



*Governing Urban Diversity:  
Creating Social Cohesion, Social Mobility and Economic Performance in Today's Hyper-diversified Cities*

## Report

### Fieldwork entrepreneurs, Warsaw (Poland)

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## 1. Introduction

A high level of economic growth and the increasing well-being of citizens (Fainstein, 2005; Bodaar and Rath 2005), which are the main objectives of urban policies, are closely associated with the development level of entrepreneurship and the ability to create new enterprises. In the global era, cities compete for enterprises with high economic performance and talented entrepreneurs, in addition to creating necessary conditions for start-up firms. As emphasised in the literature cities that are open towards diversity are able to attract a wider range of entrepreneurs than those that are relatively hesitant (Fainstein, 2005; Florida, 2002; Taşan-Kok and Vranken, 2008; Eraydin et al., 2010). Empirical research on how economic competitiveness is related to urban diversity, however, is quite limited and provides evidence usually only at macro level. One of the aims of this project is to close the gap by providing empirical material collected at neighbourhood level from 14 diverse cities of Europe.

In this project report, we focus on the economic performance of enterprises in deprived, dynamic and diverse neighbourhoods in selected cities and the conditions that support and sustain their competitiveness and long-term development. We aim to demonstrate the role of relationships between urban diversity and the success of entrepreneurs. More specifically, we intend to explain and document the reasons why some neighbourhoods provide conditions for individuals or groups to strengthen their creative forces and enhance their economic performance.

First, the report examines the entrepreneurs, who start their businesses in diversified neighbourhoods and the factors that define their economic performance. It might be expected that factors such as the ethnic background of the entrepreneur, his/her age, family background, gender, education and previous experience are important variables in determining the success of their enterprises. These factors mediate the influence of diversity at the neighbourhood and city level. Second, it explores the main motivations of entrepreneurs and assesses whether neighbourhood diversity is important for starting their business in the current location. Third, it evaluates the market conditions that are significant factors of business performance of entrepreneurs. Fourth, the report evaluates the role of policies and measures at different levels and the institutionalisation of such policies. The evidence concerning these issues can be reached via concrete research questions as presented below. This will constitute the focus of the individual chapters of this report:

1. What are the main characteristics of the entrepreneurs and their business? What are the evolutionary paths and the fields of activity? What are the physical conditions and the ownership pattern of their offices/production sites/shops? (Chapter 2)
2. What were the main motivations of entrepreneurs for establishing a business? What is the importance of neighbourhood diversity for starting their business where it is located now? Why did he/she select this line of business and from whom the entrepreneur has received support in different forms in starting this enterprise? (Chapter 3)
3. What are the success and failure factors important for the economic performance of enterprises? What is the current level of performance and how did it change? To what extent does the diversity of the neighbourhood play a role in economic performance? What are the long-term plans of entrepreneurs? Do they have any plans to change size, market and business strategies in order to reach higher levels of competitiveness? (Chapter 4)

4. Which policies, measures and organisations contribute to the performance of enterprises? What are the contributions of membership to various initiatives on the performance of enterprises? What do the entrepreneurs want from policy makers at different levels? (Chapter 5)

The present report is based on interview survey conducted with 40 entrepreneurs in the district of Praga Północ<sup>1</sup> in Warsaw in the period from September to December 2015, with a focus on the area called 'old Praga' which is known to be diverse especially in terms of socio-economic status of the inhabitants. With its concentration of social dysfunctions and the highest unemployment level of all Warsaw's districts (District Ranking, 2013), Praga Północ is simultaneously experiencing an ongoing gentrification process as an effect of the recent inflow of people representing a higher income- and educational status. The phenomenon often called as a 'vogue for Praga' is stimulated by relatively inexpensive accommodation possibilities (in terms of rent and purchase), new public and private investments, a new urban revitalization programme, as well as a specific atmosphere offering a touch of local folklore (compare Korcelli-Olejniczak et al., 2015).

With its pre-war tradition of ethnic diversity, the Praga of today is a socially diversified area, where newcomers, often representatives of the creative class live among local residents. Praga Północ is an area where poverty and dysfunctions, local climate and traditions meet metropolitan development dynamics and vitality, the latter explicitly embodied by the new Praga Koneser Centre with its Google start-up campus. Due to these changes, Praga is becoming a more and more interesting place for tourists.

The research conducted in the framework of this work package indicates that the group of entrepreneurs active in the case study area constitutes an important component of its social landscape. The desk research carried out unveils an interesting picture of a fragmented entrepreneurial sector, with considerably low barriers to entry and a relatively localized clientele. According to data from the National Official Business Register (REGON), there are 11080 enterprises registered in Praga Północ. 96 per cent of them (10587) are micro firms, those with less than ten employees, and a yearly net turnover generated from trade, services and financial transactions not exceeding the equivalent of 2 million EUR in PL zloty. The rest constitute larger enterprises. The structure of firms according to size shows that the fragmentation within the private sector in Praga is even more distinct than that registered in residential districts in general (Musterd et al., 2006). The sectoral structure is designed in such a manner that over a half of the businesses belong to the catering services sector and to other services. More than 25 per cent of all firms are devoted to wholesale and retail trade. As seen on the graphs below, these groups are further strongly divided into smaller categories (Fig 1 and 2).

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<sup>1</sup> This area is inhabited by 67.984 people (Statistical Yearbook of Warsaw, 2012) and is considered to be one of the most diversified districts in terms of demographic, as well as socio-economic status. Its diversity is reflected in both the physical, as well as social dimension.

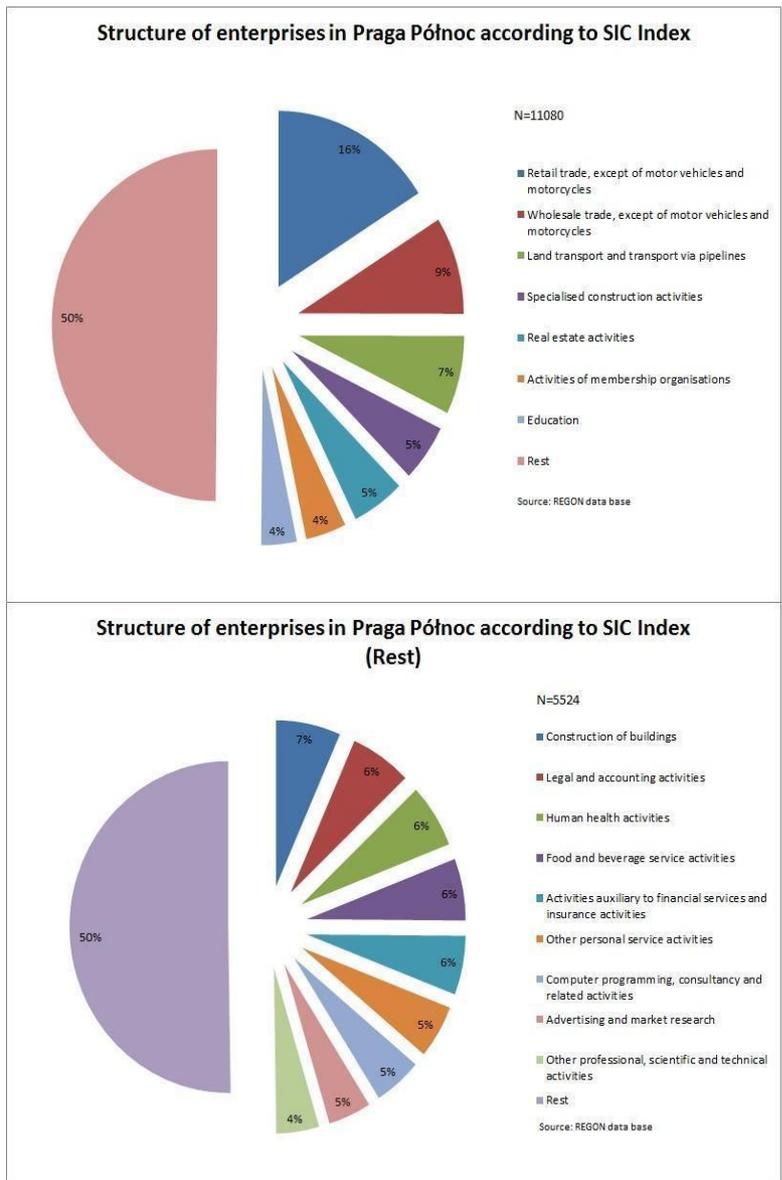


Fig. 1 and 2 The structure of enterprises in Praga Pólnoc according to the SIC index

The official data, however, do not provide a complete picture of entrepreneurial structure in the case study area. This is due to the fact that the statistics do not include the issue of relational functioning of firms, the social importance of their performance and the position of entrepreneurs. In the categorization of enterprises presented below, we have made an attempt to overcome some of these limitations. Referring to the types proposed allows for a better understanding of the dynamics of enterprises in Praga Pólnoc.

Among the categories introduced there is an overlapping due to the fact that the firms were sorted on the basis of two criteria: size of enterprise and branch, and, with respect to every type of the enterprise only one of the criteria plays a crucial role. The first type identified are micro-enterprises, that hire up to 9 employees. They constitute the core of Praga’s entrepreneurship, representing more than 98 per cent of all local firms. The second type refers to all other size categories - small, medium and large enterprises. The third category identified is related to the

three leading economy branches in the district - trade, services and production. A separate category is represented by the catering services sector – restaurants, bars, pubs and cafes which play a significant role in the economic performance of the district, and there are certain rules observed, characteristic for this category only. The fifth type are enterprises dealing with crafts in general. This category, in particular traditional crafts, is identified within the Integrated Revitalization Programme<sup>2</sup> as a traditional branch of the area, a constituent of Praga's *genius loci*, which should be sustained and supported<sup>3</sup>. Due to its specificity, the branch is known to be in extremely bad conditions. In some sections of the present report, the above categorization is complemented by additional, context-dependent elements. They are important, as the area researched is a very specific one, undergoing a transformation of its physical and social structure determined by various factors, including local revitalization policies, infrastructural investments and an ongoing gentrification process.

Entrepreneurs who establish their firms in Praga are usually aware of both positive and negative circumstances. The high level of fragmentation within the business sector offers low barriers to entry, but in return, a predominately localized and unstable clientele. It is difficult to define Praga's customer, while targeting for external customers is often risky. This is reflected by the opinions of entrepreneurs about themselves which are often critical and full of doubts concerning the future of their businesses, an image often contrasting with the one of a confident 'self-made man'.

## 2. The entrepreneurs and their businesses

It should be noted here that the typical image of an entrepreneur shared in Poland is very complex. This is due to the heritage of state socialism, where the official opinion held about entrepreneurs and private business was basically negative, as working on one's own account had somewhat run counter to the principles of the ideology of 'equity and equality'. Under state socialism, in spite of distinct economic profit made, private business activity didn't bring social appreciation. The political and economic transformation that started in 1989 brought a revival of the category of entrepreneurs which was formed in the course of merging of three social structure streams: the former socialist private initiative, representatives of a new group of entrepreneurs who effectuated a 'previous accumulation' as well as managers, directors and other staff of that-time state-owned or cooperative enterprises who were in the position to take possession of the resources and use them to develop own private businesses (Gardawski 2013).

The present positive image of an entrepreneur results primarily from the role that the private business sector played in the process of systemic transformation after 1989, the success story of the Polish economy, based on 'founding privatization' – the creation of new private firms by "*dynamic and innovative social groups with highly entrepreneurial attitudes and a positive perception*".

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<sup>2</sup> The Integrated Revitalisation Programme 2014-2020 continues the realization of the Mission set by the Local Revitalisation Programme which aimed at restoring urban functions and creating conditions which support their further development. The main goals of the ZPR are a socio-economic revitalization via improvement of the quality of public space and safety of the residents, the support of culture and the touristic function of the area, the improvement of accessibility within and between neighbourhoods, as well as social integration and counteracting social exclusion. The process is meant to engage citizens, associations, housing cooperatives and entrepreneurs.

<sup>3</sup> Within the Integrated Revitalization Programme there is a strong focus on making Praga "the district of craftsmen".

of modernization” (Węclawowicz, 1996). Gardawski (op cit.) identifies two basic types of entrepreneurs who have evolved: *the businessman* and the *craftsman*. While the first notion is related foremost to the capability of generating profit, the second type is understood as carrier of a national, regional or local specificity of the economy.

## 2.1 Characteristics of the entrepreneurs

The basic differentiation criteria of entrepreneurs are: ethnicity, age, gender, socio-economic status, level of education. In our sample, the interviewees are less diversified according to education and ethnicity, with the majority of persons being Poles and tertiary education holders. The gender balance has been sustained, with a slight overrepresentation of male entrepreneurs.

The activities of the majority of the local firms analysed require neither high-level skills nor higher education. However, most respondents declare to have higher education, often unrelated to their current occupation. A young man says for example: “*My subject at the University was not related to this at all. I studied construction engineering and work as a manager in this restaurant*” (R8, male, 28 years old, catering services). Another man explains: “*I come from Bangladesh, I studied marketing and management at a private university, and now I work here as co-owner of a Kebab bar*” (R9, male, 35 years old, catering services.)

More than a half of the respondents are over 50 years of age. It can be assumed that this reflects the overall age structure of entrepreneurs in Praga Północ. This may, however, be also a result of the lower trust towards researchers in case of younger entrepreneurs who refused to participate in the study. It should also be noted that the majority of respondents before starting their own business, previously worked in similar industries. It is possible that the lack of young entrepreneurs is due to the reluctance to set up a business before gaining professional experience. Asked about what he was professionally doing before setting up his business a middle-aged man says: „*I worked as a driver, then in a firm as a handyman, doing all kinds of things. I was a plumber and a locksmith. Therefore, I am doing this now, because I always liked such jobs*” (R19, male, 52 years old, services/trade)

The gender structure of respondents is very even, but the owners of only about 1/3 of the businesses are women. This is due to the fact that some of the female respondents are business managers (not owners) or co-lead companies with men. Only 4 respondents are foreigners, despite the fact that we were trying to purposely find such people. The sample includes one firm belonging to persons from Russia, Serbia, Bangladesh and Nepal each. The fact that such a low number of foreigners work in Praga Północ, may be a result of their feeling of insecurity. This is mentioned by those few who have decided to open their business there: “*It isn't safe. I live in Ochota<sup>4</sup>, its better there. My window glass was broken here. Someone has thrown a stone at the window some eight months ago. Nothing got stolen, only because we have a camera.*” (R9, male, 35 years old, catering services.). The feeling of insecurity maybe due to bad press that Praga has, which results to a great extent from the district's past. During state socialism the area was considered to be the nest of deprivation and deterioration, one intentionally excluded by the city authorities. In the first years of transformation, old Praga has become the arena of crime due to

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<sup>4</sup> a traditional pre-war residential district of Warsaw with a predominance of white collar workers and well educated people

the location of the Bazaar 'Europa' on the present grounds of the National Stadium (Korcelli-Olejniczak et al., 2015)

Most of the entrepreneurs interviewed do not currently live in the test area: *"I live in Bródno, some 15 kilometres away from here"* (R40, female, 62 years old, services.). A few respondents declared, however, that they lived in Praga Północ at a certain stage of their life.

## 2.2. Characteristics of the business, its evolutionary path and core fields of activity

Among the firms surveyed those predominate which were established after the political changes in 1989. There are five businesses, which had also been functioning under state socialism. The firms surveyed vary in terms of their time on the market, although, among them those prevail which have existed for over 5 years. This is an important information, in light of the Ministry of Treasury data, which indicate that only 30% of firms in Poland carry on their activity for 5 years or longer (Ministry of Treasury 2013). Trade, services and catering are the three branches that dominate in the study area, as well as in our sample. The poorly represented branches are production and crafts, which is consistent with the REGON data. Among the firms interviewed, the micro-enterprises (up to 9 employees) predominate, accounting for 35 out of the total of 40 respondents. Despite the small number of other business types, this is an over-representation in the sample, compared to the actual distribution of businesses in Praga Północ, where micro-enterprises account for more than 98 per cent.

Representatives of firms operating in the trade sector point to competition of big stores, in particular, the Wileńska Shopping Center: *"I must admit that health food is now also the domain of large chain stores such as Carrefour or Lidl. It will be difficult to be competitive (...)"* (R14, male, 58 years old, trade.). Service firms experience this competition to a much lesser extent. It is not competition that endangers the sustainability of these business, but rather a general shift in the behavior of consumers who prefer to purchase a new product rather than to repair the old one. An entrepreneur asked whether mechanical watches are becoming fashionable again, provides the following answer: *"Yes, I make a living from that, but it is not a very forward-looking business. The market is full of cheap Chinese stuff. Such watches are worth a shit and you don't repair them"*. (R34, male, 63 years old, crafts.). The lack of competition among traditional service firms may also be related to the disappearance of old-style workshops from the market. This happens for two reasons. Firstly, as we mentioned earlier, such businesses are not able to maintain their position on the market in the face of varying demand strategies:

*"A watchmaker today is a pauper. With small exceptions like the Zalewski family who service expensive watches in elegant shopping malls in the city centre. Such businesses have the chance to prosper, not like small entrepreneurs, on their last legs (...). This is no business"* (R34, male, 63 years old, crafts.)

Another, equally important reason is a decreasing number of young people willing to perform professions of this type. Hence, some skills and competencies disappear from the market along with the aging group of artisans:

*"[...] in the old days I had apprentices, but that's 'gone with the wind' [...] Nobody is willing to take up that job. Yes, it might be physically exhausting,*

*you have to be on your legs all the time, but then, the hairdryers do not weigh that much. And still, there are not many girls who decide to learn this profession”* (R26, female, 62 years old, services).

Among all examined micro- and medium-sized enterprises examined, the employment has decreased or remained constant. This is primarily due to low turnover and high charges; therefore the owners often prefer to work themselves than to spend money on additional salaries. Almost half of the firms are based on self-employment. Asked whether they employ anybody, the entrepreneurs claim, that they used to, but there is too little work now, and they don't need anybody. The respondents often mention the employees' dishonesty, or improper approach to obligations as the reason for personnel reduction:

*“I used to employ a barber who started the day off with a bottle of wine. In the afternoon he was usually very talkative. But then during a tax audit he refused to give information about his income, although he was officially employed and had nothing to hide. But he panicked because of the alcohol, so I had to pay a fine (...). You must understand that today I don't want to have such problems”* (R40, female, 62 years old, services.)

Such problems are emphasized by Polish employers with respect to migrants from the Middle East. This is usually related to an incompatibility resulting from significant cultural differences. Representatives of these cultures usually have difficulties with accepting a woman as their boss and carrying out her orders. Nevertheless, it should be noted that not only women point to problems in cooperation when working with employees from Middle Eastern countries. A woman who used to employ young men from Iraq, recruited via job ads tells her story:

*„Well, one had to show them who the boss was, as none of these Arab people like when someone tells them what to do and especially when the one telling them what to do is a Polish (local) woman. Everybody knows that the value of women in their country is low. Those men would prefer to do nothing and manage everything themselves. [...] I stuck my fingernails into his head, and I was completely sick because I am a very emotional person. For them, on the contrary, it was like water off duck's back. And then I turned him onto the street, I laid him off.”* (R31, female, 47 years old, catering services)

Another person who hires foreign employees refers to cultural differences and similarities:

*“What I still want to add is that Ukrainians are very good employees. These are people representing the same culture and they understand what you are talking about. But they also have problems here, like other non-western foreigners, with renting flats. Poles don't want to rent flats to Ukrainians, so I can imagine what will happen with Syrians. This really interests me”* (R15, male and female, 41 and 38 years old, catering services)

An increase of employment in all small firms is in contrast to a reduction of employment in all of the micro and medium enterprises surveyed.

Considering changes in time, among firms surveyed we can observe a slow adjustment of supply to demand. An important driver of change is the process of gentrification of Praga, which may bring a changing customer structure.

### 2.3. The location and site/s of the enterprise

The urban tissue in the area under investigation is generally in poor condition, with a predominance of cheap tenement buildings and devastated pre-war housing stock. A considerable part of this area is protected due to its historic character. This limits the entrepreneurs' freedom to change the space occupied, in particular: décor, windows and facade advertising.

*“We cannot change much, only from the inside as this building is a historical treasure. Nothing can be changed from the outside, I cannot change the shop window, install an outdoor air-conditioning system. And, this place is terrible, it doesn't even have ventilation.”* (R34, male, 63 years old, crafts)

Most of the firms surveyed are established in rented premises that constitute part of the Warsaw Housing Stock. The share of municipality owned housing stock in Praga is for almost 4 per cent of the total, against 19 per cent in Warsaw on the average. According to the City Hall data the premises are rented to firms from the following sectors: trade 30.5 per cent, services, including the unique craft activities 30 per cent, cultural activities, workshops, galleries 8.82 per cent; offices 8.02 per cent; NGOs 5.27 per cent; catering services 5 per cent; Own tasks of the Capital City of Warsaw, 4.12 per cent; health care, pharmacies 3.67 per cent; warehouses 2.86 per cent; banking 1.15 per cent (City Hall, 2015). According to local regulations, the lease contract has to be renewed every three 3 years, which is connected with the constant uncertainty whether the place will be granted for a subsequent period.

*“(...) The problem is that the City does not rent its premises for a period longer than three years. We know that you have to invest a fortune when opening a place where you serve food, and you cannot expect it to bring any profit earlier than that. And this is when they throw you out of the building and you are left with nothing but debts.”* (R2, male, 30 years old, services.)

Entrepreneurs who decide to expand their business or consider such a possibility, usually decide not to do it in Praga. When asked whether they would open another cafe or bar in Praga or somewhere else, most entrepreneurs say that they would rather go for another location: *„Its ok here in Praga, but if I start a new business in this branch it will not be here. Maybe in Ochota. Its safe and quite there. There are different people living there”* (R9, male, 35 years old, catering services.);

*“For a start, I would like to open a second bakery somewhere else. Maybe on the other side of the river, as now people have to come here to buy our special kind of bread. And the second stage is to develop a burek imperium”* (R24, female, 27 years old, production/trade)

## 2.4. Conclusions

The unquestioned social diversification of the entrepreneurs interviewed is related to the structure of education, gender, origin (usually from different parts of Poland) and their life trajectories, to a much lesser extent ethnic status and age.

The analysis of expert interviews, interviews with local entrepreneurs, as well as the general overview of Praga's entrepreneurial landscape unveils a picture of an area where economic performance is rather limited to small firms struggling to keep their businesses. Apart from large investments like the Koneser, most firms do not make considerable profits and their development perspective is unclear. The opportunities which are due to low barriers of entry and limited rental costs have for many years been a strong pull factor for enterprises in this area. Therefore, many of the small firms were established already during the early transformation period of 1989/1990 and are run by people of 50 and older.

As declared, entrepreneurship is in many cases treated as an additional means of earning, next to a low retirement pension. Many of the firm owners interviewed declare to have university education, but find no better way to make a living. This is related to the requirements of the labour market which do not comply to the educational structure. Many educated people are therefore forced to perform low paid jobs, not necessarily adequate to their capabilities. An own business is often perceived as an escape from that situation, although its character does not allow to make direct profit from the education as well. Usually, the activities undertaken do not require high competences.

The respondents interviewed are familiar with Praga. They know it not only from stories told, but also from their own experience, nonetheless they mostly live outside the research area. What is interesting, the place of living, within or outside the research area affects significantly neither the opinion about Praga itself, nor about the possibilities of running a business there.

There are several representatives of ethnic groups among the respondents. This small number seems to result first of all from a low share of immigrants in Poland, as well as in the area under study. The sense of insecurity is an additional and significant factor, which reduces the economic activity of in-migrants, especially non-Europeans, who look different in comparison to the local population. In interviews with this group of respondents, Praga appears to be an unfriendly and dangerous place. These comments, however, do not occur among businessmen from European countries, who talk about warm and heartfelt relations with the locals.

The respondents are primarily active within the sectors of services, catering and trade, which seems to reflect the economic structure for Praga. Although the area is known for work of traditional artisans, their number gradually decreases. In the current Integrated Revitalization Program, the Warsaw authorities plan some initiatives to facilitate the functioning of traditional handicrafts' workshops in Old Praga. One of the considered options is the creation of a special "enclave" for craftsmen in Mała Street.

*"(...) so there is Mała street with buildings which are pretty run down but still nice. The idea is to cluster businesses dealing with traditional handicrafts*

*or crafts in general in the area, organize ateliers and shops on the street-level of the buildings along the street. The City authorities thought that this could be a good way to promote Praga's traditional and to a great extent 'endangered' branches. People would come from other parts of Warsaw knowing that the area specializes in this field, that you can buy all kinds of products made by craftsmen"* (interview with P. Lisiecki, former mayor of Praga Północ District)

It seems that even with preferential rents, this action will not reverse the general trend, leaving the problems of craftsmen unsolved. This trend is expected to intensify, mainly due to the availability of inexpensive mass-produced goods. The demand for repair or manual manufacturing of products is more and more limited. Not only because of customers' shortage, but owing to the fact that young people do not chose to gain education required in this sector. Thus, even if demand for this type of services grew, there would be no trained human resources left. Our findings are here in line with how Gardawski (2013) describes typical craftsmen, who prove to be attached to their profession, not necessarily willing to change the branch even if the latter brings more profit.

The vast majority of firms operate in municipal premises of low standard, often with no heating, ventilation, and sometimes even no access to sewage system. Interestingly, low standard is an indirect pull factor for small entrepreneurs to come to Praga, because it is related to low rents. There are, however, many disadvantages resulting from renting such places for business in Praga. These are an inconvenience especially for firms operating in the services sector. First, there is a common practice that the three-year lease contracts are not prolonged, giving the firms no development perspective. Second, it is difficult to raise the standard of the premises. Many premises in the services sector are located in pre-war buildings and are often subject to supervision of the conservation officer. All changes, especially those visible on the outside, require numerous agreements and the use of costly traditional building materials. This may be one of the reasons why businesses usually consider opening new facilities in locations other than Praga Północ.

### **3. Motivations to start a business and the role of urban diversity**

#### **3.1. Introduction**

The literature on economic performance identifies a number of motivations to start a business. Lemańska-Majdzik (2007) for example, lists the following reasons: a new start, new possibilities, curiosity, noticing interesting possibilities and trying to use them; the need of "dream fulfillment", the need to test oneself in business, an unexpected inflow of capital, as well as the intentional act related to the implementation of desires and dreams. The interviews analysed include such motives, though most of the reasons identified are rather related to purely rational circumstances, such as necessity, financial problems, the availability of premises or low rental costs at a given location. Among the motivations to establish own business listed by the respondents in Praga Północ those that predominate are: opening of new opportunities (both - individual and those related to political and economic change) and the need to be independent. Some interviews also claim that their decision was just a pure coincidence.

While in the case of our interviewees those motives can be observed both with respect to native Poles and in-migrants, both educated and not, some parallels can be found between their decisions and the circumstances described by the ‘disadvantage theory’ (Hackler, D. and M. Mayer, 2008). We presume that the incentives pointed to are linked to the specificity of the research area, its socially diverse and deprived nature. In line with Clarks (2015) argument concerning deprived neighbourhoods “*it is difficult to avoid the general conclusion that these not only have less entrepreneurial potential by virtue of population composition (lower skills and less capital, most obviously), but also provide a more challenging environment.*” Under such conditions the push factors are also strongly represented (Kirkwood 2009, Islam 2012). While inspiring specific firms, especially in the creative or catering services sectors which search for interesting, vibrant, non-conventional locations (Landry 2000), low standard areas usually attract entrepreneurs only due to the fact that they are inexpensive and therefore competitive.

It is argued in the literature on diversity and entrepreneurship in cities, that owing to their social composition, diverse and/or deprived areas offer opportunities for enterprises, also beyond the creative sector (Flögel, Gärtner 2015). In line with this argument a growth of wages could be expected in Praga, to be followed by a lower unemployment rate:

*„Taken together, diversity-growth effects in urban areas should lead to higher wages and employment rates in more culturally diverse cities. Set against this, social and political impacts of higher diversity may have a negative impact on economic outcomes.”* (Nathan, 2011)

As most of such examples refer to ethnically diverse areas in cities with high in-migration rates, whereas cultural diversity in Praga builds mostly upon differences in educational level, lifestyle, regional origin of the dwellers and their values, some analogues can be found with regard to the economic performance being more vibrant, due to diverse local demands. Also, in line with Nathan’s argument concerning social and political impacts, the firms, even when attracting customers, suffer from low economic indicators, with their activity being hardly viable.

We assume that one of the major motivations for the establishment of businesses in Praga Północ might be the specificity of the district, in terms of its built, as well as social environment. Its main component consists of old, pre-war buildings, an atypical picture for Warsaw in general, the city almost entirely destroyed during the war. Our research reveals that Praga Północ is inhabited by long-term and more settled communities, sometimes living in an unchanged family structure since the 1940s (Korcelli-Olejniczak et al. 2015).

Another important pull factor, attracting potential entrepreneurs is the strategy of Warsaw authorities aimed at the creation of a culture-friendly area, designed for arts and artistic activity. Two distinct examples of this activity are the newly built Creativity Centre in Targowa 56 and the very recently opened Google campus for start-up firms. It may be expected that such initiatives and investments will in the near future attract younger entrepreneurs. Both of these investments are directed, inter alia to support the creative sector. A supportive function is currently played by the Integrated Revitalization Program, which aims at improving the immediate surroundings of business operations. We assume that the result of those actions should

be an increase in the number of representatives of creative businesses, in particular those in the field of arts.

### 3.2. Motivations for establishing a business

As mentioned before, according to the entrepreneurs interviewed, the main reasons behind establishing own business are the emergence of new opportunities, the desire to be independent or, simply, an occurrence without a clear motivation. Interestingly, most of the interviewees had problems with answering the question about their motivations to become entrepreneurs, the establishment of an own business or getting engaged in business activities. It seems that the respondents lack a thorough reflection upon this matter. In spite of the above, some trends can be observed. In most cases these motivations depend on the time when the firm was established – whether before the socio-economic turn of 1989, during the 1990s or more recently.

Some of the respondents have started to be active as entrepreneurs simply because such preconditions occurred. In particular, this concerns people, who decided to work in the private sector after 1989, when legal regulations concerning the establishment of firms were liberated. Although in the 1980s the situation of private entrepreneurs significantly improved, there were still strong restrictions for starting and maintaining a private business - one had to prove to have adequate education and pay fees to a guild. There were also problems with provisioning, since goods manufactured by state-owned factories were not available for selling in private shops or for use in private workshops. Entrepreneurs were always at risk of paying extra taxes on the basis of “visible signs of enrichment” and their children were underprivileged in access to tertiary education. Therefore, when asked about the reason of establishing an own business, the respondents often say: “(...) *simply because there was an opportunity to do so*” (R29, male, 27 years old, trade).

Every individual motivation, however, was to some extent different. The diversity of entrepreneurs reflected directly the diversity of reasons to establish business. This concerns those entrepreneurs in particular who started their professional career in the pre-1989 period, during state socialism, when private sector constituted only a small part of the economy and was stamped and singled out as anti-systemic. In the case of those people the motivation to start their own business seems to be either a spontaneous reaction or an effect of social pressure.

*“In the old days the situation was different. There was a shift system in the Cooperative, the second one ended at 10 pm. I started working in 1979. There we two hairdressers and two barbers on every shift, or a hairdresser, barber, a manicurist, a pantyhose repairer and an old lady doing nails. A friendly, smiling lady - she worked till she turned 72. There were eight people employed, but, as there were not many salons in the area, we had many customers, in the first place from the Różycki bazaar. The bazaar was as crowded as the very downtown”*

Asked about the period when the situation changed, the respondent says:

*„Changes started after 1989 r. Such salons were either franchised or sold almost for free to private persons. But everybody was scared to accept such a gift. At that time, I was a quiet executive manager, afraid of everything. They told me to take care of*

*the business, and if not they would just close it down, leaving people without work. So I took it, although at that time bureaucratic procedures were complicated.* (R 40, female, 62 years old, services)

Also, the establishment of new firms was at the beginning of the 1990s a very popular way for young people to enter the labour market. Those were the times when the economy in Poland changed its structure, giving possibilities to people with open minds, not distorted by the previous system.

*“The early 1990s gave us, at that time young people, a unique opportunity to act and achieve goals. My friends and I thought about establishing an own business. As one of my friends was an architect we came up with an idea to create something in the field of investment and construction. Those were times when everybody had not much more than a good will. We lacked capital and practice, the procedures were also unknown to us.”* (R25, male, 62 years old, production/trade)

An important motivation to start an own business in the 1990s was also the search for an optional employment modus, beyond the traditional possibilities. The possibility of self-employment was a way to avoid one’s responsibility vis’ a vis the superior: *I wanted to be independent*” (R18, female, 49 years old, services)

### 3.3. The importance of location and place diversity

According to the research conducted, the decisions about the location of firms in Praga Północ are based on very diverse motives: proximity to place of living, sentiment, the specific social atmosphere of Praga, low rental costs and low barriers to entry. The latter allows the entrepreneurs to fill in certain supply gaps that meet Praga’s local demand.

The vast majority of entrepreneurs surveyed based this decision on non-economic reasons among which were: proximity to the place of residence or the sentiment and the hyper-diverse atmosphere of Praga. The most often given motivation of choosing this location was – ‘accidental decision’. Often, an accidental information obtained about the possibility of renting a premises is given as a sufficient reason to decide about the location of the firm. The respondents asked about the reason of establishing their business in Praga say for example: *„Nothing really decided about it, it just happened”* (R29, male, 27 years old, trade), or *„At that time I wasn’t thinking about Praga or anything. We were just looking for a place and found one here”* (R9, male, 35 years old, catering services).

For some people an important location factor is the proximity of their place of residence. This, of course, refers only to those entrepreneurs, who live in Praga.<sup>5</sup> . They declare to know the area and know what they can expect in terms of its social and physical features – restrictions and possibilities. At the same time, spatial accessibility is an important factor. The respondents claim to save time and money when the physical distance to their place of work is shorter. Some say

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<sup>5</sup> As there was no direct question concerning the place of residence of the respondents, we cannot precisely estimate their share, but as this topic often came up in interviews, we can say that much less of them than we expected live in the research area. More than half of the respondents declare that they have to travel a few kilometers to get to work

that they are members of the local community, which allows them to find better access to the local clientele. Also, the familiarity with the area provides a feeling of comfort despite the general opinion that the district has high crime rates. The following answers are characteristic for this attitude:

*„I live in this district. I don't have to travel far to work (...). Especially in the old days, it used to be nice to work here despite the people who live in Praga. Its ok, when you are familiar with the surroundings” (R5, female, 63 years old, trade);*  
*„I live nearby” (R7, female, 60 years old, trade)*

There is also a large group of respondents who have moved out of Praga but were born there or spent their childhood and youth days in the area. These people carry a load of emotions connected to the place. The feelings and fondness for Praga are declared as a very strong stimulus.

*„ (...) And then we started to think about Praga. This was a place that we were always fond of, had feelings for, as we come from Warsaw and Praga is a true example of a Warsaw district, of a Warsaw which survived the damages of World War II, Praga with people who survived. We have always been attracted by this authentic place and decided to establish a business” (R25, male, 62 years old, production/trade)*

An important reason for locating firms in Praga is a ‘specific atmosphere’ of the district. The combination of authenticity, not available in other parts of Warsaw, composed of old pre-war tenements, and a diverse local community, characterized by local hyper-diversity and rules of cooperation and. Importantly, this type of motivation is equally important for people familiar with the district, as well as for entrepreneurs from outside of Praga Północ.

*„The specificity of the area is that it has a pre-war climate, that people know each other here (...) I am a Warsaw tour guide and an aficionado of pre-war Warsaw, and Praga offers such a climate. When I go and visit a barber in my building everybody knows what I'm doing professionally, when they want something from me they just come and ask (...)” (R21, male, 35 years old, services)*

Among the more rational motives identified were low rents, market size, proximity to the city centre and expectations as to future improvement of the district, connected with the Integrated Revitalization Programme. The most frequently named motivations are low rental fees in the area. This allows the firm to reduce fixed operation costs which is extremely important in the initial phase of activity of those enterprises which are still in search for customers: *„Praga has tempted us you see with low rents, considerably lower than in Ursynów, Mokotów or in the city centre. We would have to double our prices if the rent would be as high as there” (R14, male, 58 years old, trade);*

*„I reckon that if we would rent a premises in another area than Praga Północ we would have to close our business before opening it. The rent is 5 times lower than in the strict downtown area. Here we have a wonderful business premises, 100 sqm.. I*

*love it. Even if I would have to give up my business, I would still rent it and live in it. The rent costs are Praga's great advantage"* (R39, male, 43 years old, trade)

Only some entrepreneurs declared that they based their choice of location on an examination of the local market and the attempt to fit into its requirements. Low barriers to entry, a local demand - the availability of a clientele, and 'fitting into a niche' were the most frequent among economic motivations: *"We knew it from observation and market research. And then we wanted to do it in a more original and unique way"* (R15, male and female, 41 and 38 years old, catering services);

*"I wanted it to be here as we live nearby. And, there is no bike service in the area, well a beneficial niche this was (...)"* (R2, male, 30 years old, services)

In some cases, additionally to own market research an important argument was the proximity to the city centre with a convenient and fast public transportation system (tram and bus, and recently also a metro line).

*"It is difficult to say what the advantages of Praga are in terms of business location. Well, I think that the district has a fabulous location within the space of the city, as it is close to the downtown area and along with the development of Warsaw, the area will also change for the better"* (R16, female, 42 years old, services)

Some entrepreneurs count on the improvement of Praga's economic situation as an effect of the district's revitalization programme and large investments, such as the Praga Port area and Koneser housing developments. They hope that the clientele will become more diverse due to the area's gentrification and the turnover of their firms will grow: *"Due to the specificity of the area, new residents, who will come to live here, shall be interested in my services"* (R26, male, 62 years old, services)

To some extent, the motivations unveiled by the respondents were convergent with those presented by the inhabitants as analysed in an earlier report (Korcelli-Olejniczak et al., 2015: 10-11). Two kinds of such analogous motivations are especially evident. One is related to economic issues, such as low real estate costs. The second concerns the specific social atmosphere of Praga, its artistic, creative, traditional, but at the same time very diverse character.

### **3.4. Selecting the line of business**

The interlocutors give a number of different incentives for setting up their businesses in Praga Północ, mostly related to their specific branch. We were able to describe them using more general category, such as own interest, market research and business experience, sentiment, influence of family and friends, inheritance, as well as the accidental decision.

The most frequent reason for starting an own business identified by the respondents is the interest in the job. In many cases the consequence of an earlier fascination with the subject was that the respondent achieved education or concrete skills that allowed him to practice the job. *"I liked doing that. I worked as a locksmith, all kinds of precise work"* (R19, male, 52 years old,

services/trade); „*Photography. It's my job, my education, I like it*” (R17, female, 55 years old, services). A similar reason, also related to personal interests and hobbies is the possibility to fulfill one's childhood dreams: “*I always knew what I wanted to do. When I was five I used to comb my doll's hair, I stuck some bits and pieces in their hair and I combed them and combed them*” (R40, female, 62 years old, services). Another respondent says: “*It was my childhood dream. I wanted to have a greenhouse, but I didn't have a plot where I could get it constructed, so therefore I thought of a flower shop. I like to work with flowers*” (R7, female, 60 years old, trade).

Often, however, it is the result of a thoughtful analysis of the local market. Businesses have tried to respond to the market gaps in local services or follow the fashion.

*“At the time we started our business there was a large niche. Imagine that there were ten pizzerias in the city and someone opens a chips bar (...) We thought that as so many people travel abroad, there is a potential niche here for such activities. And it turned out that we were right.*” (R21, male, 35 years old, services);

Some entrepreneurs try to have a forward-looking perspective:

*“This is a district located as it is, with a large development potential. We started this business before the euro was introduced. Poland was changing, Warsaw was changing, more and more tourists were coming to Poland so we wanted to use these processes to promote this part of the city. A restaurant is a natural component developed in the hotel business”* (R16, female, 42 years old, services)

As part of the rational analysis of the market, some entrepreneurs willingly use their own experience and draw conclusions from previous businesses. Sometimes based on the failure of a former idea and, hence, to start off a completely new business in order to become more attractive to clients, and sometimes in order to improve the already successful business:

*“My mother who was Russian worked in a Russian bookstore. Meetings concerning Russian culture were organized there in the evenings. The bookstore looked like a florist. My mom thought that there is demand for such a place after we closed the former place. Hence, the primary décor of this restaurant. It is both a place of encounter and a place to eat”* (R3, male, 28 years old, catering services)

The most frequently given motivation for the choice of the business profile is based on sentiments and the assumption that local customers will appreciate what the entrepreneur is considering. Sentimental reasons are related, inter alia to the traditional local material culture, characteristic for the past, or, in the case of non-Poles, the respondent's country of origin. Businesses started for those reasons, were generally niche-oriented, often based on exotic or regional specialty products or services.

*„There are two reasons. First, I come from Serbia. Second, my boyfriend who visited Serbia, loved the local food there. We used to joke that we should open a Serbian bakery. And then we really did it”* (R24, female, 27 years old, production/trade)

*“I was aware of the fact that such things are unique. I was born in the 1950s when stores like this used to exist. There are people who like old, design interior gadgets, furniture, jewelry and art that cannot be purchased everywhere. People come here looking for something original for a present, those who avoid chain markets where everything looks the same...”* (R23, female, 58 years old, trade)

Often, however, the career choice was not based on the respondent's preferences, but was rather moulded by his family or friends. This generally concerns those cases when an individual had problems with the decision what to do in life (ex. because of poor education performance or poor health): *“When I was 16, I had no idea what to do with my life. I was not good in school, so my parents decided that I go and learn job skills. And purely by chance, this job was a great success (...)”* (R26, female, 62 years old, services); *“A friend talked me into this when I was on maternity leave. We then established a company but parted after a while. Now she is on her own, as well as me. My education is different, but I finished some courses in accounting. And the business seems to work”* (R22, female, 60 years old, services); *“I wanted to be a forester but became a locksmith. All because I got poliomyelitis. I was crippled. It's much better now but I still limp. The doctors told me that I have to find myself an easy job. At that time a locksmith was a good job”* (R34, male, 63 years old, crafts).

Another type of external motivation was the money inflow from deceased spouse or family member. This also includes some internal preferences, but, generally, social factors and available business infrastructure was in this situation most important.

*„I was hungry, Sir, simply hungry. This was not my idea. I took over from my husband. My husband finished a school where he learned to be a glassworker and wanted to establish his own business which was very, very successful. This was one of the best glassworking businesses in Warsaw”* (R11, female, 60 years old, crafts)

Last but not least, the line of business was not planned, had no assignable cause: *“just by chance. I did not have an idea what to do, so I bought this premises...”* (R4, male, 39 years old, services/catering services)

### **3.5. The availability of advice, start-up support, and finances**

The majority of respondents declare a total lack of any assistance in establishing their business. This applies to both financial aid (including loans), infrastructure and information. The same question concerning institutional or financial support provided by the city or state authorities often evoked laughter or outrage - almost no one believed in the possibility of any public support: *„Absolutely no, nobody thought of a credit at that time. I never borrowed any money, never thought about loans. I always succeeded to earn what I needed”* (R26, female, 62 years old, services). Another woman says: *„I inherited some money after my father died and it was enough for the start. No crediting”* (R23, female, 58 years old, trade). And still another respondent claims: *„I took the money out from my pocket”* (R31, female, 47 years old, catering services).

There are also firms where the respondents claim that the capital of the parent company belongs to its primary owner, while the subsidiary firm is an own investment, established without external

money: „*The French company financed the mother company, we as three partners have contributed with our own resources*” (R16, female, 42 years old, services).

Those who speak of receiving help at the beginning of their activities most frequently point to support from family members. This assistance has various forms – the most frequently mentioned is the moral support and physical assistance in opening a new business. Also financial support, both direct - material and having more of a barter character, i.e. availability of the necessary equipment or infrastructure. Definitely, a less often mentioned type of support, but also present in one of the interviews is mentoring, the provision of a supportive expertise regarding the chosen business sector: „*To be frank, I first worked for my uncle in the same branch for a year, then I found a partner and started something on my own. My uncle helped me. He has lent me the equipment required which was expensive*” (R19, male, 52 years old, services/trade). When asked about external support the man claims that this was a family business with everybody supporting everybody.

Most interviews give a negative response when asked about support from the City or a bank credit: “*No, I didn't get anything*” (R21, male, 35 years old, services); “*The family gave me money. My dad did*” (R9, male, 35 years, catering); „*The family always helps. We do everything by ourselves. We don't hire anybody who is not a member of the family*” (R2, male, 30 years, services). Strong evidence of support on the part of the family or close friends: (“*I borrowed money from friends*” (R7, female, 60 years old, trade); “*(...) my friends had an idea who can construct this, nobody except them helped me*” (R24, female, 27 years old, production/trade)) both with respect to financial, as well as knowledge-providing level proves that the area analysed is characterized by strong bonds, like in the case of local residents (Korcelli-Olejniczak et al, 2015). The community of entrepreneurs in Praga Północ exhibits features of a family-centred society (Fukuyama 1996) with strong bonds between family members, but a low level of trust which impedes the development of large-scale business.

Notably, the support of family and friends is declared by both Poles and foreigners. In the two groups family and social contacts have proved to be more important than ethnicity or physical distance. The latter is of course important for the possibility of physical assistance, but it is not a barrier to its other types. An important role for the local community-owned high school which is in the sample, is played by the association to which the school belongs. The interviewee says that the association helped to establish the infrastructure of the school, carry out renovation of the building and helped to organize the work of the school. Nevertheless, what was significant according to the school's Director, was the ideological support that allowed to create a cohesive school and develop it in this direction.

„ *A significant support was the cooperation with Danuta Kuroń<sup>6</sup>, and then the Society of Friends of Community Highschool No 1 in Warsaw was a great organizational help. They established this new school, took care of the renovation process of this building, organized seminars for people who founded this school. This was kind of a community support you see*” (R30, female, 50 years old, services)

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<sup>6</sup> Wife of the legendary ‘Solidarity’ activist Jacek Kuroń

The Polish society remains quite varied in their attitude to commercial banks. The percentage of Poles declaring large or moderate confidence in commercial banks during the period 2013-2015 has grown slightly, from 57.4 per cent to 62.3 per cent (Social Diagnosis 2015). Most entrepreneurs who participated in the study, express considerable mistrust towards bank institutions, particularly loans, although some have opted for this type of financing: „*I received a credit, a loan as they called it at that time*” (R20, male, 42 years old, services); „*I obtain credits on a regular basis*” (R22, female, 60 years old, services)

Only a few of the respondents who have succeeded to receive support from national or EU institutions are satisfied with it. They rather treat it as a small and additional benefit without a special effect on their economic performance. They also declare that support from national institutions is difficult to apply for due to bureaucratic procedures, and it does not constitute a significant financial supplement:

„ (...) *Yes, I received some support designated for beginners, without experience. I have received it for 10-12 months. It was not enough, I rather treated this support as a small gift. I had my own resources, I inherited some* (R17, female, 55 years old, services)

A somewhat better support is provided by the EU:

„*The support from my husband, financial support first of all. As to external support, I participated in a training course and got EU funding. I prepared a business plan and it worked*” (R18, female, 49 years old, services)

This is not only the specificity of Polish and EU institutions. Foreigners similarly are unwilling to apply for support to the institutions associated with the government of their countries, even though they are allowed to apply for it in both countries. Asked whether they have applied for external support, a respondent says:

„*Absolutely not. We did not apply although maybe this could be supportive for example, if we would write to the Russian Embassy. But the bureaucratic procedures are difficult and probably this would not be a one-sided, selfless support. They would want us to do something for the Embassy, for example organize events or something. This would not be worth the effort; I am afraid*” (R3, male, 28 years old, catering services)

The important role of support from family members, and a relatively feeble support from institutions and third parties is still another evidence that the area investigated can be defined as a closed community, characterized by a low level of trust, and the dominance of bonding social capital.

### 3.6. Conclusions

The trajectories of professional life of entrepreneurs in the area investigated reflect the socio-economic complexity of societies in this part of Europe. In Poland until the early 1980s it was very difficult to carry out independent economic activity. An exception were small crafts, some of

which escaped the incorporation into co-operatives and survived as private businesses. Other, more complex forms of business ownership began to appear in the final period of the socialist state, after the lifting of martial law in Poland in 1983, with a rapid development of entrepreneurship after 1989. These processes are fully reflected in the material accumulated in the interviews.

As expected, the specific "climate" of Praga, with a sense of "authenticity," but also a strong differentiation of places, characterized, on the one hand, by old buildings, but also a consistent sedentary social tissue, and, on the other hand, by elements of modern housing estates was an important motivation for the choice of location for business. Especially in the initial phase of operation of enterprises it was also an important element, calculated in the economic strategies of entrepreneurs. It is clear, however, that the reality of such an approach was quickly verified by the entrepreneurs. They realized that Praga is not only attractive for its diversity, but also more difficult than any other area for business activities.

It is surprising that the majority of respondents choose to operate in our research area by accident. This unveils a distinct weakness of businessmen, particularly owners of micro-firms who do not precede the decision to start to operate with an in-depth analysis of local market conditions.

Contrary to our expectations, salaries in Praga Północ are not only higher than in the rest of Warsaw, but they are even slightly lower. Similarly, the unemployment rate is not lower than in the rest of the city, and the fear of unemployment is a significant motivation for starting an own business. When setting up their businesses people were counting mainly on themselves, the family and closest friends. They apply to banks and institutions of power with considerable mistrust. This is illustrated by the role of typical bonding social capital, strength of family ties, including traditional, multi-generational and widely branched families. The approach of businesses to external support varies, but generally it is treated as a potential threat rather than an opportunity. Importantly, similar strategies can be observed in firms owned by Poles, as well as in those led by in-migrants. While in the latter case, it can be quite easily explained by the feeling of insecurity and lack of the diaspora in the host country, in the case of Polish entrepreneurs it seems to confirm the general distrust towards formal institutions, which is an expression of path dependency guided behaviour.

## **4. The economic performance and role of urban diversity**

### **4.1. Introduction**

There is a large body of research on the relation between diversity in urban environments and economic performance, or on economic performance of individuals and social groups. While many works point to the negative influence of social heterogeneity on economic growth (Easterly and Levine, 1997; Alesina and La Ferrara 2005), some authors perceive cultural diversity as an economic asset which increases productivity (Bellini et al. 2008) and competitive advantage (Eraydin et al., 2010, Nathan 2011). When analysing economic performance in Praga Północ it

can definitely be claimed that the social diversity of the area and the quality of economic performance are interrelated, both in a positive and a negative sense. The diverse and dynamic character of the district makes it attractive for creative persons. It can be expected that this in turn should be a location factor of specific businesses. The research conducted proves, however, that this is not necessarily the case.

Praga Północ is a district which in the recent years has been developing at high pace. Ongoing changes are stimulated by city policy, including the implementation of the Integrated Revitalization Programme (2015) which directs a large part of city funds to the district. Huge private investments – the Centrum Praskie Koneser (Praga Centre ‘Koneser’)<sup>7</sup>, and the Praga Port, a modern complex of residential, office, cultural and entertainment facilities. Recently, (in March 2015) a subway line connecting Praga with the other side of the river and the city centre was opened, which reduces traffic congestion on bridges. All these changes make Praga, the area known as the most dangerous district of the city is becoming tamed and more accessible to residents of other neighborhoods and tourists. It can be suspected that the gentrification of the district, as well as improving transportation facilities will have a positive impact on the surrounding entrepreneurship, by increasing the number of potential customers and reducing costs associated with security provision. It should be noted, however, that all these changes take place in a specific business environment, described by Gardawski as established upon imitation and performance, not necessarily following the most effective model of an innovative knowledge-based economy (Gardawski 2013).

The specific feature of Praga Północ is its diverse population structure what creates potential for different kinds of businesses with opportunities for finding a niche among a diverse clientele. At the same time, however, it is difficult to offer a product that would allow to gain a broad spectrum of clients. Praga Północ is a specific district also in terms of business structure. Over 98 per cent of entrepreneurs are micro-firms, employing less than 10 people. It can be generally assumed that Praga creates favorable conditions for development of small enterprises.

## 4.2. Economic performance of the enterprises

The economic condition of enterprises in the research area is highly diverse. It should, however, be noted that according to the Central Statistical Office, people working on their own account, generally earn more in comparison to other groups of employees (Kliszko 2013). We evaluate the economic outcome of businesses on the basis of the respondents’ opinions. We consider it as the best indicator, since most respondents (37 out of 40) refused to answer precise questions concerning the turnover of their firms. This chapter is ordered according to the type of enterprise and entrepreneur. First, we describe differences in firms according to the time these were established, the branch and size. We then refer to the entrepreneurs, according to their ethnicity and gender. At last, we mention challenges that are faced by all entrepreneurs due to Praga’s specificity.

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<sup>7</sup> a project implemented on the site of the former Warsaw Vodka Distillery by BBI Development SA and Liebrecht & wood to be delivered till 2017. The project combines many functions and is focused on the development of residential, commercial, business and cultural space. Recently the Google Campus for creative start-ups has opened its centre there.

The majority of firm owners are rather pessimistic concerning the sense and profitability of doing business in Praga Północ. They claim that they keep losing customers and the turnover has dropped. This attitude can be seen most strongly among those micro-firms which began their activity before the transformation of 1989. One respondent claims for example: *“If I could retire, I would instantly. I am living on the edge. There are no shoemakers nowadays because it’s not a rentable business. That’s a simple calculation”* (R34, male, 63 years old, crafts).

Among the firms surveyed those predominate which started business after the transition. Those which operate longer than 5 years usually more positively evaluate the current state and prospects for their business. So there are examples of relatively stable enterprises. It seems that their positive situation may be the result of adapting the offer to the local market demand, a difficult task for the new entrepreneurs.

The majority of craftsmen presented a pessimistic attitude. This group of entrepreneurs deserves special attention because, according to the plans of the city authorities, they are the calling card of the district, attracting new inhabitants and tourists. Based on the collected material it is clear, however, that this is a misguided strategy due to the overwhelming trend of the developing consumer society which reveals the tendency to exchange the old for new products, as well as the lack of any real support from the local authorities. *„Small entrepreneurship is dying. How can you prosper if people around don’t have money?”* (R34, male, 63 years old, crafts). This is especially true of traditional types of enterprises whose form of activity has not changed for years. However, if a craftsman succeeds to find a suitable niche on the market and alter the range of services, especially by adding products not related to traditional craftsmanship, the situation of such a business could be more favorable. The opening of the new subway line has not improved the situation, and in many cases made it even more difficult. It seems that besides the increasing of availability of Praga Północ for customers from outside the district, more important was the growth of accessibility to services offered in other districts of Warsaw, pushing customers away from Praga and services offered by local businesses.

As an overall effect of the difficult financial situation of the majority of the entrepreneurs investigated, the respondents decide not to invest their revenue in advertising. This does not mean, however, that they totally forego this form of activity. They decide, however, on free forms of communication, choosing free information web portals (mostly Facebook) and whisper marketing - thus acquiring new customers by investing time rather than money: *“(…) we advertise on the web, so some women drop in when they get information from there, but generally, one customer recommends us to another customer”* (R26, female, 62 years old, services). Another respondent says: *„we have a funpage on Facebook. People can learn things about herbs, teas, interesting products”* (R14, male, 58 years old, trade).

As mentioned earlier, the most numerous category in our sample are micro-enterprises, which include traditional craft workshops. Interviews carried out with entrepreneurs running small and medium-sized enterprises, those which employ more than 10 persons, provide us with another type of information. All entrepreneurs in this category describe the economic situation of their businesses as stable or even progressive. This may be due to the fact that maintaining the position of a small or medium-sized enterprises must be the result of a long-term effective marketing strategy. The number of employees becomes in this case an indicator of economic success

*“I think the situation is very good. We are introducing changes all the time to attract new customers. And from what I can see, we are succeeding to do so” (R27, male, 23 years old, catering services).*

Definitely the biggest winner of socio-economic change in our research area, is the catering business. It gains along with the process of gentrification, which ensures new customers and increasing interest in Praga Północ among residents of other districts, as well as tourists. A respondent says: *„The situation is stable with a focus on development”* (R15, male and female, 41 and 38 years old, catering services). Another interviewee emphasizes the interest in ethnic food: *“The situation shows that the interest in eastern, Russian culture is growing, in spite of the image created by the mass media. I hope that our business will grow”* (R3, male, 28 years old, catering services)

It does not, however, apply to all firms in the catering services. The success is based on quality and innovation of services provided. If one of these features is absent, the entrepreneurs are beginning to face a shortage of customers who prefer to use services of a higher quality, especially if the price is comparable. In the field of catering business, we have observed a strong competition. We, however, consider it as a favorable condition, stimulating innovative and progressive approach and the care about the quality of products. This depends on the availability of regular customers and the position on the local market: *“I can’t complain. If you have your brand, people who work for you, whom you trust, it can work”* (R19, male, 52 years old, services/trade); *„My situation is stable. I’m satisfied with it and hope it will stay that way. I should be optimistic, as the tendency is positive.”* (R21, male, 35 years old, services).

In most cases, the firms run by non-Poles are prospering reasonably well and are able to attract local costumers. The functioning in a distrustful, sometimes hostile environment turns to be a challenge for them. This problem, in particular concerns inhabitants visibly different, representing more distant cultures in relation to the host society. This may to some extent be associated with the media discourse concerning the influx of in-migrants from the Middle East and Africa. In contrary to people from Islamic countries, entrepreneurs from the former Soviet Union or those from western Europe do not see these issues as a big problem:

*„I think that things are going in the right direction. People appreciate if something is different, natural, when everything around is mass production and consists of preserves (R24, female, 27 years old, production/trade).*

The situation of businesses run by women, in light of our research material, is usually less favorable than in the case of similar business activities carried out by men. According to our interlocutors this was related to two factors. First, women tend to be more cautious and reserved in adopting innovations (Rezetti, Curran, 2008), which may be a significant obstacle in the long run, especially on a difficult and diverse market like that of Praga Północ. Secondly, the women engaged in business in our research area are more critical in their opinions.

Therefore, the opinions of women are usually more negative than those of men: *„What I earn from this business is enough to pay taxes and buy food. It’s difficult to be successful here on your own”*

(R40, female, 62 years old, services). Another respondent recalls the times when her father, who established the firm, was still alive: *“That was something completely different, one could live from the business, today its tragic”* (R10, female, 70 years old, crafts).

A confirmation of this thesis can be the fact that in enterprises run by the partners representing both sexes, the assessment of the economic situation is much higher, even if it is expressed by the woman: *„We are happy with how our business is developing”* (R15, male and female, 41 and 38 years old, catering services). Very few people respond to the question about the annual revenue of the firm. Respondents talk rather about market trends and their own situation, in a general, descriptive way. In part this is due to rules prevailing in Polish culture, according to which there is a reluctance to talk about money. In part, there is also a lack of trust. Some respondents seem not to know the answer to that question: *„(...) if I’m allowed I will not answer this question”* (R 16, female, 42 years old, services); *„I don’t know, we would have to call my accountant* (R 7, female, 60 years old, trade). Such responses can be treated as an avoidance of answering the question, as some knowledge of accountancy seems to be a basic requirement in planning the activity and development of an own business.

Among the challenges faced, the one most frequently mentioned by entrepreneurs is to maintain a regular clientele. Many respondents express a far-reaching concern about the quality of services provided and are attempting to develop a network of stable customers. It is particularly important for the stability of the profits, thus reducing the risk of their vacillation. A respondent says for example:

*„if it were 20 customers a day, every day, then it would be great. If there is no regularity in the business activity, no foreseeable turnover, then you can’t plan anything”* (R14, male, 58 years old, trade).

Another major challenge facing businesses is what some call ‘the climate of Praga’. It is all about high crime rate (including organized crime) in the district, and aggressive behaviour presented by some of its inhabitants. The entrepreneurs interviewed often tell long stories about their experiences with security measures and difficult clientele: *“The first break-in was terrible. They took everything off the walls”* (R 10, female, 70 years old, crafts).

*“Residents write letters of complaint about this place, because it is loud here and people get drunk, sing and dance in front of the bar and I get threats that I will have to close down this business. People look at new places; after some time, they get used to everything. So, in the beginning it is important if there is fight, how many times the blood has to be wiped off the floor (...). Well, that’s the specificity of this area and this business also. When I started this business I had six security guards. People come here with such equipment - knives, baseball bats. Bottles are flying across the place. It is ok during the week, but the weekends are terrible”* (R36, female, 26 years old, catering services);

*“There were problems as long as I can remember, and there always will be. What shall I tell you, I had problems, a case in court, as I didn’t want to pay protection*

*money and I got beaten up. This area is as it is. If someone doesn't accept it, he has to leave" (male, 63 years old, crafts).*

It also has a direct impact on the working hours of the firms. Some respondents note the lack of customers in the evenings, they also do not feel safe working during late hours: *"I even have customers who live in Brzeska street, but at 10 pm nobody wants to come here. They say they feel like a kebab, but they are afraid. People ask me, how I like my work here. I tell them that it's a risk" (R9, male, 35 years old, catering services).*

### **4.3. Markets, customers and suppliers**

Residents of Praga are a very diversified community. There is a visible diversity of the population, in particular concerning age, income, place of origin, lifestyle. Business owners have twofold opinions concerning this issue. On the one hand, it is very difficult to find a common offer that would meet the needs of all, on the other everyone has a chance to find his/her own niche on the market and to fit in the needs of a particular group of costumers.

*"Praga was always diversified, as a real city, different than Warsaw was for many years after the war. The city on the left bank of the Vistula was created as a new urban place, without roots, a social discontinuity, built from scratch. Praga, on the contrary, was always mixed, multicultural, different nationalities, different religions, different professions. A melting pot and a real European city. This is how Barcelona looks like, this is how cities in Central Europe look like. The way Bucharest once looked like. This is how Lviv looked like, or Wroclaw". (R25, male, 62 years old, production/trade)*

Some entrepreneurs intentionally do not seek clients among the "new" residents of the district. They are aware that "new" inhabitants have different habits, which they will not be able to face. This mainly concerns the most traditional forms of business in Praga, such as bazaar trade and craftsmanship: *„New residents prefer large stores, supermarkets. These people around, I remember most of their faces, they are from here (R5, female, 63 years old, trade).*

In most of the firms surveyed, there is an even representation of women and men among customers. An overrepresentation of customers of one sex is most evident where the nature of the business is strongly oriented towards women or men. Naturally, women are more likely than men to use the services of a hairdresser and more often visit the store with wedding dresses, while men are more likely to visit the mechanics or sports bars:

*"The women who come here say that they learned about this place from a neighbour. 80% of the customers are women. Men sometimes forget about healthy food. They come when they get ill, with liver problems or diabetics. They often ask for an advice concerning what they should apply" (R 14, male, 58 years old, trade).*

Among the customers of Polish-led firms Poles predominate, but also more and more foreigners appear. This trend seems to have two explanations. Firstly, more and more foreigners settle down in Praga. This is due to the relatively low prices on the housing market, which usually attracts not

very wealthy Ukrainians, Russians and Chechens. On the other hand, our research area becomes a popular tourist destination. In this category, EU citizens dominate, but there is also an increasing number of tourists from distant places like Kazakhstan, or Canada:

*“There are a lot of Ukrainians here. They live here. I have known them for four months. And apart from them, there are tourists – from Canada, the US, Israel and Switzerland. There were also guys from Portugal here”* (R9, male, 35 years old, catering services)

*“We have a lot of Italian and Spanish customers; I don’t know why. There are a lot of Ukrainians. I think that there is a hostel nearby, so we have a good location here for such customers”* (R35, female, 32 years old, catering services)

A separate category of respondents are businesses run by foreigners, offering services or products closely related to the national or regional culture. They often attract customers from other districts of Warsaw, who come to Praga to buy specific products which they associate with the country of origin: *„Those are people from the Balkans, different countries, Croatia, Bosnia”* (R 24, female, 27 years old, production/trade). According to Hackler (2008), such a business strategy can be risky due to the fact that the specific goods offered support the needs of a small group of immigrants. In the cases researched in Praga, however, most entrepreneurs claimed that their products were of interest to Polish customers as well, being ‘exotic’ and more natural or ‘real’ than those ‘food substitutes’ from the supermarket.

Praga Północ is a district with large enclaves of poverty. As a result, many customers are people without significant material resources. This is reflected in the local business structure. Many firms have to adjust prices to the possibility of the poorest clients, while others are trying to concentrate on serving customers from other parts of the city, or tourists. Some also complain that the poor surroundings often discourage potential customers from other districts: *„poor people live here. They often don’t have money to repair a window when its broken. They tape them. My customers are people from other parts of Warsaw, better-off people”* (R11, female, 60 years old, crafts).

In a vast majority the entrepreneurs are trying to provide services to local clientele (understanding of loyalty is variable due to the nature of the market). Some declare that it is due to local patriotism, while others rely on financial arguments. *„Absolutely, only locally. The wholesaler’s and the vendor is just around the corner”* (R21, male, 35 years old, services);

*„We obtain our products from Polish firms which make lamps, ceramics, their workshops. Poland is known for good ceramics, it’s a good business. The paintings are brought by the artists themselves. Everything is Polish, even regional, from the region of Mazovia I would say* (R23, female, 58 years old, trade)

Some of the businesses cannot make use of local suppliers due to institutional regulations, such as the sanitary inspection:

*„we have to buy our raw products all around the world, as these specific herbs and food is not available in Poland. We have two warehouses where they obtain stuff*

*from different countries. This is where we make supplies. The sanitary-epidemiological control does not allow us to buy at local bazaars” (R35, female, 32 years old, catering services)*

This usually concerns larger firms. In such cases, the respondents claim that they cooperate with verified, well-established firms: *“We have direct delivery. Those are tested suppliers with whom the kitchen chef cooperates. Same goes for the hotel part. We order in large, reputable firms” (R16, female, 42 years old, services.)*

#### **4.4. Relations amongst entrepreneurs: Evidence of competition or co-operation?**

Basic market strategies should rely on cooperation of or competition between market players. The dominance of one of these strategies defines the market model. However, in our research area a survival strategy of minimizing activities focused on either cooperation or competition with other players is observed. We are therefore unable to distinguish the categories based on the two models.

Most entrepreneurs know the owners of other firms in the neighbourhood, but their contacts are restricted to saying ‘hello’. In some case these casual contacts offer a possibility to seek some support or the exchange of information about local business:

*“I ride my scooter, say hello to the lady in the flower shop, the girl making hamburgers, say hello to everybody on my way. I can leave my keys in the nearby kiosk, they tell me. I leave them for another driver. The other driver picks them up and recognizes that there is someone he knows working in the kiosk. You don’t have to be friends, but everybody knows each other (R21, male, 35 years old, services)*

Some entrepreneurs don’t maintain any contacts at all. It derives both from the custom that contacts outside the family are uncommon, and from the fact that people don’t have time for anything but their business. Three women tell their stories: *„I practically don’t know anyone here. I don’t belong to people who walk around and collect information” (R31, female, 47 years old, catering services); “I once knew people here, but all of them died” (R10, female, 70 years old, crafts); “I don’t know any other entrepreneurs here. Everybody takes care of their business” (R33, female, 40 years old, trade).*

Objective-oriented contacts, based on developing a joint development strategy, cooperation, producing something together, recommending one another to customers are rare. Those forms that exist are non-institutional, are based on oral declarations, are unstable and it is difficult to treat them as durable elements of business support.

*„I know the people who live in the neighbourhood. Of course, we maintain good relations (...). We have a discount in their firm, they have in ours. (...).” Three weeks ago? We organized a piece of place, we came together and exposed our products, our offer” (R8, male, 28 years old, catering services);*

*“These are not strong bonds, not friendship, we cooperate, maintain contacts on a professional basis. We organize international transport for these firms. A customer*

*comes to a firm and they know that he knows someone who takes care of distribution on an international scale (R21, male, 35 years old, services).*

The respondents do not declare to maintain close, friendly relations with local businessmen.

#### 4.5 Long-term plans and expectations of entrepreneurs

Most respondents asked about plans for the future use the term: 'to last'. It did not concern any group of respondents in particular, it was a general concern. They are not interested in expanding their businesses, they rather express concern about the future, threat of closing down due to the financial situation and loss of customers: „*My goal is to take care of the firm, protect it. Not to give up and keep trying as times are unpredictable*” (R23, female, 58 years old, trade). Some of the respondents declare that they feel trapped, as the low level of profits does not allow for a sufficient pension in the future.

Some theories suggest that becoming an entrepreneur is a survival strategy, particularly when minorities encounter barriers that deny advancement on the formal labour market (Fischer & Massey, 2000). Therefore, some older respondents still operate their business out of financial necessity: “*I wish I could retire already. But even if I retire I will still have to work as my pension is not going to be enough for a living*” (R22, female, 60 years old, services). Another woman says: „*I want to work as long as it is possible. I don't plan any changes or investments. I only want this place heated and that's that*” (R32, female, 65 years old, services).

Among people thinking about expanding their businesses in the future those prevailed who are interested in opening a new business outside of Praga, although some do not declare where this would be. Such decisions indicate that according to the respondents Praga is not an attractive area for business activity. It is especially worrying that such opinions are expressed by those who are to be treated as successful in their business in Praga. In the long perspective, this might lead to a withdrawal of prosperous businesses from Praga and a weakening of the area's economic performance:

*„In the beginning I want to open a bakery in another place. Maybe on the other side of the river, as now people have to come from the other side to buy our bureks. This for the start and then, maybe will build a burek<sup>8</sup> empire” (R24, female, 27 years old, production/trade)*

*“I would like to open another store on the other side of the river, as I see that a lot of people don't come here because of traffic jams, long working hours, so maybe another store over there is a good idea. So if I find a premises which is not too expensive then I will go for that” (R12, male, 44 years old, trade)*

Some of the respondents plan to develop their business not considering its re-location, but rather by raising standards, extending the range of services, renewing interiors etc. It is a difficult task, because it requires facing direct competition with nearby commercial spaces in shopping malls. However, it has positive influence on the change of the overall image of Praga. In addition to

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<sup>8</sup> Traditional Balkan bread pie with different fillings

upgrading particular premises, this also has a spillover effect on the surroundings, building facades, walkways, small architecture. A woman who decorates her saloon with own paintings talks about her plans:

*“I would like to paint the walls and hope to do it this year. If I paint them white my paintings will be more visible. More people will come as white is a fashionable colour nowadays again. There will be a change. I try to renovate a little every four years”* (R40, female, 62 years old, services)

Another entrepreneur also thinks that changes from time to time are required to attract new customers: *“I would like to expand the offer. Not only flowers, but also flower pots for example. Sometimes some small gifts for the customers are required”* (R7, female, 60 years old, trade). In the case of foreigners, plans for the future of foreigners are very diverse. Some of them, especially those of European origin are able to operate successfully in Praga. However, some, especially members of distant minority groups, who look differently, tend not to be strongly attached to Praga and express hope that re-location to other districts would be more profitable for their activities. For example, this concerns a Bengali who opened a bar with ethnic food in Praga, but due to unfavorable conditions wants to change the location:

*I don't want to work in this district, or street. Five, or seven years ago I was a little younger and it was easier. Now I am tired of this battle. If I open another restaurant than in another area, where different people live”* (R9, male, 35 years old, catering services).

#### 4.6 Conclusions

Recent development trends in Praga Północ seem to have a much greater impact on the situation of residents than that of the entrepreneurs. The latter hardly feel the changes related to urban revitalization. This is not very surprising as existing measures under the Integrated Revitalization Programme mainly addressed the issue of regenerating physical fabric and not social problems. Apparently, the opening of two subway stations in the area turned out not to be not enough to provide customers to Praga businesses, but have rather facilitated the access of Praga's residents to businesses in other districts of Warsaw.

The dominance of micro-firms is not associated with support of small businesses in this area, but rather with the lack of opportunities that would allow these firms to grow. The city authorities seem to notice the problem, but their previous activities, such as “Otwarta Żąbkowska” (Open Żąbkowska street) or “Noc Pragi” (The night of Praga), that aimed at improving the situation, are too few in relation to real needs. Such events allow to increase the income of entrepreneurs' but only for a short time. Despite the poor condition of local entrepreneurship, there are firms which are examples of economic success. Their target consumer group is, however, usually from outside Praga. These firms often extend their offer to costumers from all over the country, and also conduct international operations.

The image of Praga, as a location for business, is not particularly encouraging. There is a very low level of cooperation between the owners of firms; most of them do not believe that the future can bring a change for the better. Dominated by a sense of hopelessness and lack of prospects, the

businesses in Praga are rather based on a survival strategy than on development and forward-looking perspective.

## 5. Institutional support and government policies

### 5.1. Introduction

In order to function properly, institutional support requires a social awareness of an on-site availability of supporting institutions and the willingness of rank-and-file cooperation. It seems that the majority of entrepreneurs interviewed in the case study area lack both those features. This may have a negative influence on the performance of enterprises, especially small firms the position of which may largely depend on the social capital accumulated in their network connections.

The willingness to form associations is also an indicator of bridging social capital. As Putnam (2007, p. 143) stresses, a distinction should be noted as to social capital, i.e. *“the distinction between ‘bonding’ social capital (ties to people who are like you in some important way) and ‘bridging’ social capital (ties to people who are unlike you in some important way) ...”*. Social relations in Poland are in general characterised by a low level of social capital, such as measured by mutual trust and social activity. We assume that these characteristics apply to entrepreneurs as much as they do to other social groups.

Institutional support offered to enterprises by local and national authorities can cause similar problems to those concerning the process of association of entrepreneurs as a group. The low level of trust is resulting from anti-legalist attitudes that can be treated as path dependency effects. The general distrust towards any governmental structures, the predominance of bonding social capital and the low level of social reciprocity have an impact on the cooperation between business and government.

According to R. Boschma (2009), we can assume that the existence of a visible artistic community in Praga Północ should lead to the development of internal institutions that support artistic work in this district: *“Some creative jobs are more likely to induce knowledge spillovers or to support each other’s presence in a region. Stolarick and Florida (2006) suggested this may be the case for technicians and art designers.”*

### 5.2. Views on the effectiveness of business support provided by local and central governments

In this chapter, we start by elaborating the respondents’ opinions about local policies, then about dynamics of contact between entrepreneurs and district’s office and lastly, about renting policy. Initiatives of the local government aimed at helping entrepreneurs are barely noticed by the latter. Respondents, asked about facilities offered by local authorities for newly started businesses claim there are none, or that at least they never heard about any.

This question was irritating to some of the respondents, because they were not aware of any support from the local government. At the same time, they were aware of many impediments to the activities of their businesses provided by the local government: *„Where do you have the facilities*

*needed? They (the local authorities) are here to take from you, not to support you.” (R34, male, 63 years old, craft.)*

Some respondents interpret events organised by local authorities (such as *Days of Praga* or *Days of Żabkowska*) as facilities for their businesses. Especially for the catering services branch this means a one time, but a significant boost to their income. There are also some business owners who consider local authorities to appreciate their positive role in the district’s development:

*“I have a good situation, because they [the local government] appreciate that I have been here for so many years. There was only Łysy Pingwin (Bald Penguin) here before and then I came. And after us came all the others. So I kind of pulled these firms here. Because it is a nice place. I think they like it.” (R17, female, 55 years old, services.)*

The respondents consider the low response rate of the District’s Office as a big problem related to the local government. It really takes a long time to get any response from the authorities, the procedures are complicated and unnecessarily prolonged. For some entrepreneurs a temporary solution to this problem, is to find a suitable partner in the District’s Office – an employee who understands their concerns. Without that support, running a business can be really difficult, if not impossible:

*“Whatever we did, there was a problem that needed to be solved by writing applications that were being considered for half a year or so. [...] And only because there was that one civil servant among twenty with whom you could talk straight and who was competent and willing to help [we could solve our problems], that’s all. So we held on tight to him, because we knew it might be a week later, maybe two, but he would get the job done. ” (R15 male and female, 41 and 38 years old, catering services.)*

Additionally, the city office workers, the officials are described as not qualified and not committed to their jobs. They treat entrepreneurs as a ‘necessary evil’, not as partners who contribute to the development of the district: *„These are people occupying positions that they [civil servants] don’t like. There is no power. They don’t talk to us, don’t propose any cool ideas” (R40, female, 62 years old, services.); “I think there lingers a communistic logic and no one considers entrepreneurs as someone who makes any good for the district. They don’t treat us friendly.” (R17, female, 55 years old, services.).* The quality of communication between the District’s office and entrepreneurs is another problem. The Office doesn’t usually inform the entrepreneurs about payments they are obliged to make or does it with much hesitation, what makes it very difficult for business owners to work.

*„The government only puts the skids under us. The communication between Praga’s District’s Office and us is very bad. They made us pay taxes for real estate for 4 years back. We were not informed about that at all. It is mindless. It might not be much money, but they tell us about that now, not 2 years ago or earlier” (R3, male, 28 years old, catering services.)*

Another problem brought up by the respondents is the short time of rentals. The contracts are signed only for three years. It deprives entrepreneurs of a sense of stability which is not conducive to the development of business strategies:

*„The longest possible rental of a premises belonging to the City’s is 3 years. We know that the opening of a restaurant is sometimes a matter of hundreds of thousands of zlotys, so for this to pay off it takes about three years. After that you can be thrown out of the place and you don’t get the money back that you have invested” (R3, male, 28 years old, catering services.)*

An important issue for many business owners are local government priorities that are far from focusing on entrepreneurs. As officials have to take into consideration interests of many subjects, their decisions are often unfavorable for the firms

Asked about the reason why city declined an entrepreneur the possibility to rent space in front of his facilities, the respondent says: “Because there are too few parking spaces in this street. And we could really use this space, because we could also put some tables outside.” (R8, male, 28 years old, catering services.) Another reason why many business owners complain is the condition of the premises let by the District’s Office: „It didn’t look like it looks now, the place was totally run down. I’m not sure if you can imagine this, it looked like a basement.” (R15, male and female, 41 and 38 years old, catering services.). This situation is even more complicated by the fact that most of the city-owned housing stock in Praga are pre-war buildings of some historical value. All interventions in their structure needs to be consulted and approved by the conservation officer. It highly influences the forms and costs of adaptation of these premises for enterprises. Most of the respondents are reluctant to contacting local or national government agencies. The latter are seen as oppressive institutions that do not support the development of entrepreneurship:

*“An entrepreneur here is never sure if they don’t come to set his house on fire, to find something when some regulations change. A second thing is that the contact with civil servants is surely not pleasant because they don’t come to support you. For example, Sanepid<sup>9</sup> doesn’t come to help, only to punish you. It usually looks like this: a controller comes when the owner is not there, someone usually calls the owner to tell him that they have come to fine him, although the controllers don’t even go inside to check.” (R15, male and female, 41 and 38 years old, catering services.)*

Entrepreneurs also complain about the rent rate that does not take into consideration characteristics of the premises, the number of customers and their economic situation. The local authorities also lack perspective thinking and planning in terms longer than 4 years. There are no rules that allow entrepreneurs to cooperate with the District’s Office with respect to social issues. Business owners cannot apply for donations for their projects, what discourages them from taking active local development measures.

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<sup>9</sup> A health inspection organisation

### 5.3. Wider awareness of organisations, programmes, and initiatives to support entrepreneurs

There is a bias among entrepreneurs to the effect that associating organisations are strongly focused on collecting fees. Some of the entrepreneurs interviewed see no benefits for their business related to participating in associations of their branch. Nonetheless, for one of the respondents, being member of the local association of merchants was a very important part of his business strategy. The interviewee claims that the membership allowed him to be competitive in the field of retail grocery trade:

*"On June 2015 we became member of the Polish Merchants Association. Mr. Nowak, the founder of the shopping mall Tarchomin, was a close friend of our boss, so they divided Praga into two parts – one is doing business in Old Praga and Bródno, the other one in Tarchomin<sup>10</sup>. This man also founded an association which was exclusively made for Polish merchants. Owners of Żabka, for example couldn't be members. There are about 100 stores in this association, three big firms and we can buy supplies for lower prices. We also have a newsletter, billboards and bargain prices for customers."* (R6, male, 34 years old, trade.)

There are examples of such firms where the membership in national-wide associations affects the quality of the business. These associations help entrepreneurs exchange their knowledge and skills. Many respondents, especially craftsmen, are aware of the benefits they can have from such associations, but they also know that organisations like this in their branch are condemned to extinction. The main reason for this is the disinterest of young craftsmen in traditional apprenticeships:

*„It's all gone – Izba Rzemieślnicza, Cechy Szklarskie<sup>11</sup>, I used to be a member, but now such organisations cease to exist. Craftsmanship is threatened with extinction. Its unappreciated and not advertised. There are hardly any people taught to be craftsmen. In Germany, for example, craftsmen have good positions, even former members of our guilds are welcome there. Have you seen anyone interested in this job here? I don't know, but young people are not interested in craftsmanship. At least in my branch."* (R11, female, 60 years old, crafts.)

It is worth pointing out, that entrepreneurs actually feel the need of forming associations but not in the manner that is offered to them now. Asked what the respondent expects from a good business association, a woman answers: *"It could organise some chats about new trends in hairdressing, maybe some courses. This is obvious. And some support for hairdressers."* (R26, female, 62 years old, services)

In some cases, entrepreneurs replace traditional forms of associating with simple forms of cooperation which is mostly focused on informing clients about one's enterprise. This is a highly rewarding activity, which builds networks of cooperation and trust between business entities. It

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<sup>10</sup> Tarchomin and Bródno are neighbourhoods situated on the right bank of the Vistula river, in the districts of Białoleka and Targówek respectively

<sup>11</sup> Craftsmanship Chamber, Guild of Glassmakers

may lead to the improvement of social capital, which translates into further economic development of the area:" (...) *We met this lady who brought us her leaflets. Here, in Praga, we support each other as entrepreneurs. But we don't do it officially, no.*" Asked how this support works the man continues: *"For example, I take these leaflets, right? For example, from this restaurant. For example, this is a cool new place that was just opened here, which is worth visiting... On this basis I leave my leaflets there."* (R14, male, 58 years old, trade)

While most of the respondents do not have the need or possibility to associate within a business organisation, they are active in other types of associations, which are not necessarily related to their work.

*"I am member of Polski Związek Łowiecki<sup>12</sup>. It consumes some time and money from my pocket. My wife was very angry about it. But hey, everyone needs a hobby."* (R34, male, 63 years old, trade)

In some business branches entrepreneurs are aware of the existence of national associations in their field, such as guilds or professional associations. This knowledge is often based on experience from the past and does not translate into active membership.

*"There is a guild of hairdressers. I guess it still exists, but I don't belong to it. Years back you could be a member and hire an apprentice and it gave you some money. It doesn't work like that anymore."* (R40, female, 62 years old, services.)

In some cases, being a member of a certain organisation is mandatory in order to run a business. This means that the awareness that such organisations exist is higher in those branches, but the opinion about them is not necessarily better.

In Praga we can observe a low willingness to associate and a limited awareness of existing associations. Artists are an exception here. Most of them are members of the association "Stan Rzeczywisty" (Actual State). They are respondents who acknowledge benefits related to membership in a professional network. This allows them to follow fashions in local art and, at least assumedly, makes it easier to win new customers. Unionization is also their power in contacts with local authorities and other partners: *"We assumed, that if we associate, when introducing a new brand, we can achieve more in Praga. Show more of ourselves."* (R17, female, 55 years old, services.). There are other examples of such activities:

*"We create artistic associations all the time, that is there is a consolidation of artists who have their studios in Praga, some of them working very close to each other but not being aware of it. We have created something called the 'actual situation'. There are 12 studios, where you can come, now it is just a little bit cold and less is happening (...). Nevertheless, for 1.5 years every Friday you can end up in a different studio and look at a different artistic show. We had a joint exhibition, previously we also organised 'the night of the artistic zone of Brzeska', where we had*

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<sup>12</sup> Polish Hunting Association

8 artists. We also persuaded the city authorities to let us use their studios, which were worse than demolished and neglected" (R37, male, 50 years old, production)

#### 5.4. Policy priorities for entrepreneurship

The entrepreneurs interviewed propose many policy changes that could support the opening and sustaining of businesses in Praga Północ. These are: lowering taxes that determine labour costs, stable financial rules provided by the local government, the hiring of responsible and committed staff in District Offices, interest in the entrepreneurs' immediate needs shown by the officials, simplification of application procedures and legal regulations at the national level, developing partnership-based relation between entrepreneurs and local authorities, and, last but not least improving public safety in Praga.

The entrepreneurs postulate a lowering of taxes and labour costs. This concerns especially social security taxes. They suggest that liberalisation of the system, that will allow custom solutions for business is immediately necessary. This statement can be supported by the thesis of R. Torrini, who suggests that giving entrepreneurs the possibility to avoid taxes can have a positive impact on the local economy"

*Moreover, we have developed a simple model that studies the potential role of tax evasion opportunities in shaping the incentives workers face when choosing their job. According to the model, provided that self-employed income is more sensitive to individual effort than paid-employment salary, a tax increase hurts self-employed workers more than employees; therefore, unless self-employment offers sufficiently higher tax evasion opportunities, a higher tax rate reduces the incentive to enter self-employment. On the contrary, if the tax evasion opportunities of self-employed workers are sufficiently high, a tax increase will encourage growth in self-employment. According to the model, higher tax evasion opportunities have a positive and unambiguous impact on self-employment irrespective of the tax level (Torrini 2005)*

One of our interviewees, an older lady relates on this problem:

*„I was hiring people and I must say that taxes are extremely high so the cost of employment is high. I should be able to hire someone for a part-time job. I have a free chair, so if there is a hairdresser. I should be able to rent it to him and he would pay taxes for himself and some rent. Sadly, it is not allowed here. I have no idea why.” (R40, female, 62 years old, services.)*

Business owners would also like to see some kind of financial handicap systems provided by the local government. The key, but not the only function of this system should be tax-breaks or rent-breaks especially for new businesses. The respondents think that it would help develop the local economy by helping existing businesses and stimulate new entrepreneurs to open their businesses in Praga.

*“Well, in my opinion, you see, there should be some kind of rent- or tax-break for, let’s say, half a year. Because all these payments are constant right now and they take most of our income, right?” (R14, male, 58 years old, trade.)*

The District’s Office should hire responsible and committed staff that understands the needs of the world of business, in contrary to most of the civil servants who, according to our respondents, still mentally stick to the previous system:

*“I’m afraid that in these offices there are officials who don’t really understand us – I think there lingers a logic known under state-socialism and entrepreneurs are not considered as people who make anything good for the district. They don’t treat us in a friendly way.” (R17, female, 55 years old, services.)*

Local entrepreneurs would also like the government (both local and national) to show interest in their immediate needs. They would like to be visited by officials asking for their needs and suggested solutions.

*“We would like someone from the District’s Office to come to us and say ‘listen, what do you need here, to make this place more colorful, so you can feel well here, so that we can make this dirty and ugly street nice and running?’ But no one ever comes.” (R14, male, 58 years old, trade.)*

Procedures of applying motions in various government offices should be simplified and accelerated. Even respondents that see some improvement in contacts with the local government admit that every procedure including government offices is extremely long and unnecessarily complicated. This conjuncture discourages many people from taking up any activity and promotes stagnation.

*„I think that we have the same problems as every other entrepreneur. We would like procedures to be simplified (...). This administrative part is really bothersome and consumes a lot of time. (...) I think that on the local level there is improvement, more receptiveness for business owners but there are still procedures that take too long.” (R16, female, 42 years old, services.)*

This issue is a particular problem for entrepreneurs who would like to hire foreigners without Polish (or EU) citizenship and have to wait for months for Karta Stałego Pobytu (Card of Permanent Stay) that permits them to work legally in Poland.

*“Hiring people that want to work should be simplified. Now, when you make an official statement that you want to hire a foreigner you can hire him for some time and later you have to apply for Karta Stałego Pobytu and wait for 6 months. During that time he can’t work, what is idiotic, but this is how it is.” (R3, male, 28 years old, catering services.)*

In this case a change of legal regulations at the national level is necessary in order for entrepreneurs to be partners for local authorities in various social projects. According to the

interviewees, the actual situation, when the local government can't subsidize social projects run by business owners, negatively influences the development of the local business environment. Entrepreneurs also postulate that the District's Office should create a coherent development plan which should take into account a broad range of cultural, social, economic and other issues. In the respondent's opinion this would improve the attractiveness of this district and be a pull factor for new clients. This plan should also take care of the infrastructure that would grant easy access to all kinds of firms. But first of all, business owners should, on a daily basis, be informed about significant changes in their neighborhood.

*"There are no ideas how to animate this district and this street. Many premises are closed, so this is what extra attention should be paid to. We know that the City and District do something in this general direction, but it is not enough. The initiative 'Night of Praga' was a splendid idea when it was meant for the whole district. This year it was only organised in Ząbkowska street."* (R16, female, 42 years old, services.)

The mentioned plan should also consider the issue of safety. This claim is especially important for ethnic minority business owners who don't feel safe in the area. As we mentioned before they are 'persecuted' by locals for different looks and behaviors: *"Safety should be improved. There is too much drugs and poverty. Poverty is not a problem, but there are too many thieves."* (R9, male, 35 years old, catering services.)

The problem of safety is also important for Polish entrepreneurs. The respondents suggest giving more power competences to the local government, so they can actively shape their economic policy. Thanks to this they would be able to influence their own rental policy based on economic and non-economic factors, caring not only about income from rents, like they used to: *"They should give the local government an opportunity to function in a flexible way and then civil servants would be able to have a more flexible approach."* (R4, male, 39 years old, services/catering services.)

There are also some entrepreneurs who believe that the best strategy is changing nothing or such who are strongly against getting involved in any politics.

*"I don't know what I can tell you. I live here comfortably and do my job. I don't get involved in things. (...) I don't want to take any extra money, because I can't take more money and do more. A day is too short for this. I like to have peace."* (R22, female, 60 years old, services.)

## 5.5 Conclusion

The entrepreneurs in the research area do not generally show a tendency to associate even though it could theoretically improve their businesses and their chances on the market, increase the number of customers and protect them from a sudden economic turn:

*"As this array of independent coinages indicates, social capital has both an individual and a collective aspect—a private face and a public face. First, individuals form connections that benefit our own interests."* (Putnam, 2000)

Low willingness to take up common activities is related to both professional and personal relations, which is coherent with the results of research conducted referring to residents of Praga (Korcelli-Olejniczak et al., 2015). This confirms the thesis about the low level of social involvement of not only residents but also entrepreneurs in the area.

The functioning and replication of bridging social capital requires a network of contacts and a high level of social trust. Most entrepreneurs - with the exception of those representing the 'creative class' have no rules in the use or the needs of cooperation. National associations work rather well. They offer possibilities to make new connections and provide necessary knowledge to their members. But in many cases membership is not a choice but rather a professional requirement, so it is not the case of voluntary associating: As Putnam states:

*“a society characterised by generalised reciprocity is more efficient than a distrustful society, for the same reason that money is more efficient than barter. If we don't have to balance every exchange instantly, we can get a lot more accomplished. Trustworthiness lubricates social life. Frequent interaction among a diverse set of people tends to produce a norm of generalised reciprocity. Civic engagement and social capital entail mutual obligation and responsibility for action”.* (Putnam 2000)

There is a very low level of awareness of any kind of institutional support provided by local and national government among our respondents. It is an open question if the reason for that is that such support does not exist, or whether entrepreneurs are just not interested in getting to know the offer. However, in our research material the lack of trust towards governmental institutions is very evident.

According to Frederking (2004), the city could strongly improve the situation of ethnic entrepreneurs by applying proper integration policies and treatment at the time of arrival. At this moment cultural dissimilarity is often a burden for entrepreneurs in Praga Północ or, is simply irrelevant. Proper changes in district and city policies could transform it into an asset for future economic development:

*“Government policies matter for the way in which cultures adapt to the new structural context. Whether culture becomes an asset, a liability, or becomes irrelevant, significantly depends upon the incentives and constraints of the immigration policies and the treatment of immigrants at the time of arrival.”* (Frederking 2004).

## 6. Conclusions

### 6.1. Summary of the key findings

As indicated in chapter four, there is a large body of research which argues that a positive interdependence can be found between social diversity and potential for economic performance:

*„There is good evidence that economic diversity in cities helps support long-term economic growth* (Jacobs 1970, Duranton and Puga 2001; Glaeser

2008, MIER 2009). *Furthermore, there is now some suggestive evidence that cultural diversity may also be an economic asset at the urban level*" (Nathan 2011)

The research conducted in Praga shows that the area evades these rules. In spite of being the most diverse district of Warsaw, it does not offer preferable conditions for people who want to establish an own business. This refers especially to micro-firms which are the prevailing type of entrepreneurship in the area. In most cases entrepreneurs are discouraged, disappointed and don't believe in the improvement of their situation in the future. Among the economic sectors dominant in Praga Północ, the relatively best set of circumstances is observed with respect to catering services – restaurants, bars and all types of cafes. These businesses are usually run by younger entrepreneurs; the oldest respondent was 47 years old. The success of such firms is mainly related to the considerable interest of diverse customers.

In contrast to most businesses run in the study area, the services provided attract not necessarily only the local clientele. Paradoxically, the worst situation is observed with respect to the trademark of old Praga – traditional craftsmen. This profession is at risk of extinction, as it brings small profit, and there is practically no interest in education in this direction. As, primarily before 1989, craftsmen used to live from repairing broken tools, small machinery and other objects, the low economic performance within the sector of crafts and handicrafts is the result of a growing consumerism also observed in Praga, meaning that people buy new products instead of repairing old ones. In our research, this branch is represented practically by older respondents – the youngest of them was 52 years old.

The situation of craftsmen in Praga can be interpreted on the basis of the negative relation between the age of respondents and the level of education. This derives to some extent from the specific educational structure in pre-1989 Poland, i.e. under state socialism. Till 1989, the structure was dominated by vocational education in case of men, and, at most, general secondary education with respect to women. Only 5 per cent of the population had university education (Grzejszczak 2012). There is no direct evidence that higher education of owners of small, traditional enterprises or workshops in the field of crafts could have a direct influence on the quality of the services offered. We assume, however, that higher education impacts the development strategy – business plan of micro firms, allows for a more forward-looking perspective, at the same time providing an easier access to financial and organizational support.

Similar problems affect female firm owners. Most of them are elderly persons, the majority is not well-educated. In many out of these cases, the business had earlier belonged to a male family member, or work was divided between more people. Currently, the elderly women declare to be left by themselves, helpless in the face of ongoing changes and new competition. This can partly explain the difficult economic situation of such businesses.

A different situation is observed in the case of small and medium-sized firms, where a considerable growth trend, or at least a satisfactory stability allows for an optimistic look to the future. Owners of most SMEs usually consider an expansion of their business. It is characteristic that these are predominantly relatively young people - our sample does not include anybody in this firm size category who is older than 50. Also, most of these respondents have university

education. Provided that these results should not be extrapolated to all entrepreneurs in this category in the case study area due to their small number in the sample<sup>13</sup>, it may generally be assumed that it is more difficult to be successful in business without solid education.

In principle, the situation of ethnic businesses in Praga Północ does not diverge from those led by Poles. Micro firms are generally in a worse condition than larger firms, and the rotation in this group is distinct – firms close down, other ones open in their location. There are, however, two slight deviations from the rule. First, the specificity of the sector and products offered – ethnic business usually functions in the catering services branch or trade focused on food and other ethnic products - allows enterprises to attract a wider range of customers, not only the local clientele. This is a positive factor, a negative one is that the social environment provides more problems to ethnic entrepreneurs than to Poles, especially to the ‘old’ residents (Korcelli-Olejniczak et al., 2015), who either feel comfortable in the area, are more accepted by others, or have identify themselves with the local rules and specificity. This concerns predominantly those entrepreneurs whose appearance makes them seem ‘different’ – skin colour, hair, clothing.

The vast majority of firms in Praga Północ functions in premises belonging to the Warsaw housing stock. The poor conditions of these premises, as well as tenancy laws are large barriers for economic performance in the area. Part of the firms are located in buildings which are given a landmark status, or are controlled by the Heritage Monuments Protection Office, this meaning that any intervention in the physical fabric requires special allowances. Additionally, tenancy agreements concerning municipal premises are signed for only three years. The uncertainty with respect to the agreement’s prolongation constitutes a constraint in formulating long-term business strategies.

Most forms of institutional support provided to entrepreneurs by the City and District seem to be inadequate or, simply, too limited. Most entrepreneurs prefer to be independent or to rely on the support of their families and friends than to apply for public funds, or other forms of assistance. The bureaucracy of the application system, the documents required are incommensurable with the actual support provided. This manages to discourage potential applicants and, hence, the role of local authorities in the economic development of the district is limited.

Apart from the research which acknowledges the role of social diversity in urban places as a stimulus for economic development and performance, there are numerous examples of works which point to the potential threats associated with a growing social diversification. In Praga Północ, the risk is mainly related to the weakening of social capital.

*“Some studies imply social and political costs to rising urban diversity. Putnam (2007) finds some evidence of reductions in bonding social capital in more diverse US urban neighbourhoods. A recent study of EU countries by Card and colleagues (2009) found that concerns about immigration focused on perceived threats to amenities and public goods. However, both Putnam and Card (2007) suggest that*

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<sup>13</sup> Small and medium-sized enterprises are not dominant in our case study area and therefore, they do not constitute a large group in our sample

*the long term benefits of cultural diversity outweigh any short term costs” (Nathan 2011)*

While the works mentioned focus on long-term effects of such a diversification, seeing them as positive, the evidence from Praga Północ both in terms of residents’ (Korcelli-Olejniczak et al., 2015) and entrepreneurs’ evaluation calls for more skepticism. It is difficult to say, when Putnam and Card expect long-term benefits. Perhaps in Praga this will be generated by a more intensified gentrification process, revitalization policy and business investments which will transform the area into one „with looser networks and weaker ties” (Florida 2002) which is fully open to merging creativity, new ideas and assets. At the current stage, social diversity in the area is still accompanied by social disintegration, while the persisting socio-economic problems of the residents and the ‘unfriendly’ tenancy policy are non-supportive factors of economic performance. The low level of social capital results in a weak cooperation between economic actors in the district. The only exception are artists who succeeded to form associations securing their situation which gives them an institutional support vis a vis external partners.

It may be that this form of collective action performed by representatives of the creative class in a diversified milieu is a signpost of change, guiding other professional groups and economic sectors and, in consequence, improving the economic performance in Praga Północ. It is possible that we are facing here a seed of greater change, that will impact whole district in the future. As Peck (2005) claims, the establishment of businesses by representatives of the creative class can lead to a considerable economic improvement of dysfunctional areas within cities.

The situation of entrepreneurs in the study area remains very diversified. An example of success are small and medium-sized firms, in the case of which growth derives from the specific marketing strategy based on attracting customers from outside of the immediate surroundings – expanding the market range. The negative conditions which affect micro firms may evolve in various directions. An important factor which will surely impact this situation is the ongoing process of gentrification, explicitly affecting the micro firms which focus on the local clientele.

The transformation of the district’s social tissue can lead to the extension of the firms’ provision to the new customers inhabiting Praga. This opportunity would, however, require an improvement or change of the scope of services provided by the entrepreneurs. In turn, this would not have to imply a rise of quality with respect to the functioning of micro firms, as new residents, with the change of residence place might not necessarily alter their consumer habits. Gentrification may also weaken the position of small enterprises, which along with the falling number of ‘old’, long-standing residents, would lose their traditional customers.

## 6.2. Policy recommendations

In the light of expert interviews conducted, there are some ideas and expectations shared by local entrepreneurs concerning public policy measures that would support the operation of businesses in Praga Północ. Here, the proposals presented by our respondents are placed within a broader context. As we can claim, the most urgent actions to be undertaken should be the following:

- Introduction of more tractable rules concerning renovation and refurbishment of workshops and other commercial facilities that are, or planned to be located in buildings

under conservatory supervision. The lack of systemic arrangements in matters such as cost sharing and the room for negotiations with the Conservatory Office are among the obstacles faced by firm owners;

- Taking measures with an aim to preserve the specific commercial *climate* of Praga Północ, one that is advantageous for the sustaining and development of some traditional crafts. In order to pursue this goal, it is necessary to control the scale and style of new, especially residential investment projects, so as to avoid the risk of rapidly rising land values and market rental prices.
- Improving inter-firm cooperative networks by offering support to joint marketing initiatives via preferential advertisement and rental prices, and providing patronage to guilds, trade associations etc. This could be of critical importance for the survival of many micro-firms, in particular the traditional handicraft workshops that offer unique, high-quality products, yet due to the lack of financial resources as well as knowledge limitations are not in the position to maintain, or even less to extend their market penetration range.
- Establishing a stable system of preferential rentals made available to micro-firms in traditional branches. The latent cost, to be incurred by local authorities, could be compensated for by relatively higher administrative fees levied upon such branches as tourist and catering services. (The latter solution which was suggested by several respondents, has to be regarded as rather contestable).
- Dissemination of information on means of support to local business, as provided at various levels of public administration. The limited awareness concerning the availability of such provisions which is related to low trust with respect to both the state and financial institutions, represents an important factor which hampers the development of small entrepreneurship in Praga Północ.

As indicated above, these comments and proposals concerning support measures are mostly oriented at micro-firms. As it follows from the research, in case of the larger enterprises there is more of a need for efficient, partnership-based cooperation with local authorities.

On the basis of the research conducted, we can formulate some general recommendations which on the local level can be useful for entrepreneurs and support their economic performance. These recommendations concern two aspects. The first is related to the quality of local services focused on entrepreneurs, the comprehensive service by local authority agencies. According to our findings, an improvement of communication between public officials and the claimants would be very supportive at all stages of running a business. It would also be an important pull factor for new entrepreneurs. Effective services should imply an improvement of the officials' skills (including a basic knowledge of foreign languages). Such activities are foreseen within the actualization process of the Warsaw Development Strategy, hence, our recommendations are in line with the objectives of the local authorities. An additional suggestion is that the activities should be supported by a transparent information campaign targeted at entrepreneurs, also of foreign origin, older age, as well as those touched by disability. Entrepreneurs often complain that there is not enough information on the part of authorities about cooperation possibilities or support offers.

Another important aspect which requires an improvement is the local housing policy. Rent is very expensive, and it often does not comply to the potential offered. In some parts of Praga rent costs are as high as in the city centre, even though the area is much less attractive. While the limitations related to the duration of the rent agreement with the city are a problem to most entrepreneurs, in Praga this is extremely distinct, as the share of public premises is much higher than in other parts of Warsaw. The uncertainty concerning the stability of the firm's location is a considerable problem for most entrepreneurs and a specificity of Praga, a severe obstacle to its economic performance. It would be thoughtful to support new enterprises by tax reductions and reliefs, to give them more security as to the capital invested. Also, the *genius loci* of the district, including folklore and diversity, should be truly acknowledged by the city authorities via regulations and initiatives focused on traditional craftsmen, ethnic catering services and artistic ateliers. Such a support is expected to bear fruits, making Praga more attractive for entrepreneurs, new residents and tourists.

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## Appendix 1

	Sex	Age	Age of enterprise	No. of employees	Branch	Specification	Qualifications required
<b>R1</b>	M	50	26	4	Trade	Self-Employment	Low
<b>R2</b>	M	30	0	2	Trade, Services	Self-Employment	Low

<b>R3</b>	M	28	4	4	Catering services	Self-Employment, Female, Ethnic	Low
<b>R4</b>	M	39	5	1	Catering services	Self-Employment	Low
<b>R5</b>	F	63	17	2	Trade	Self-Employment, Female	Low
<b>R6</b>	M	34	25	30	Trade, Services		Low
<b>R7</b>	F	60	15	1	Trade	Self-Employment, Female	Low
<b>R8</b>	M	28	5	7	Catering services	Ethnic	Low
<b>R9</b>	M	35	4	3	Catering services	Self-Employment, Ethnic	Low
<b>R10</b>	F	70	58	1	Crafts	Self-Employment, Female	Low
<b>R11</b>	F	60	30	2	Services, Crafts	Self-Employment, Female	Low
<b>R12</b>	M	44	6	2	Trade		Low
<b>R13</b>	M	44	32	2	Trade, Services		High
<b>R14</b>	M	58	1	1	Trade		Low
<b>R15</b>	M+F	41+38	1	5	Catering services	Female	Low
<b>R16</b>	F	42	9	20	Catering services		Low
<b>R17</b>	F	55	10	1	Trade, Services	Self-Employment, Creative, Female	High
<b>R18</b>	M	49	0	1	Services		Low
<b>R19</b>	M	52	20	1	Services, Crafts		Low
<b>R20</b>	M	42	13	3	Services		High
<b>R21</b>	M	35	4	6	Services		High
<b>R22</b>	F	60	23	2	Services	Self-Employment, Female	High
<b>R23</b>	F	58	8	1	Trade		Low
<b>R24</b>	F	27	1	1	Production, Trade	Self-Employment, Ethnic	Low
<b>R25</b>	M	62	8	62	Production, Trade		Low
<b>R26</b>	F	62	30	4	Services	Female	Low

<b>R27</b>	M	23	2	20	Catering services		Low
<b>R28</b>	F	27	7	5	Trade		Low
<b>R29</b>	M	27	2	1	Trade	Self-Employment	Low
<b>R30</b>	F	50	8	35	Services		High
<b>R31</b>	F	47	23	1	Catering services	Self-Employment, Female	Low
<b>R32</b>	F	65	8	2	Services	Self-Employment, Female	High
<b>R33</b>	F	40	7	3	Trade		Low
<b>R34</b>	M	63	41	1	Crafts	Self-Employment	Low
<b>R35</b>	F	32	5	6	Catering services		Low
<b>R36</b>	F	26	0	4	Catering services	Self-Employment, Female	Low
<b>R37</b>	M	50	20	1	Production	Self-Employment, Creative	High
<b>R38</b>	M	46	18	240	Services		High
<b>R39</b>	M	43	1	5	Trade	Self-Employment	Low
<b>R40</b>	F	62	12	1	Services	Self-Employment, Female	Low