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Position of small and medium companies in Poland and results of research in selected areas

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Abstract

Article is focused on issue of small and medium companies. At first, segment of small and medium companies is theoretically defined, especially roles in national economy, research of small and medium companies which was realized in Poland within project OPVK CZ.1.07/2.3.00/20.0016: This research was focused on accomplishment of competitive knowledge of economy in the area of small and medium business realized by Silesian University in Opava School of Business Administration in Karvina, from Czech Republic. Research included opinions of small and medium companies for obstacles in development of business, for problems connected with financial support of small and medium companies and also for things and services that support the business.

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1. Introduction

Project under the OP Education for Competitiveness, 2.3 Human resources in research and development, CZ.1.07/2.3.00/20.0016 focused on research in the area of small and medium companies to achieve a competitive knowledge of economy that is realized in the period September 1, 2011 – August 31, 2014. The aim of the project is to improve staffing research of small and medium-sized companies at the Silesian University, School of Business Administration, including improved training and conditions for workers. The specific objective is to prepare faculty and staff for involvement in international networks and the creation of expert scientific research team in the area of

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the factors in the development of small and medium companies and the development of new approaches and strategies. Through strengthening the scientific excellence of the research team will be achieved by the improving the quality of outcomes research activities with an emphasis on internationalization and multidisciplinary cooperation with the private sector. Professional solvers cooperate in the implementation of key activities, developing international cooperation with renowned international institutions in the field of small and medium companies.

2. Specification of small and medium companies in Poland

After Poland joined to the European Union (EU) it is generally based on the definition of small and medium companies according to the recommendations of the European Commission No 2003/361/EC. Definitions of small and medium companies in the EU are defined in Annex 1 of European Commission Regulation (EC) No 800/2008. Now, according to the Article 1, definition of small and medium companies means any entity engaged in an economic activity, irrespective of its legal form. This includes in particular self-employed people and family businesses engaged in craft or other activities, and partnerships or associations regularly engaged in an economic activity. Number of employees and financial ceilings determining enterprise categories are defined in Article 2:

1. The category of micro, small and medium companies is made up of companies which employ fewer than 250 people and whose annual turnover does not exceed EUR 50 million or whose annual balance sheet total not exceed EUR 43 million.
2. Within the small and medium companies' category, a small company is defined as an company which employs fewer than 50 persons and whose annual turnover or annual balance sheet total not exceed EUR 10 million.
3. Within the small and medium companies' category, a micro- company is defined as an enterprise which employs fewer than 10 persons and whose annual turnover or annual balance sheet total does not exceed EUR 2 million.

Small and medium companies (SMEs) play an important role in any economy, contribute to the creation of the product, creating jobs quickly adapt to market changes and demands, are the source of the creative and technical and technological innovation, but are also a source of social and economic development of the region. That's why support of SMEs is one of the major instruments of economic growth of any economy. The share of small and medium companies in creating value in Poland is about 48%, the share of employment accounted for two thirds of the total number of employees. In the sector of small and medium companies dominate the micro-businesses, the share of the total number of companies is 96% and is higher than the European average (91.8%). Micro-businesses are also playing a key role among SMEs, employing more than one-third of employees (37.5%), generating a quarter of turnover (26.9%), involved in the creation of value added (21.6%) and implement one-seventh of investments (14,2%).

According to data from GUS (Main Statistical Office) in Poland, the companies generate almost three quarters of the Polish GDP (71.6% in 2010). The share of medium-sized enterprises is three times lower (10.4%) than micro and small enterprises – almost four times (7.7%). Significantly lower than in the EU is the size of small business sector in Poland as measured by its share in gross value added. Significantly higher proportion of the gross value added in Poland than in the EU-27 are characterized by micro and to a smaller extent medium and large company. Over the years can be seen in the share of GDP higher proportion of companies (medium and large), and decline of smaller (micro).

In Poland, 16.3% of micro-enterprises is involved in the production of gross value added, while in the EU-27 is share of 21.6%. For small businesses is the difference even larger (by 5.9 percentage points, respectively 12.9% and 18.8%). According to GUS data for the period 2004–2010, the proportion of large and medium-sized enterprises in GDP in Poland changed from 21.9% in 2004 to 24% in 2009, for large enterprises from 8.9% in 2005 to 10 4% in 2009). In the case of small enterprises their share in GDP decreased in 2010 to 7.7%.

2.1. Factors influencing business

Any company that operates in a market or offer products in many global markets and is dependent on various factors that occur in the area. Macro environment and microenvironment consist around the company. Macro

environment Polish authors characterize as all the activities that make up the framework for the activities of the company, but it does not have any effect for the company or it is influenced very small. The macro-environment includes (Wiktor, Oczkowska, & Żbikowska, 2008):

- demographic environment;
- economic environment;
- political and legal environment;
- technical and technological environment;
- natural environment;
- culture environment.

Demographic environment includes factors that describe the populations of various countries and changes in the population. The basic criteria include the number and size of the growth of natural population, structure of age of the population, size of the households and degree of urbanization.

The economic environment is a mirror of the state of economy of the State and informs the consumer's income. Among the principal activities of the economic environment is the level of economic development, economic growth, and inflation and exchange rate fluctuations.

Political and legal environment is such factors that must be taken into account in the company before entering the market. The focus should be on the evaluation of the persistence of its political and legal system. Entrepreneurship is challenging when suddenly law, decrees, standards and other documents are changed. Entry is also associated with the risk policy.

Technical and technological environment provides data on the technical advancement of the country and the possibility of the use of scientific and research potential. The development of communication technology and information systems to strengthen the possibility of strategic planning of international activities and also greatly contribution to the fact that companies do not transfer abroad only manufacturing activities, but there are also internationalization services. Information technology has become mainstream marketing tools.

The natural environment is a set of climatic and geographic factors that are characteristic for the region. Climate, terrain and availability of natural resources belong to its elements. The cultural environment is one of the significant factors that often determine the success or failure of marketing strategies. Some cultural influences manifest themselves in consumer behavior. Cultural differences are reflected in many forms, the most visible is the language, and other is nonverbal communication. Expression of cultural differences as dressing, eating habits or relationship to personal hygiene. Polish authors in the cultural environment are supplemented religion, aesthetic sense, the relationship with foreign products, habits regarding consumption of goods.

Microenvironment includes those entities that have an immediate impact on business activity. Polish authors based on P. Kotler which defines the environment as forces that influence the ability of the enterprise at the time of service for clients. Microenvironment consists of:

- Consumers,
- Competition
- Suppliers,
- Intermediaries,
- Shareholders,
- The offices,
- Media,
- Local communities
- Institutions of social responsibility.

The economy of the Małopolska region is relatively strong, compared to other Polish regions. For several years (1995–2008), the region's share in the national GDP has remained relatively stable, fluctuating between 7.2 and 7.4%. This ranks Małopolska 5th in the country, right behind the Mazowieckie, Wielkopolska, Silesia and Lower Silesia regions. Among its biggest successes, one should also mention the region's forefront position in terms of

research and development potential (employment in R&D) – Małopolska is the vice-leader among Polish regions, with a relative low unemployment – 4th position in the country.

Employment in 2011 in the region Małopolska Employment in 2011 in the region of Little Poland was 46.6% (average for Poland is 46.4%), the unemployment rate 12.1% (13% in Poland). Size of the region's GDP was 7.3% and its share in the GDP/ inhabitant is 84.9% of the level of Poland.

2.2. Instruments to support entrepreneurship in Poland

Ministry of Economy a categorization of instruments designed the promotion of entrepreneurship in Poland (Ministerstwo Gospodarki, 2010) Instruments are divided into two groups:

I. Instruments to support the activities of Polish entrepreneurs abroad,

II. Instruments to support entrepreneur's investigation in innovation.

ad I.) Instruments to support the activities of Polish entrepreneurs abroad are divided into:

1. Direct instruments are:

- sectoral projects to promote exports – to support projects carried out within one calendar year, including at least two forms of promotional activities such as exhibitions, tastings, exhibitions, presentations, demonstrations, sectoral meetings, trainings and seminars at home and abroad, survey of foreign market;
- export certificate – export certificates – to support certification of products or recertification required for trade in foreign markets;
- implementation of promotion and export support – to support publishing of catalogs, lists (sectoral and regional), directories, local language versions of magazines, books, advertising and information materials on electronic media, supporting the export or sale of the single European market. Support may be given to the publication of promotional materials of the individual entrepreneur;
- plans for publications supporting export;
- passport to export – to strengthen the position of the Polish economy through: promotion of Poland as an attractive economic partner and place of business contacts, increase in Polish exports and an increase in the number of companies engaged in export activities. Aid may ask entrepreneurs in the sector of micro, small and medium companies (SMEs), with registered office in Poland, which in the last financial year in which they submit a request for support to the share of exports in total sales exceeding 30%;
- promotion of the programs – to promote groups of products, services and high-tech industries represent selected according to established criteria. Business support in selected sectors due to the potential of regional production can become Polish specialties exports;
- general promotion programs – to promote the involvement of business promotional events (general and sectoral) at home and abroad, raising the level of awareness about Poland in the world and promoting Poland as a country having production potential for innovation;

2. Indirect instruments – institutions to promote entrepreneurship:

- Support offered to entrepreneurs: conducting outreach activities in terms of:
 - 1) Promote economic cooperation with Poland's acting country through:
 - assessment of the prospects of development of trade and investment;
 - review of macroeconomic information about Poland for customers from foreign countries;
 - implementation of promotion: information booths, seminars, conferences;
 - promotion of Polish media in the host country;
 - promoting economic cooperation between local governments;
 - proposal themes for processing of information on the conditions of Polish entrepreneurs in the foreign market;
 - to be the subject of bilateral trade negotiations;
 - changes in the conditions of cooperation.
 - 2) Supporting the development cooperation (internationalization) companies based on:
 - identify the risks of unfair competition in the foreign market;

- match-making for Polish companies;
- assistance in organizing trade missions, national exhibitions, study visits;
- monitoring of investment projects supporting the Polish economic incentives to operate in the foreign market;
- cooperation with Polish business environment;
- strengthening Support Portal information on opportunities for economic cooperation;
- identification of barriers and restrictions on Polish products and services to foreign markets;
- The adoption of intervention measures in case of problems in the operation of enterprises in the European single market.

Among the indirect instruments include:

- portal for promotion (promotion) trade and investment;
- portal promotion of exports;
- center Operator investors and exporters (COIE);
- contact point for the products (shop for products – PCP);
- the exchange of information on obstacles to the free movement of goods within the EU;
- information portal Your Europe;
- Consulting services for companies
- SOLVIT – Problem Solving in the Internal Market;

3. Instruments to support the business environment consist of:

- Promotion of international organizations in activities or sectoral organizations – to promote the integration of businesses within the European single market, providing a stronger, more effective representation of the interests of Polish SMEs in the international arena and to promote Polish achievements and experiences abroad;
- general support for Polish specialties in exports;
- polish Cooperation Programme Switzerland, the Swiss instrument.

(ad II.) Instruments to support entrepreneur's investigation in innovation are:

1. Direct instruments, comprising:

- innovation vouchers;
- loans for the implementation of innovative investments;
- technology Credit – technological bonus;
- support for research and development and implementation of research results;
- stimulating business research and development and promotion of industrial design;
- new investments of high innovative potential;
- promoting investments in the manufacturing sector;
- support for investment in modern services sector;
- administration of intellectual property;
- promotion of economic activities in the area of electronic commerce;
- support for implementation of B2B e-business.

2. Indirect instruments – institutions to promote entrepreneurship:

- academic Business Incubators;
- technological incubators;
- technological parks;
- industrial parks;
- clusters;
- funds borrowed capital;
- loanable funds;

- guarantee Fund;
- business angels;
- national service system for small and medium enterprises (KSU);
- national Innovation Network (NIN);
- European Network of Enterprise Europe Network.

3. Instruments to support the business environment:

- support for academic business incubators;
- undertake innovative activities;
- support for venture capital funds;
- activities of national focal points;
- CIP program and financial support for the activities of Polish consortia entering the European Network of Enterprise Europe Network;
- support of institutions providing pro-innovation services and networks of regional significance;
- conceptual support learning activities in preparation of investment areas (sites) for investment projects;
- establishment of a system to facilitate investment in small and medium companies;
- support the development of cooperative relations having non-regional importance.

Further supporting SMEs in selected organizations at local or national level:

- foundation for Small and Medium Enterprises, 01-048 Warsaw, ul. Smocza 27, www.fund.org.pl;
- oundation "Cooperation-Science-Culture", Educational Center of Entrepreneurship, 00-419 Warsaw, ul. Rozbrat 44a;
- Polish Confederation of Private Employers Lewiatan, 00-591 Warsaw, ul. Klonowa 6, www.pkpplewiatan.pl;
- Polish-American Foundation for SME Advisory, 00-074 Warsaw, ul. Trębacka 4, www.kig.pl;
- "Business Fair Play" Program Office, 00-074 Warsaw, ul. Trębacka 4, www.fairplay.pl;
- Foundation for Social and Economic Research, 00-630 Warsaw, ul. Polna 24 lok. 7, www.fise.org.pl;
- Business Centre Club, 00-136 Warsaw, Plac Źelaznej Bramy 10, www.bcc.org.pl;
- Confederation of Polish Employers, 00-056 Warsaw, ul. Kredytowa 3, www.kpp.org.pl;
- Employers Warsaw and Mazowsze, 00-202 Warsaw, ul. Świętojerska 24, www.zpwim.pl.

The main providers of support SME development in Poland are state institutions; especially the Ministry of Economy and they have established institutions, organizations and agencies. The most important organization is the Polish Agency for Enterprise Development (PARP).

European funds are undoubtedly an alternative source of financing for SMEs in Poland, but their acquisition brings a lot of problems. It is a source of funding from public sources, so their use is supervised by the Polish and European institutions that require compliance with some very complicated rules and procedures. EU subsidies, businesses can draw in these categories:

- 6.2. The Operational Programme Human Capital (PO KL – Human Capital Operational Programme) – regional financial institutions – regional partners PART (Polish Agency for Enterprise Development) cooperate in the implementation of activities under OP directed to the SME sector in the region. The list is available at www.parp.gov.pl;
- 8.2 Operational Programme Innovative Economy (PO IG – Operational Programme Innovative Economy) – for 6 or 12 months two forms: paid monthly financial support (in an amount not greater than the minimum wage applicable on the date of payment of subsidy) and advice and assistance in the responsible use of subsidies, micro companies, SMEs in the PO IG you can use the Measure 3.4 Technology Credit, Measures 4.4 New investments of high innovative potential, Measure 8.1 Business support in the area of electronic commerce, Measure 8.2 Support for implementation of B2B e-commerce;
- ROP (Regional Operational Programmes) includes innovation and regional investment (RPI).

3. Research reviews of small and medium enterprises in Poland on selected areas

The project OPVK called "targeted research in the area of small and medium enterprises to achieve a competitive knowledge in economy" realized by the School of Business Administration, Silesian University in Opava, the Czech Republic, a questionnaire survey was carried out by an agency MARR, which cooperated in the distribution of questionnaires. The questionnaire was anonymous and included the views of Polish small and medium companies (SMEs) in order to increase their competitiveness.

The questionnaire survey was conducted during November-December 2012 and was attended by 74 small and medium companies from the Malopolska province. In terms of company size, most of them small, it is 27, ie 36.4%, micro companies 24 (32.4%) and medium companies 20, ie 27%, see Fig. 1.

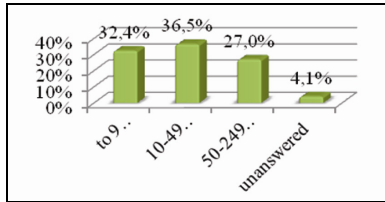


Fig. 1. Number of companies by number of employees in absolute terms

From the perspective of business there were firms from various industries. Most of the SMEs were in production area (22 firms, 29.7%), with some businesses closer to the specified. In second place was the business of information technology (MSP 11, ie 14.8%). Less than ten percent of businesses did not state business, see Table 1.

Table 1. Number of small and medium enterprises according to its business

Specialization of business	Number SME
production and services	11
production for the garment industry	2
production of footwear	2
production of packaging	1
production and trade of chemical products	1
production of glass and chandeliers	1
production of metal parts for the construction industry	1
production of plastics	1
design and production	1
trade	2
developer	2
education	2
print	2
production of packaging	1
production and trade of chemical products	1
production of glass and chandeliers	1
production of metal parts for the construction industry	1
production of plastics	1
design and production	1
trade	2
developer	2
education	2
print	2
architects	1
economic activity	1
wholesale and retail in-store equipment	1
event agency	1
sole trader	1
IT	8
software – development	2
internet platform B2B	1
research and development	4
advisory and consultancy	3
printing	2
unstated	7 --- 20

Small and medium enterprises are using to finance its operations, funds from various sources. The most (67 respondents, ie 90.5%) of the companies used the funds from the EU, 12% (9) of local enterprises and institutions were also used other means to bring SMEs, namely: own funds (approximately 3% of SMEs), bank loans (about 4% of companies), leasing, factoring, venture capital, investors, see Fig. 2. Eight percent of surveyed companies are benefited by utilizing assistance from state institutions and 3% of SMEs from the municipality.

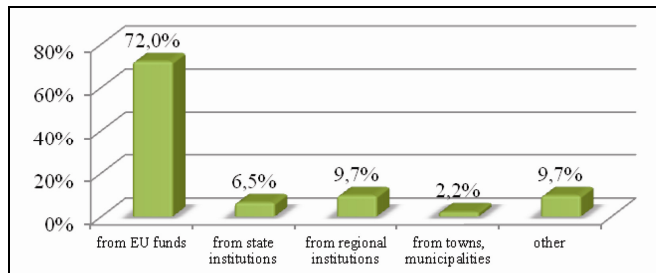


Fig. 2. From what sources do you use financial resources to support the business?

The funds raised are used by small and medium companies in their development, the most of innovative activities (45 companies surveyed, ie about 61%), followed by counseling (24 firms, 32.4%), staff training (17 companies, ie about 23%) and other activities (16 firms, 22%), especially on foreign fairs (4% of SMEs) and market research, export promotion (about 7% of SMEs), the activities of scientific research (3% of SMEs), innovation of the PO-IG, see Fig. 3 and the other respondents said sales of new models.

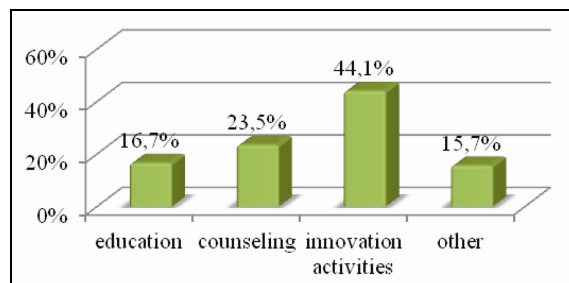


Fig. 3. Which areas do you finance from funds obtained by the development of SMEs?

Enterprises responded to the question: "What are the main problems encountered in the use of aid for development of small and medium companies?" That this is primarily a problem of complicated procedures (59 SMEs, ie about 79.7%) and low levels of knowledge (27 SMEs, ie 36.5%). The smallest problem is the low level of awareness. For others still 4% of businesses reported as a problem of long-term procedure, see Fig. 4.

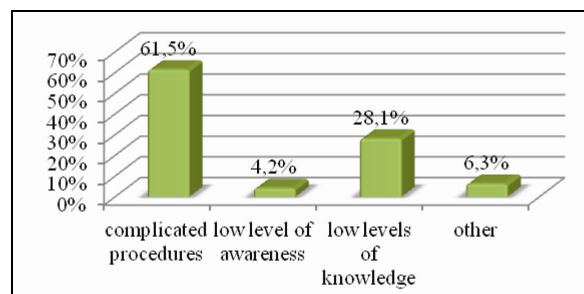


Fig. 4. What are the main problems encountered in the use of aid for development of small and medium companies?

The most important obstacles to the development of SMEs are considered administrative and legal barriers (35 SMEs, ie 47.3%), competition (28 MSP, ie 37.8%) and lack of external funding source (25 MSP, ie 33. 8%), see Fig. 5. Among other obstacles SMEs reported a highly developed informal economy and unfair competition, imports of products at a very low price and low quality products from China, lack of stability in the market, lack of funding for research and development, vindicates, long judicial procedures, the economic situation.

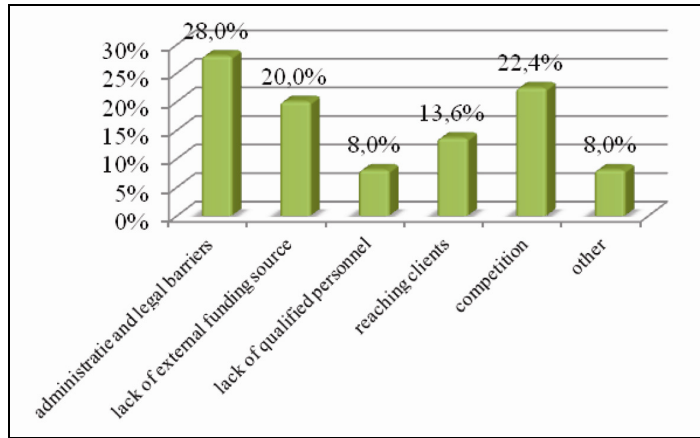


Fig. 5. What do you see as the most important barriers to the development of your business?

SMEs would be most helpful in development of the business consulting (33 firms, 44.6%), sample manuals (guidelines) for obtaining financial aid (23 firms, 31.1%), and sample manuals for support innovation (21 firms, 28.4%), see the following Fig. 6.

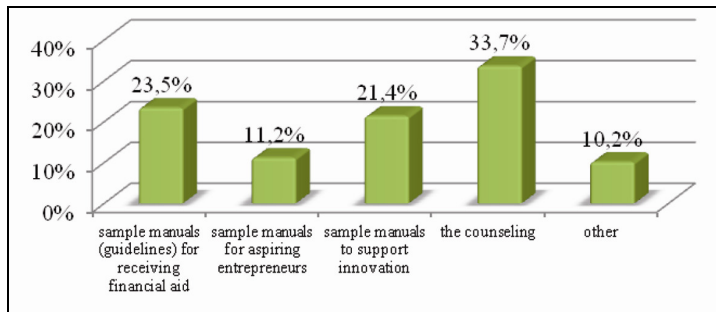


Fig. 6. What would you most help to develop your business

In other assistance to businesses are welcomed the simplified procedures, legislative changes, simplified legislation, less greedy advisor, simplifying procedures, reducing the time for obtaining external support, reducing state intervention PO IG, order to focus resources for other purposes, such as promoting scientific -business collaboration – which will lead to greater innovation and competitiveness of Polish companies.

4. Conclusion

In theory and law of the characteristics and specifications in terms of breakdown by size of enterprise is no difference. There are a number of factors that are part of the external business environment, most Polish authors based on the classification of P. Kotler. In practical terms, sees SMEs as the most important obstacles to the development of business administrative and legal barriers, competition and lack of external funding sources. These

companies use to finance their activities funds from various sources, the most used are resources from EU funds and local institutions. The funds raised are used by small and medium companies in their development, the most innovative, counseling and training staff. In the development of business by SMEs are most helpful database consulting, sample manuals for obtaining financial support and to promote innovation.

One of the most famous personalities of management P.F. Drucker in the seventies of the last century said that the world of the future would be different than the one that had preceded it. He defined impact of innovation and other factors and their expressions with which businesses must continually change external environment to cope. The current business environment is referred to as hyper-competitive and global. If there are any changes in it, these will be permanent rather of the crisis character than towards certainty and possibility prediction of future development.

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