

**Regional Policy and Regional Marketing
at the Level of Small and Medium-sized
Enterprises in Slovakia**

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Abstract:

The article focuses on the characteristics of regional policy, regional development, regional marketing and regional marketing communication from a theoretical perspective. Subsequently, we characterize research that was realized in 2019 and included V4 countries - Slovakia, Poland, Hungary, Czech Republic, along with Serbia. Its aim was to characterize the main reasons of the failure of small and medium-sized enterprises and approach the current challenges of small and medium entrepreneurships, the main question we tried to answer was- How to prevent SMEs from failure? The activities related to the project led to the clarification of different aspects of business activities that can lead to successful and/or unsuccessful entrepreneurial activities. For the purpose of this article, we have selected eight research questions from Slovakia that are currently relevant to the topic of the article. We outline the main obstacles to business success in Slovakia, we characterize external factors that created business difficulties and three questions deal with marketing and marketing communication, because standing in a strong competitive environment requires, among other things, the ability to sell one's business to customers. The aim of the article is to point out the factors that influence business and success in the market of small and medium enterprises in Slovakia.

Keywords: regional policy, regional marketing, marketing communication, small and medium businesses, economy

Introduction

Business entities play a crucial role in regional development, influencing many factors, such as the living standards of the populace, its employment rate, income, social status, buying power, demand and similar. Business entities offer people employment and a wage, individuals with a certain level of income then demonstrate a certain degree of buying power, which in turn influences the management of companies.

Small and medium businesses play a crucial role in the economy of the state and participate to a great degree, in the creation of GDP, employment and tax revenues in a country. SMEs influence the performance of the country's entire economy and have a crucial impact on the regions and their development. It is therefore necessary to pay a sufficiently great deal of attention to supporting entrepreneurship.

Regional policy

The main goal of regional policy is to regulate the flow of public finances into those regions, where the greatest revenue is expected. Regional policy is also an instrument of financial solidarity and a driving means of economic integration. It balances the differences between regions and can regulate ongoing processes, based on goals determined in advance (Foret 2016).

In the Slovak Republic, regional policy is carried out at two levels:

- (1) at a national level, provided by the central government authorities of public administration, and is mainly of a selective nature, with a specification for regions determined in advance;
- (2) at a regional level, which should be provided by the regional administration authorities, and is of a blanket-regional nature, with a focus on intra-regional matters (Marchevská & Gburová 2016).

Financially, regional policy is carried out primarily through the European Regional Development Fund (ERDF) and the Cohesion Fund. Financial subsidies of the Cohesion Fund are intended mainly for the less wealthy member states, which show a lower gross domestic product per capita, including Slovakia (Bajanová 2010). Prerequisites for the successful economic growth of regions and the quality of life of their inhabitants include understanding the connections in the functioning of regional economies and the options of influencing the development of these economies through policy (Hudec et al. 2009)

Regional development

The definition of regional development by Minařík et al. (2013) is as follows: „*it is an activity aimed at the better utilisation and the increasing of the potential of a particular territory, which was delineated with the goal of strengthening its socioeconomic level and for the purposes of better utilising existing resources and natural resources.*“ If we look at regional development through the perspective of legislative delineation, we see it is a set of social, economic, cultural and environmental processes and relations, which occur in the region and contribute to the increasing of the region's competitiveness, permanent economic development, social

development, territorial development and the balancing out and equalising of economic and social differences between regions ([Act No. 539/2008](#)) In terms of characterising regional development, is also worth to mention the opinion of Jiří Ježek, who perceives this topic as the result of decisions taken by several participants. He divides them into 3 groups:

- (1) companies;
- (2) individuals;
- (3) the public sector.

Development is a relatively broad concept. It is a set of economic, social, environmental and cultural processes and relations taking place in the region. These bring positive change conditioned by the efficient usage of development resources, the aim of which is to achieve prosperity and well-being of the population. These are derived from economic development and are expressed through the competitiveness of the territory and the economic factors located in it ([Hudec & Bíla 2008](#)).

By analyzing the components of competitiveness, S. Bucher sees a benefit for state administration and local government bodies, which can guide their planned activities in the field of promotion. This selection will serve to facilitate the identification of the country's position, it can identify its strengths and weaknesses, from which the traffic and development of the destination is derived ([Bucher 2015](#)).

Regional marketing

What do we understand under the term marketing of a city or municipality ? „*These are all the instruments, means and methods, with which the city or municipality – their local government authorities – create an idea about their market value. Currently, marketing theory of cities and municipalities is still not understood in a complex manner and is therefore most commonly understood only as promotion, without utilising all the instruments of marketing.*“ claims Horváthová ([2012](#)).

The marketing of a region is a strong strengthening element of the economy, image and identity of a given region. The goal is to create sustainable, competitively advantageous regions by utilising marketing tools. According to Bůšik ([2010](#)), regional marketing is understood as „*a complex and very flexible set of activities. It is also a certain system of thinking, perception and approach to a wide range of information, with the goal of arranging the inner environment (a region) in such a manner, that it would satisfy the needs of customers and simultaneously the*

buying power, financial and material resources, and the production capability of customers to orient it at the given products.“

Regional marketing communication

Regional marketing may have special characteristics with regard to the area, while trying to be competitive in offering its services (Mannschwetus 2013). Every company, institution, local government authority should communicate with all entities within the territory what affects the outside environment as well. The primary goal is reaching public support, a mutual agreement between entities within the given territory and informing the public about the entities activities. In his publication, professor Jaroslav Kita et al. (2010) fittingly characterised the role of communication in marketing: „*marketing communication means, on the one hand, to inform, to familiarise people with products, explain their characteristics, to emphasize their usefulness, quality, value, benefits, use, and on the other hand, to also be willing to listen, accept the proposals and requirements of consumers, and react to them.*“

Marketing communication at a regional level „*is represented by all the instruments, means and methods, with which a town/city, municipality or region - their local government authorities - create a conception of their market value.*“ (Horváthová 2012).

Local government must communicate primarily due to the following reasons:

- acquiring public support,
- informing the public,
- increasing the public's interest the development of the area, city, municipality,
- gaining public understanding during problem-solving,
- reaching a mutual agreement between individual subjects,
- pushing through one's own territory on the market.

Support for SME

In the Slovak Republic there are many state and private institutions that cooperate with each other in supporting SMEs.

Enterprise Europe Network

Enterprise Europe Network (EEN) is the largest network that mainly supports small and medium-sized enterprises with transnational ambitions, and which main role is to support the penetration of innovation into new markets. It helps enterprises to grow faster, to create new partnerships,

and to gain access to financial resources. The project is co-founded through the COSME framework program. It helps to support competitiveness, with the current programming period 2014-2020. Representation of Enterprise Europe Network in the Slovak Republic consists of the following partners – BIC Bratislava, SBA, SOPK and RPIC Prešov. Within the services, the organization provides international business expertise in several areas. One is search for internships – through the access to the largest European business opportunity database, the experts help to build new international partnerships. They also organize quick and effective bilateral meetings for enterprises, research institutions, or universities. As an added value of international conferences and trade fairs it might save time and money of enterprises, which asked for help. Advisory services – consulting services consist of internationalization and business cooperation. Through them they try to identify the best market opportunities and advise on how to expand internationally.

Innovative support – based on the many years of their experience, they can recognize innovation potential, which can be transformed into international business of enterprises. Innovative support includes advice on access to R&D funding, such as Horizon 2020 or SME Instrument. The services such as how to grow and realize innovations are included ([EEN 2020](#)).

Slovak Business Agency

Slovak Business Agency represents the institution in the Slovak Republic which is focused on offering support programs for small and medium-sized enterprises. As a public and private sector platform, it was founded in 1993 by the Initiative of European Union and Slovak Republic. Its main mission is not only to support enterprises in compliance with the Small Business Act, but also to improve their competitiveness. The role of the institution is to publish annually the evaluation of SMEs business activities in the country. “Small business Act” is an EU Initiative which main aim is to support small and medium-sized enterprises, and to provide measures for enterprises how to ensure their competitiveness on the global market. Through ten principles, the initiative wants to remove barriers that hinder enterprises in increasing competitiveness. On the other hand, it is focused on ensuring the conditions for creation of new job opportunities in the SME sector ([SBA 2020](#)).

It is also worth to mention in detail some examples of the support programs and projects of SBA. In the framework of financial support, SBA implements support programs such as:

- Micro-loan program,
- Venture capital funds – National Holding fund.

Micro-loan program - within the program from the Slovak Business Agency, enterprises can apply for a micro-loan under the most advantageous market conditions compared to banks. The aim is to support the development of enterprises, to increase employment in the country's regions and to address the problem of small and "start-up" enterprises' access to financial resources.

Venture capital funds - at present, the National Holding Fund is the intermediary for the Venture capital funds and it manages three funds with separate legal personality (Slovak Development Fund, Slovak Growth Capital Fund and the Innovation and Technology Fund). Individual funds are focused on enterprises that are planning to bring their ideas to the market. However, this is preceded by a risk analysis of all these projects. In the case of success, investments in the form of venture capital are realized in "starting" enterprises, or enterprises in the development phase that are facing financial problems. The mission of the funds is to facilitate success.

In the framework of state programs, Slovak Business Agency provides support to entrepreneurs through following projects:

- Promotion successful business practices,
- Scheme to support the development of the creative industry in Slovakia,
- Program Monitoring and Research in small and medium-sized enterprises,
- Program to support the Internet economy,
- Startup Sharks.

The Operational Program - Research and Innovation

The Operational Program "Research and Innovation" is a joint program document of the Ministry of Education, Science, Research and Sport of the Slovak Republic and the Ministry of Economy of the Slovak Republic. Its objective is to create a stable environment for innovation, to increase efficiency and performance of R&D, and also to increase competitiveness of enterprises, boost employment and economic growth. The total allocation of financial resources is almost 2.3 billion. More than three quarters of all funds are intended to strengthen research, technological development and innovation. The rest is aimed at supporting competitiveness of small and medium-sized enterprises. Support from the Operational Program may take the form of grants and financial instruments (loans programs, venture capital funds) ([MINV 2020](#)).

Ministry of Economy of the Slovak Republic

The most important institutional actor in support of SMEs in term of state support programs and initiatives is Ministry of Economy of the Slovak Republic. It also has the competence to provide subsidies for the establishment of industrial parks, and provide investment help for regional development. Supporting tools include -Innovative fund, Innovative vouchers, Cluster support, International cooperation in industrial R&D, Innovative solutions for towns.

The purpose of the Innovative fung is to support the activities in the field of science, and development, and thus to accelerate the innovative development in the Slovak Republic. It further provides access to domestic or foreign scientific, economic, technical and financial information, supports the protection of domestic intellectual property, and how-know of the projects. It is a non-investment fund that works on the principle of return funding. Innovative vouchers aim to support enterprises that have the potential to increase their own competitiveness through innovation of their products, services and processes. The total denomination of the voucher is up to € 5.000, where VAT is not included. Cluster support -focuses on emergence and development of industrial clusters, it also improves the links between research, academy and business sector. Support seeks to streamline the co-operation of individual industrial clusters, but also to strengthen their position on international markets. International co-operation in industrial R&D is to support solutions for joint industrial research and experimental projects, to improve access to knowledge, to develop modern technologies, and ultimately to strengthen the competitiveness of the country ([MINH 2020](#)).

The Slovak Investment and Trade Development Agency

The Slovak Investment and Trade Development Agency is a contributory organization of the Ministry of Economy of the Slovak Republic, financed from the state budget. The agency created a national project Support of internationalization of small and medium-sized within the Operational Program Research and Innovation SARIO will provide these support types within the National project:

- Trade fairs and exhibitions abroad
- Businesses missions
- Sourcing and cooperation events
- Pre-event advisory meetings
- Export academy
- Development of supply chains (SARIO).

The Slovak Innovation and Energy Agency

The Slovak Innovation and Energy Agency was established as a state contributory organization by Ministry of Economy of the Slovak Republic in 1999. Since 2007, the organization implements the state support for innovation, monitors and evaluates innovative activities in the Slovak Republic, and proposes measures to support them. In the framework of innovation activities, the organization developed several interesting projects:

- SEIA fulfill the role of the Technology Agency in accordance with the document “Knowledge for prosperity – Strategy for Research and Innovation for Intelligent Specialization of the Slovak Republic
- The project www.inovujme.sk aims to raise awareness of the importance of innovation among Slovak enterprises, as well at educational institutions
- The national project “Support for the development of creative industries in the Slovak Republic” aims to help develop innovative processes through the cooperation of small and medium-sized enterprises with creative industries
- International cooperation program – Innovation for Slovakia and Israel
- Competition “Innovative Action of the Year”
- Vysegrad Innovate
- ClusterCOOP International Cluster Cooperation Project ([SIEA 2020](#)).

Research – How to prevent SMEs from failure

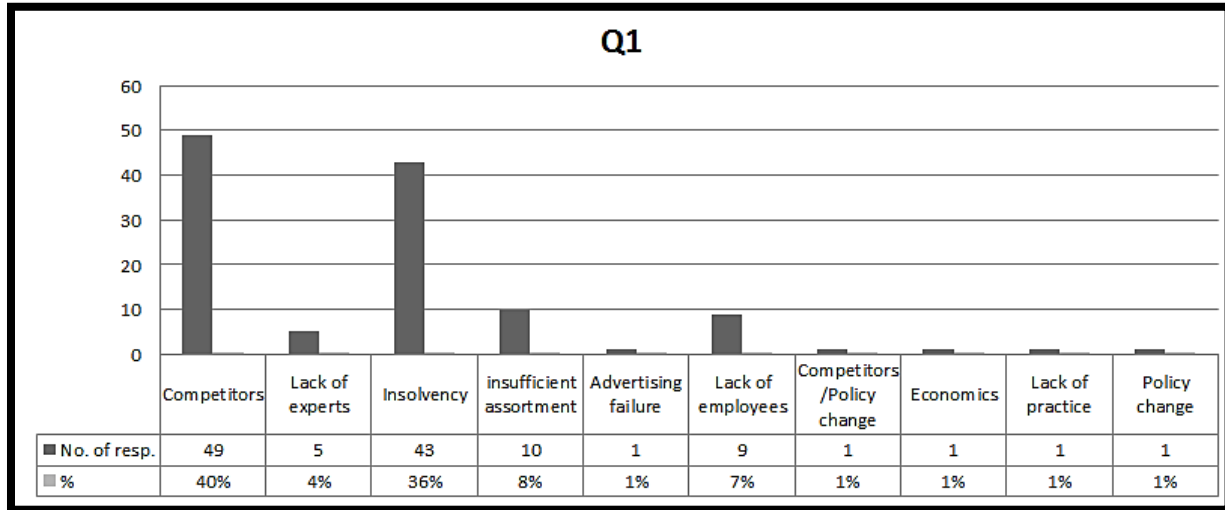
The research, under the auspices of the project How to prevent SMEs from failure, was carried out in 2019 by V4 countries and Serbia. *„This project is focusing to assess the cators influencing the failure of other entrepreneurs, and based on that, to develop the measuring scale, that will helps existing business avoid potential failure. Analysis of the factors influencing SMEs failure and the possibility of their enhanced recovery has not been enough investigated in the region of Serbia. Through this project, we will analyse the reasons for SMEs failure in V4 countries, but also the potential for their recovery.“* (Visegrad Fund Project 2019). Specifically, Slovakia, Czech republic, Hungary, Poland and Serbia. The research was carried out through a questionnaire consisting of 51 questions. It was completed by the owners or management workers of SMEs that have gone through the crisis.

The sample from Slovakia was 121 respondents, in Czech republic 95, in Serbia 134 and in Hungary 100 respondents, Poland unfortunately did not provide any data. Due to the topic of

this paper, we decided to select 8 research questions, those questions reflect situation of SMEs in Slovakia.

Graph 1. The main obstacles to success of your company before the financial distress

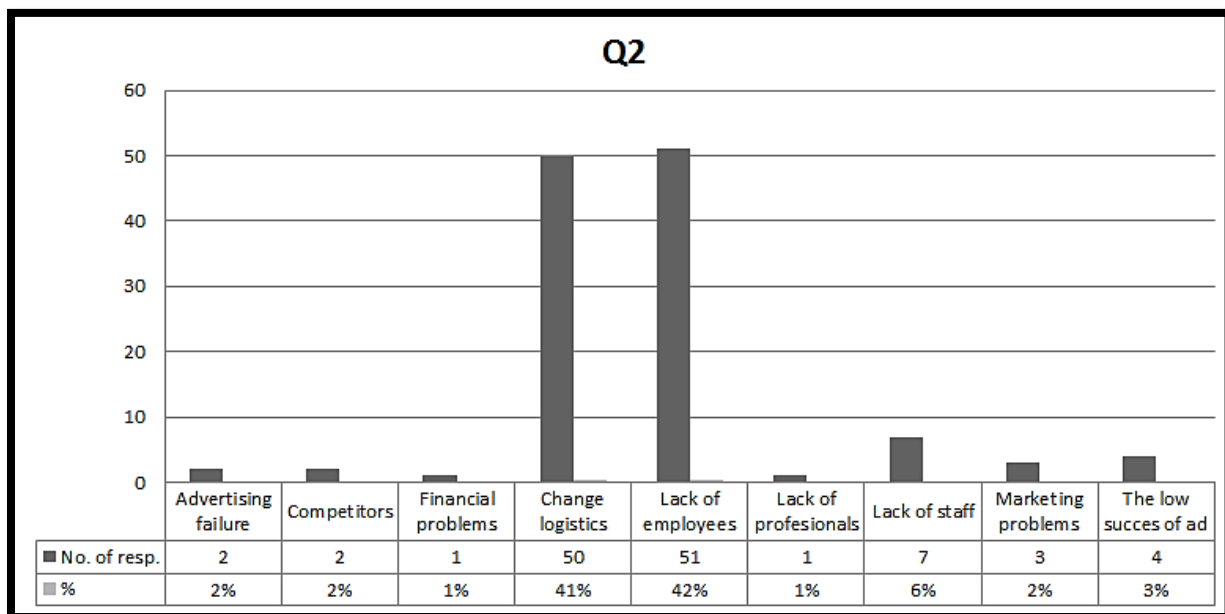
Q1. What were the main obstacles to success of your company before the financial distress?



Source: own research.

Graph 2. The main obstacles to success of your company

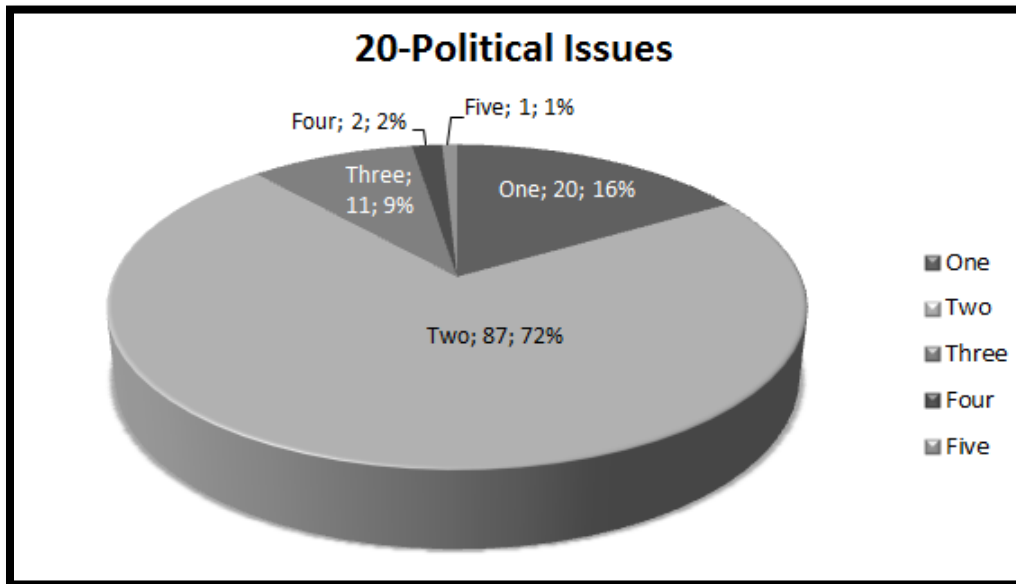
Q2 What would you say are the main obstacles to success of your company, now?



Source: own research.

Graph 3. Created difficulties by political issues

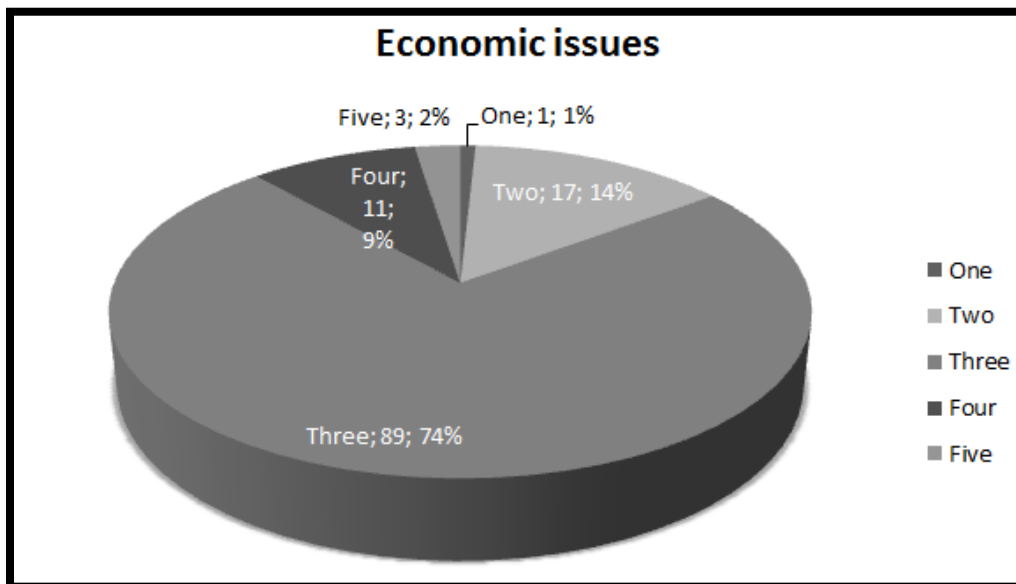
Q3 To what extent the following external factor (political issues) created difficulties to your business that failed? Rate this factor from 1(lowest) to 5 (highest)



Source: own research.

Graph 4. Created difficulties by economic issues

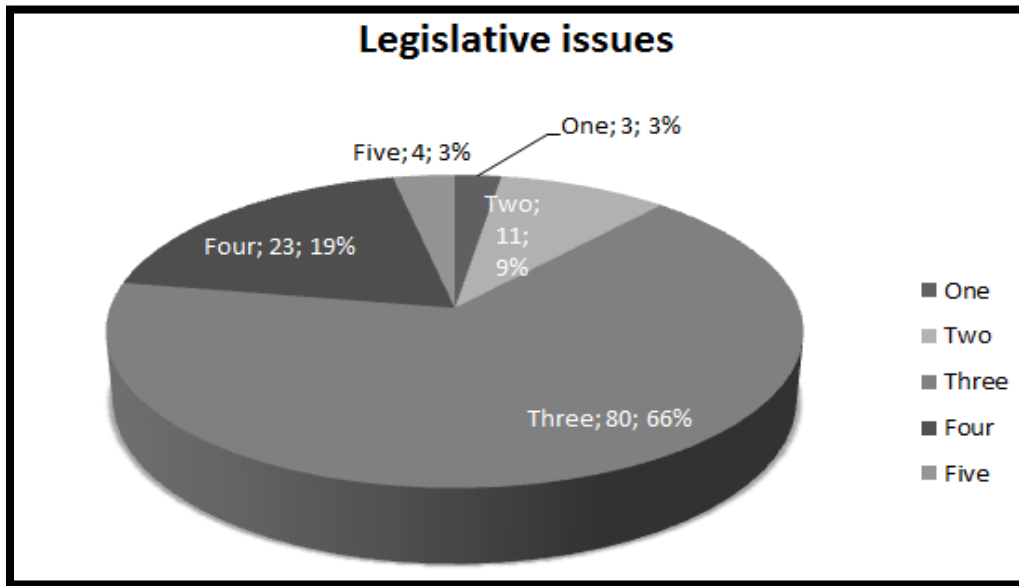
Q4 To what extent the economic issues created difficulties to your business that failed? Rate this factor from 1(lowest) to 5 (highest)



Source: own research.

Graph 5. Created difficulties by legislative issues

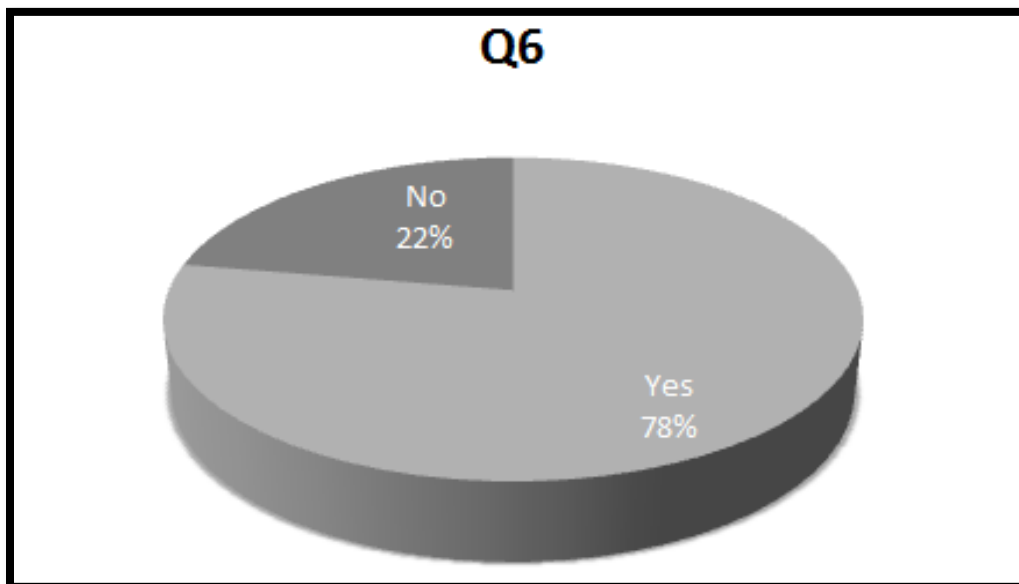
Q5 To what extent the legislative issues created difficulties to your business that failed? Rate each factor from 1(lowest) to 5 (highest).



Source: own research.

Graph 6. Having financial resources just for marketing/marketing communication

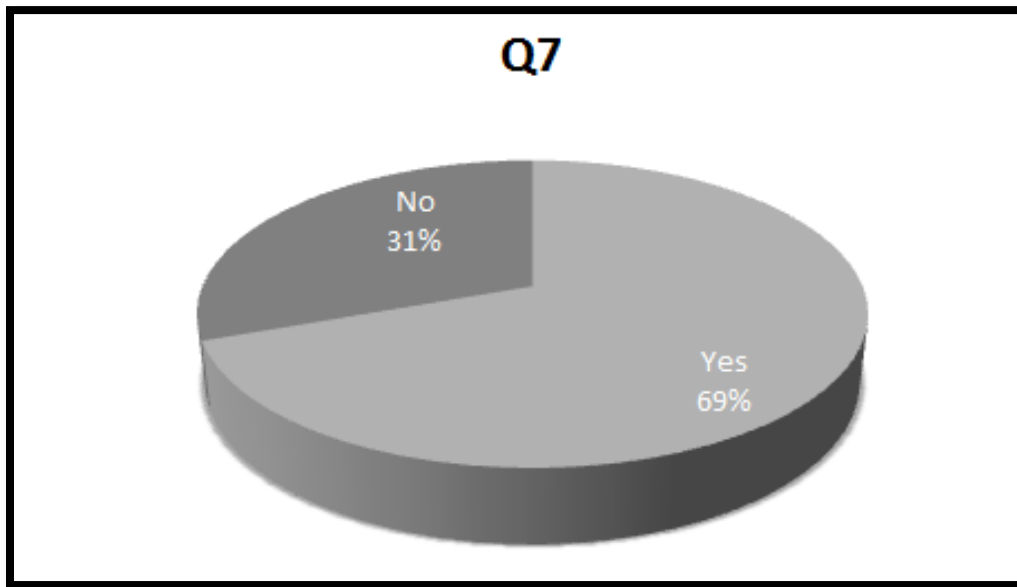
Q6 Does your company have financial resources just for marketing/marketing communication?



Source: own research.

Graph 7. Having communication plan/strategy

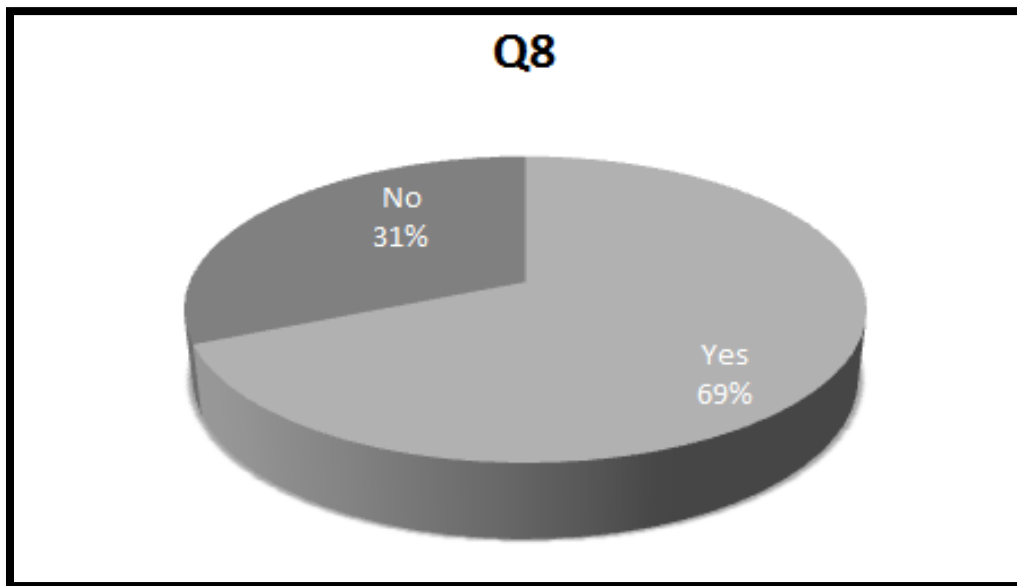
Q7 Does your company have communication plan/strategy?



Source: own research.

Graph 8. Hiring employees who are responsible just for marketing communication of your company

Q8 Do you hire people/employees who are responsible just for marketing communication of your company?



Source: own research.

Conclusion

Every business is different, every company has different needs and each of them must confront various threats. Whether these are competitive threats or economic threats, they are ever-changing and influence the functioning of the business to a great degree. If a business wants to draw attention, succeed, finds its place on the market, and also equally compete with its direct competitors, it is necessary to pay attention to marketing and select an appropriate marketing strategy. Marketing communication helps with shaping the image of an organization, informs customers, and through internal communication attempts to reach the arranged goals. Communication campaigns should contain creative ideas expressed with the right tools, through the right communication channel. Whether marketing communication works well is later reflected in income, the raising of awareness about the business, or the growth of demand. If enterprises want to succeed on the market, they must show excellence, while the market is often characterized by little or no dynamics, sharp competition, both in the domestic and foreign business environment. Company orientation towards the customer and the target market means knowledge of all the characteristics that can help company develop, produce and offer products and services for affordable prices, at the expected location, and under such circumstances that potential consumers can learn about them. They must be also adequately informed. It is precisely their uninformedness, whether in the area of innovations, the options to utilize financial means from the EU funds, or the area of legislation, that also represents a great obstacle for further development of small and medium enterprises. Education, information, and cooperation between institutions could help this development and thus gradually support economic growth in the regions, as well as the creation of special workplaces, whose main role would be communicating with and informing of the business entities. The digitalization of public administration would further trim down the bureaucratic apparatus and remove part of the superfluous paperwork. The bureaucratic burden and opacity of legislation continue to remain a problem for many companies. Business entities are not even sufficiently informed about their financing options or the options for drawing on financial resources from EU funds. The Slovak Republic itself manifests a case of insufficient drawing of EU funds and thus squanders unused development means.

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