Evaluation of business environment in Vilnius

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INTRODUCTION

The first complex study “Territorial Business Distribution Map of Vilnius City” was accomplished in 2002. The second analogous study was carried out in 2005. The study was based on two territorial levels: city (municipality) and “seniūnija” – smallest administrative economic units (twenty one) of municipalities. The research aimed at providing a “snapshot” of the actual situation (Vilniaus miesto..., 2002; 2005).

The mentioned kind of research is useful from both scientific and practical points of view. The tradition of similar investigations has existed for a few dozens of years (Fujita, 1990; Mills, 1972). A comparison of the obtained results is supportive in planning processes. On the basis of such investigations it is possible to work out a system of business monitoring for the Vilnius city. Such systems have been successfully used in the cities of many countries (Travers, 2004). Monitoring would facilitate a more effective planning of business development by self-government institutions, establish priorities and strategy and attract foreign capital providing timely, correct and reliable information about business possibilities and improvement of the business environment. Municipality could serve as an initiator of targeted business development. Special studies would contribute to self-promotion which is very important in city development (Morley, 2005).

Though the majority of enterprise managers demonstrated good will, some of them, nevertheless, refused to take part in the study. The motifs of refusal were different. Most of those who refused were sceptical about the practical value of the study. Some of them refused (on learning that the study was initiated by the municipality) because they lacked confidence in state institutions. Yet certain difficulties that arose during the study only confirm the necessity to continue this kind of research and to contribute to forming a positive opinion about the municipality.

1. METHODS

Business environment evaluation was based on the opinion of enterprise manager. The opinions were expressed in questionnaires. They mainly reflected the concrete conditions of enterprise operation and their importance to business development. They were also informative about general attitude towards business conditions in Vilnius and about the role of the municipality. The questionnaires were filled up anonymously in 2002 and 2005. Taking into account the state-of-the-art of business investigations in this country and abroad, the answers to the questions had to reflect the indices of enterprise competitiveness and activity. The questions related to the business environment and attitude towards the quality of services offered by the municipality were also included. Taking into account the available results of previous geographical research, experience in international projects and the scientific aspect of the study, questions of economical geography related with cooperation or infrastructure were included as well. The blocks of questions were related to the following aspects:

1. Timescale and direction of enterprise activity.
2. Evaluation of the enterprise location and environment.
3. Evaluation of business environment in the smallest administrative units by enterprise managers.

4. Relations of enterprises with the municipality (smallest administrative units).

5. Factors reflecting competitiveness of enterprises.

6. Internal and external activity of enterprises.

7. Territorial aspects of cooperation of enterprises.

8. Relevance of public infrastructure in the smallest administrative units.

Selection of respondents. Selection of respondents is outlined by the general entirety (in this case all enterprises operating in the Vilnius city) and by the number of respondents (part of the entirety which provides information on the general entirety).

Respondents were selected using random systematic selection: every thirteenth member of the general entirety. The random selection form is based on the principle that every member of the general entirety must have a possibility to become a respondent. Randomly selected data had to meet clear requirements of representation. The obtained data were tested for statistical significance, and statistical bias was calculated. The number of respondents in the Vilnius city meets the requirement of 95% of reliability, the bias being 0.05. In quantitative social studies these figures are taken as sufficient.

The general entirety of operating enterprises in 2005 was 25,370. Applying one of the possible formulae to follow the mentioned requirements, the minimal number of respondents had to be 394.

The number of respondents was determined using the following formula:

$$n = \frac{1}{\Delta^2 + \frac{1}{N}}$$

where $n$ is the number of respondents, $\Delta$ is the bias (0.05), and $N$ is the general entirety.

However, in this case only the general distribution patterns would be representative. Comparison of data by important variables would lack reliability. For this reason, the number of respondents was multiplied a few times. Table contains data on the distribution of respondents in the smallest administrative units during both studies.

For statistical treatment of the data, a special SPSS 10.0 processing program was used. This program enabled not only stating the factual data, but also their processing by statistical analysis.

2. CHOICE OF LOCATION FOR ENTERPRISES AND BUSINESS ENVIRONMENT

Choice of location by enterprises. The choice of location depends on many factors. The eventuality factor plays an important role in the modern business environment (eventual factors are: acquisition of property right, support and proximity of business friends, proximity of residential place, casual favourable offer, etc.). Sometimes business location is predetermined by specific needs;

<table>
<thead>
<tr>
<th>No.</th>
<th>Administrative unit</th>
<th>Number of enterprises in 2005</th>
<th>Respondents in 2002</th>
<th>Respondents in 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Seniūnija</td>
<td>Ŭmonių skaičius 2005 m.</td>
<td>Apklausta 2002 m.</td>
<td>Apklausta 2005 m.</td>
</tr>
<tr>
<td>1.</td>
<td>Antakalnis</td>
<td>1289</td>
<td>107</td>
<td>65</td>
</tr>
<tr>
<td>2.</td>
<td>Fabijoniškės</td>
<td>864</td>
<td>53</td>
<td>94</td>
</tr>
<tr>
<td>3.</td>
<td>Grigališkės</td>
<td>141</td>
<td>14</td>
<td>31</td>
</tr>
<tr>
<td>4.</td>
<td>Justiniškės</td>
<td>612</td>
<td>42</td>
<td>54</td>
</tr>
<tr>
<td>5.</td>
<td>Karoliniškės</td>
<td>696</td>
<td>29</td>
<td>52</td>
</tr>
<tr>
<td>6.</td>
<td>Lazdynai</td>
<td>759</td>
<td>51</td>
<td>45</td>
</tr>
<tr>
<td>7.</td>
<td>Naujamiestis</td>
<td>4506</td>
<td>560</td>
<td>226</td>
</tr>
<tr>
<td>8.</td>
<td>Naujininkai</td>
<td>1199</td>
<td>205</td>
<td>81</td>
</tr>
<tr>
<td>9.</td>
<td>Naujoji Vilnia</td>
<td>649</td>
<td>97</td>
<td>53</td>
</tr>
<tr>
<td>10.</td>
<td>Paneriai</td>
<td>763</td>
<td>108</td>
<td>44</td>
</tr>
<tr>
<td>11.</td>
<td>Pašilaičiai</td>
<td>854</td>
<td>57</td>
<td>107</td>
</tr>
<tr>
<td>12.</td>
<td>Pilaitė</td>
<td>308</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>13.</td>
<td>Rasos</td>
<td>349</td>
<td>30</td>
<td>33</td>
</tr>
<tr>
<td>14.</td>
<td>Semamiestis</td>
<td>3532</td>
<td>422</td>
<td>236</td>
</tr>
<tr>
<td>15.</td>
<td>Šeškinė</td>
<td>888</td>
<td>96</td>
<td>43</td>
</tr>
<tr>
<td>16.</td>
<td>Šnipiškės</td>
<td>2009</td>
<td>250</td>
<td>205</td>
</tr>
<tr>
<td>17.</td>
<td>Verkiai</td>
<td>1004</td>
<td>106</td>
<td>65</td>
</tr>
<tr>
<td>18.</td>
<td>Vilkėdė</td>
<td>1235</td>
<td>128</td>
<td>78</td>
</tr>
<tr>
<td>19.</td>
<td>Viršuliškės</td>
<td>558</td>
<td>72</td>
<td>47</td>
</tr>
<tr>
<td>20.</td>
<td>Žirmūnai</td>
<td>2249</td>
<td>320</td>
<td>179</td>
</tr>
<tr>
<td>21.</td>
<td>Žvėrynas</td>
<td>906</td>
<td>96</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td>Total / Iš viso</td>
<td>25370</td>
<td>2860</td>
<td>1820</td>
</tr>
</tbody>
</table>
e.g., logistics or transport enterprises need good storage and parking conditions (a well-developed infrastructure farther from the city centre). However, establishment of many enterprises is based on business plan or financial possibilities. Six groups of decisive factors for business site selection were distinguished (each factor received more than 3 scores on the average of the possible 5): concentration of operating enterprises, perspective of the site (e.g., taking into account the trends or plans of city development), prestige, population (as possible customers) density, good prices of renting or purchasing lodgements, and favourable infrastructure.

In the majority of cases, prices of renting or purchasing lodgements (related with the financial possibilities of an enterprise) and good infrastructure were indicated as decisive factors in selecting business site (Fig. 1). This shows that many business units (more often small ones) place emphasis on the possibility to obtain an object in a developed infrastructure at a lower price. Richer enterprises match this interest with higher criteria (perfect infrastructure, good future perspective, etc.). Requirements for the quality of infrastructure have increased recently. Šnipiškės, Grigiškės, Verkiai, Vilkapėdė, Viršuliškės and Žirmūnai stand out for perfect infrastructural possibilities.

A good perspective of any infrastructure is clearly defined and related with three factors. Population density is indicated as a very attractive index. It is understood by business people as peripheral densely populated wards whose residents need everyday services and migrate daily “from home to work” (territorial migration type “wards–business centres”). These business zones develop into business axes – a kind of incubators which are identified by business people with business concentration (Stanaitis, Ėnasnavičius, 2002). The concentrated business axes are well developed in Vilnius, for example, Ukmergės Street, Laisvės Avenue, Savanorių Avenue, etc. Business concentration is also associated with multifunctional business centres (trade – petty manufacture and repairs – various services including the entertainment sector). The prospects of a locality from the point of view of profitability and development strategy coordinated with the city development plans is the third factor. Today business people associate a good perspective with business centres, strategic directions of city development (NW–W) and renovation of the old territories of the city (Šnipiškės with its main artery Konstitucijos Avenue, the Old Town with modern construction works, Naujamiestis with renovated business cases, and Žirmūnai).

In total, it is possible to distinguish eight factors which condition the choice of a business site:

1. Convenience (development) of business environment infrastructure.
2. Favourable prices of renting or purchasing lodgements.
3. Concentration of operating enterprises.
4. Perspective of locality.
5. Density of population.
6. Prestige of locality.
7. Specific requirements for enterprise location.
8. Incidental factors.

**Evaluation of business environment.** Business environment was evaluated on the scale of the smallest administrative unit (larger territory than the site of enterprise activity). Qualitative characteristics were studied in relation with municipalities and its interest to get an idea about the actual situation as seen by business people (Stanaitis, Ėnasnavičius, 2003). The chosen business sites were evaluated taking into account business concentration and perspective (Fig. 2). It is interesting to note that many enterprise managers believe all parts of the Vilnius city to be promising for business development. This opinion is based on the excellent recent results of city development, which are the highest in the Baltic Sea region. The most perspective territories are Šnipiškės, Žirmūnai and the Old Town. Today, every smallest administrative territorial unit has promising sites for business development (e.g., business incubator of Naujoji Vilnia). The transport and engineering infrastructure received favourable evaluations. In terms of transport and engineering infrastructure, most favourable for business development are Šnipiškės, Lazdynai, Viršuliškės, Žirmūnai, and Verkiai. Environmental management was appreciated less. One third of respondents have indicated that it is inadequate and blamed for it municipal administration and special city services.

![Fig. 1. Main factors determining the choice of business location (scored from 1 to 5)](image)
Generalizing, we can point out that the business environment received only slightly higher than average valuation scores (3.2 of the possible 5). Many things still have to be improved. Some drawbacks were indicated: municipality publicizes little timely information on the strategic issues of business development, pay little attention to the territories in the proximity of business centres and set specific formidable barriers in prestigious territories. Transport and engineering communal infrastructure is functioning sufficiently well, but its quality should be improved (e.g., water supply, central heating and similar networks, throughput of transport units, and regulation of transport flows).

**Influence of municipality on enterprise activity.**

Municipality has anywise (including consultations and other minor forms of support) supported 8.7% of enterprises. Most respondents indicated that they had received financial support (opening business, creating new workplaces, etc.). Some pointed out support of programmes and other kinds of general activity. The following other spheres of support were also mentioned: tax deduction, rent of lodgements on easy terms, consultations on legal issues, and even moral support. However, the majority of respondents indicated that they had received support only sporadically, if any. They even did not know what support they could expect from municipality. Business people who develop their trade in less attractive locations (peripheral parts of the city and old wards) receive better support. About one tenth of business people rent lodgements or plots of land from municipality. There is a tenuous trend of such relations in administrative units where business concentration and other intensiveness parameters are relatively low. The average value of this index divides the city into two territorially integral parts.

Business people would welcome concrete support from municipality. More than two thirds of respondents pointed out that they would welcome tax deduction provided for by the law and greater attention to petty tradesmen (Fig. 3). Respondents were asked if they would appreciate more information about the city economy and what kind of information it could be. One fifth of respondents would welcome access to economic statistical information stored at municipality. They pointed out a lack of information about the results of many scientific investigations, including those ordered by municipality. The first investigation of business distribution in the Vilnius city (2002) was useful, because business people had access to some research data published in the municipality website. Business people would also appreciate representative support, i.e. participation of municipality officials at business meetings, celebrations, jubilees, and openings.
Every second respondent had experienced inconveniences due to the inflexible bureaucratic attitude towards trade. The personnel of municipality often demonstrate incompetence and bad will. Respondents consider that various rules must match the law, the bureaucratic apparatus must be reduced, better organized and coordinated, and administration of documents must be centralized and operative.

The lack of qualified specialists is becoming a problem today (Migracija..., 2006). This problem was pointed out almost by every fifth respondent. The number of qualified specialists is reducing not only in Vilnius but over the country as well. The newly trained personnel do not meet the desirable quality. Mass emigration, a tendency of obtaining an individual trade certificate by specialists and working in a few companies at a time were pointed out as the main causes. It is assumed that company managers will be forced to invite specialists from other, East European in particular, countries. On the other hand, business people are unwilling to invest in training specialists.

Corruption as an obstacle was indicated by every sixth respondent. It was also pointed out that small-scale corruption is not a serious problem, because it has become almost a constituent of successful business. Large-scale corruption is a more serious problem. It perverts the market. Small and medium companies are swept out by larger ones which have greater possibilities to settle their affairs through corruption.

It is supposed that assimilation of external financial flows is improving, but large means from the European Union are dormant (Valstybinio audito..., 2006). The sophisticated application mechanism deters some business people from asking for financial support from the EU. Business people rarely manage to secure financial support on their own. Others hire professional mediators, but the latter do not guarantee successful results and the spent money does not come back. In respondents’ opinion, instead of impeding, municipality could support business people in reaching their object.

Financial matters are the main internal obstacle for successful business. High promotion prices are a problem for almost half of respondents (Fig. 6). Effective promotion (and its media) is especially expensive. Nevertheless company managers often have to choose it, because the competition in the market is severe. Most expensive is promo-

3. OBSTACLES FOR TRADE DEVELOPMENT

High taxes and bureaucratic apparatus were indicated as the major external obstacles for trade development (Fig. 5). The burden of taxes is so heavy that smaller companies (with smaller turnover and return) are forced to misrepresent the economic status of the company and “hide” some taxes in order to avoid going bankrupt. There are a few well known methods of hiding the real incomes: declaration of minimal pays and remuneration through premiums in “envelopes”, remuneration by the money designed for business trips, illegal purchases, etc. The tax system is inflexible with regard to all in trade: business beginners and old-timers, those who produce for export and those who supply services (Rakauskienė, 2004). Application of tax deduction is so limited that many business people can never expect it. All respondents would appreciate tax deduction, but only four of them have received this kind of support. Business people from asking for financial support from the EU. Business people rarely manage to secure financial support on their own. Others hire professional mediators, but the latter do not guarantee successful results and the spent money does not come back. In respondents’ opinion, instead of impeding, municipality could support business people in reaching their object.

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It is cheapest in leaflets and on the Internet sites. One third of respondents have pointed out that it is difficult to run business on one’s own means. Even bank services do not guarantee stability. Bank burden often changes the initial plans of companies. It is also difficult to attract investors, in small companies in particular.

Difficulty in finding business partners was pointed out by every sixth respondent. Partnership is related with financial commitments. The study has revealed that the lack of partnership is more frequent in companies who lack also external financial support and investments.

It turned out that the traditional internal obstacles (low qualification, obsolete technologies, unenterprising management, neglected business relations and the low quality of production) were characteristic only of a few per cent of the city companies. Out-of-date technologies are more frequently used in older companies inherited from former owners. The low qualification of labour force is a problem in production companies. Some respondents indicated a lack of information on the market as an obstacle. However, companies themselves do not pay attention to general market studies and concentrate only on some of its elements.

To sum it up, the respondents tended to emphasize the external obstacles. They were sufficiently critical toward themselves, indicating their own mistakes, misused opportunities and the lack of initiative.

Among the most serious obstacles they mention the ones related with the state: taxes, administration, government, and poor support at the institutional level.

4. BUSINESS DEVELOPMENT PERSPECTIVE IN SMALLEST TERRITORIAL ADMINISTRATIVE UNITS

Respondents indicated various parts of the city as promising. However, a comparison of results obtained in 2002 and 2005 revealed certain regularities. Most highly ranked are the Old Town and Naujamiestis administrative territories (Fig. 7). They are traditionally the most favourable parts of the city, mostly referred to as “the city centre”. This choice corresponds with the business and prestige analogues in other West European countries (Blakely, 2002).

The second group of most perspective administrative territories includes the wards Pašilaičiai, Fabijoniškės, Pilaitė and Justiniškės. Population density, migration intensity and city development plans are regarded as advantageous in these parts of the city. Pašilaičiai and Fabijoniškės even today have the great business axes extending westwards: Ukmergės Street – Laisvės Avenue – Ateities Street. Pilaitė is mentioned as a very favourable territory, because it is situated on the Western axis of the city development. The service sector is most promising for business (Stanaitis, Česnavičius, 2006).
The third group of perspective administrative territories includes the ones which due to purposeful renovation attained business prestige. Intensive reconstructions on the right bank of the Neris River radically changed the status of Šnipiškės administrative territory in terms of business prospects. Konstitucijos Avenue became one of the business centres. The future of Žirmūnai territory is associated with the modernization of Siaurūs Miestelis (Northern Place). These territories have limited possibilities of expansion, therefore their perspective is not as good as that of the above mentioned territories. Some respondents think that the whole territory of the Vilnius city is promising in terms of business development, because Vilnius is the greatest centre of attraction in Lithuania and among the greatest in the Baltic Region. The greatest business expectations are related with the present administrative territories which concentrate many companies (Old Town, Naujamiestis, Žirmūnai and Šnipiškės) and the strategic axis of the city development (NW–W).

CONCLUSIONS

1. The choice of locality for enterprises is mainly predetermined by the development of business environment infrastructure, good prices of renting or purchasing lodgings, concentration of business in operation, prospects, and the density of population. Establishment of companies is most often associated with business centres, the strategic axis of the city development (NW–W) and renovated zones.

2. Business environment in the Vilnius city is evaluated as satisfactory. This is not a good result in terms of the rapid economic development of the city, its importance in the Baltic Region and future prospects. Many business factors should be improved. On the other hand, every smallest administrative territorial unit has highly ranked zones for business development.

3. Though sporadic, municipality support to companies is rather frequent. Unfortunately it is minor. Respondents desiderate consistency in the implementation of long-term strategic support programmes. Municipality support in the zones where business intensity parameters are relatively low can be regarded as a positive trend.

4. Respondents encounter many external and internal obstacles for business development. Among the major external obstacles they mention tax burden, the bureaucratic apparatus of the country, corruption, and the lack of qualified labour force. The external obstacles are mostly associated with finances. Management of companies is commended. However, so far companies are not inclined to share the economic burden with the state and are only the “takers”. This is also proved by their inactivity in training the necessary personnel.

5. Recent investigations allow supposing that business development does not bear a spontaneous character. There are certain regularities related with the strategic territorial city development (Vilniaus..., 1999). Three most promising groups of administrative territorial units are distinguished: the city centre (Old Town and Naujamiestis), new wards (West–North-West) and renovated territories on the right bank of the Neris River (Žirmūnai and Šnipiškės).

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References

mieste, savivaldybės pagalba verslui, verslo plėtros perspektyvos mieste. Tokių tyrimų pagrindu Vilniaus mieste galima sugrąžinti verslo aplinkos monitoringuo sistemą. Monitoringas ir jo rezultatai ne tik padėtų savivaldos institucijoms efektyviau plačiau nuotikti verslo plėtrą, nustatyti prioritetus ir strategiją, tačiau ir galėtų pritraukti užsienio kapitalą, suteikdami investuotojams teisingą ir patikimą informaciją apie verslo galimybes, verslo aplinkos kokybės gerėjimą. Šiame straipsnyje pateikiama įmonių vadovų apklaušos apie verslo aplinką ir perspektyvą analizė.

Nustatyta, kad įmonės vietos pasirinkimą Vilniaus mieste dažniausiai lemia verslo aplinkos infrastruktūros plėtra, palankių patalpų įsigijimo ar nuomos kaina, esamo verslo koncentracijos ir vietos perspektyvumas, gyventojų tikslas. Įmonių kūrimas dažniausiai siejamas su verslo centrais, pagrindine miesto plėtros strategine kryptimi (Šiaurės Vakarų – Vakarų), renovuojamomis miesto zonomis. Nors verslo aplinką Vilniaus mieste patys verslininkai įvertina kaip patenkinamą, toks rezultatas nėra geras, ypač tai siejant su sparčiau miesto ekonominiu augimu, jo svarba verslui Baltijos šalyse, perspektyva. Įmonių vadovai nurodo daug gerintų verslo aplinkos veiksnų, kaip antai: savivaldybė turėtų teikti daugiau saulėsios viešosios informacijos verslo plėtros strateginius ir planinius klausimus, daugiau rūpintis šalia verslo koncentracijos vietų esančiomis teritorijomis, rengti ir optimizuoti infrastruktūros tinklus, pasirūpinti transporto mažųjų plaładumą ir kt.


Pastaraisiais metais vykdyti tyrimai leidžia manyti, kad verslo plėtra nevyksta stichiai, pastebimi dėsmingumai, kurie glaudžiai susiję su strategine teritorinė miesto plėtra. Tai galima laikyti pagrindine išvada. Išskirtinos trys perspektyviausios verslo plėtros požiūriu seniųjų grupės: miesto centras (Sena miestis ir Naujamiestis), nauji miestai (Vakarai ir Šiaurės vakarai), renovuojamos teritorijos dešinaiame Neries krante (Žirmūnai, Šnipiškės).