigm of countries and regions, i.e. building a knowledge-based economy. One of the most popular definitions of human capital is that developed by the OECD. Within this definition, human capital is understood as "the knowledge, skills, abilities and other qualities of the human being which enable the production of personal, social and economic well-being (Boris et al., 2006, pp. 81-107)."

As early as 1962, Nobel Prize winner George Becker introduced the concept of investing in human capital as a way of allocating resources that influences future income. By investing in assets, he understood education and gaining experience at work through training or collecting information about the world around him. This is not only still valid, it is a condition for development, but more importantly, it can be a condition for survival (Comp: Kuzior, 2010; Kuzior 2014a, 2014b, 2014c).

References


