

SMALL AND MEDIUM-SIZED ENTERPRISES IN THE CONTEXT OF INNOVATION AND ENTREPRENEURSHIP IN THE ECONOMY

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Abstract: The Polish corporate sector is clearly dominated by small and medium-sized economic entities. Their role in the economy is extremely important, not only because of the number of entities in the SME sector, but also because of their contribution to the GDP and the ability to generate jobs. Through the growth of GDP, small and medium-sized enterprises contribute to the growth of social welfare, which is one of the most important economic and social policy objectives. There is no doubt that small and medium-sized enterprises are often a source of innovation and entrepreneurship in business and economy. In the framework of this study, the most important issues concerning the development of the SME sector in Poland are presented, as well as their role in shaping the situation of the Polish economy. The perspectives of development of this sector are also signaled here. This study is an attempt to show the role of SME sector in the economy and necessity of innovations and entrepreneurship in business in the era of global competition. Reflections contained in the paper do not have definite characteristics and should be treated as an opinion in the discussion in fields of management sciences.

Key words: business, entrepreneurship, innovations, management, competition

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Introduction

The SME sector plays an increasingly important role in many economies in the world. This sector is especially significant in Europe, including the Polish economy. These types of enterprises undoubtedly influence the condition of the whole economy and also impact on social progress (social welfare).

Small and medium sized enterprises constitute the largest group among Polish companies, contributing significantly to the GDP as well as providing many places of work. Small-scale companies are the largest group of domestic companies. Their role in the creation of GDP is very significant – almost half of the GDP is generated by SMEs. This sector also contributes to the growth of social welfare through the creation of jobs, therefore reducing unemployment. The possibility of self-employment encourages people to educate themselves and to increase the general quality of human capital.

In response to changes in the market environment, contemporary companies must search for more perfect and more innovative ways of operating. The ability to change and use innovation as an essential source of competitive advantage becomes a basic element of the competitiveness and success of the company. Research on the growing importance of simultaneous exploration of market

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opportunities and competitive advantage in entrepreneurship and strategic management is also necessary.

Competitive advantage can be created as a result of innovative activities and more efficient use of resources than the competition. Companies are able to generate a competitive advantage by using their resources more effectively to produce and offer products that are at least comparable to the offer of competitors or provide value for customers at a lower cost (and price), or when the goods are valued higher than the competition at a comparable cost.

Entrepreneurship is one of the most important factors that allow for a society to be conscious of its rights and opportunities. As numerous studies show, entrepreneurship also contributes to the improvement of macroeconomic indicators. Polish SMEs have broad development opportunities. The level of self-awareness of micro-enterprises is still low, meaning they do not often fully use the opportunities offered by the market.

Research Methodology

In the framework of this study, the sector of small and medium-sized enterprises, in the context of positive changes in business and economy, was analyzed. The role of this sector in the development of entrepreneurship and innovation in the economy was shown here. A study of the Polish economy indicates the existence of at least several issues in the area of SMEs and their role in the economy that have not been discussed in previous research. The main target of this study is to fill this gap. The author of this study has tried to demonstrate the influence of small and medium-sized enterprises on the condition of the economy as a whole.

The purpose of this article is also to show the mechanism for the transfer of innovations in the business and economic environments. Moreover, the author attempts to demonstrate how the technology transfer process can increase the economic efficiency in the field of business and economy.

Statistical data from the Polish Agency for Enterprise Development, the Ministry of Economy and the Central Statistical Office have been used in this article.

The issues presented in this work do not exhaust the list of problems that aggravate researchers in this field. The contents (threads) included here give a sketch of the issues in order to stimulate the asking of further questions, rather than looking for specific answers. They are to become an inspiration for further exploration, to expand the boundaries of our knowledge and research abilities in the fields of economic sciences.

Small and Medium-Sized Enterprises as a Factor of Economic Development

According to the data from the CSO (GUS) from 2011, business in Poland was carried out by 1,785 million non-financial companies (GUS, 2012), from which 98.9% were small sized enterprises. There are also micro-entities in this group, which the CSO defines as enterprises that employ up to 9 workers. In 2011, micro-

enterprises constituted 95.9% of all entities, medium-sized enterprises – 0.9%, and large companies – 0.2%. According to a study by the Polish Agency for Enterprise Development, the contribution of small and medium-sized enterprises to the Polish GDP amounts to 47.6% (Łapiński et al., 2012). The largest share is made up by micro-enterprises – 29.6% of GDP; small enterprises have a share of 7.7% of GDP; medium-sized enterprises – 10.4% of GDP; large companies – 24% of GDP. This is evidence that the impact of SMEs on the Polish economy is very large.

Despite their geographic dispersion, due to the large number of micro-enterprises in Poland, they affect GDP to a greater extent than large enterprises. It is worth mentioning that the share of SMEs in gross value added is lower in Poland than the average share of SMEs in the European Union. It amounts to 16.3% for the SME sector in Poland and 21.6% in EU countries. Despite the upward tendency, the average Polish micro enterprise generates only 1/4 of the gross value added created by the average micro enterprise in the European Union.

The role of small and medium-sized enterprises in the Polish economy is manifested not only in their significant impact on the generation of GDP but also on the labor market: 6.2 million people work in the SME sector, which corresponds to 69.6% of total employment in the businesses sector ("Small Business Act" Program, 2011). It is worth noting that, according to the research of the European Commission, more people in Poland are employed in the SME sector than the EU average (<http://ec.europa.eu/enterprise/policies/>), even though the number of small and medium-sized enterprises in Poland corresponds more or less to the EU average.

Small and medium-sized enterprises are the driving force of development of the Polish economy. They provide jobs and contribute significantly to GDP. Creating new companies prevents the growth of unemployment and fosters business recovery. Entrepreneurship and economic activity contribute to social and civic activation, allowing for the creation of a conscious society. Smaller economic entities are much more flexible than larger companies, making it easier for them to adapt to difficult operating conditions.

A characteristic feature of the Polish business sector is its wide dispersion – 92% of entities belong to natural legal persons and among these, 98.3% were micro-enterprises. This trend in the Polish economy continues- among total number of companies established in 2011 micro enterprises accounted for 99.7% (GUS - Eng. CSO, 2012).

Comparing statistics relating to the number of small, medium and large enterprises in Poland and in the European Union (Ministry of Economy, 2014.), it can be noted that there is a distinctly greater share of microenterprises in Poland (in the EU – 91.4%). In Poland the share of microenterprises in 2012 – 95.78%; the share of small enterprises in Poland in 2012 – 3.18%; the share of medium and large enterprises in Poland in 2012 – 1.04%. The share of medium and large-sized enterprises is close to the EU average, but the number of small businesses is smaller in Poland than in the EU.

Social Capital and Entrepreneurship

Social capital is a factor that facilitates cooperation and reduces costs of transaction. Connections between people, their structure and degree of durability are crucial in this matter. Social capital is unequivocally positive in this case. Social capital in this approach may consist of three main elements:

- patterns of cooperation, social appreciation for standards that protect cooperation with exchange, and values that justify pro-social behaviors (such as common good);
- network of links and bridges between individuals and groups;
- active relationships between people: trust, understanding, common values and patterns of behavior.

These factors partially function separately and partly in mutual communication. Thanks to cooperation, trust and connections, various distinct resources and patterns of behavior can be linked together, providing the effect of synergy.

Entrepreneurship in a given area (in a given sector) is a reflection of a process of development and growth in the number of business entities. Entrepreneurs and the local community become the key actors. Entrepreneurship is therefore a process of organizing and running a business and making related risks.

The actions of entrepreneurs are a special object of analysis considering new challenges facing businessmen, including the severity or even the explosion of competitive struggle and a massive rate of change. Entrepreneurship can be investigated in different contexts. In the classic definition of entrepreneurship, such issues can be highlighted: the vigilance in identifying opportunities and exploiting chances, regardless of resources possessed. To be entrepreneurial means being innovative and able to take risks, which is also reflected in strategic management (Kraus and Kauranem, 2009).

Entrepreneurship often takes the form of projects for which the impulse is to find a chance in the environment by creating and implementing ideas and original solutions (Kuratko and Audretsch, 2009). Today, in the area of research on entrepreneurship, there are companies that are innovative, which are open to change and are regularly “renewing” their operational strategy. The common feature of these companies is the implementation of the process of creating value through identification and exploitation of opportunities in an innovative way.

The strategic approach is an important issue in management (Zott and Amit, 2010). The concept of strategic management determines the model of an enterprise that is dynamic, flexible, open to risk, capable of making risky decisions relating to changes in a planned and comprehensive way. The specific features of strategic management area strong orientation towards the future, complexity, and being able to have a broad look at the entire company (Czarniewski, 2015b).

Growing competition together with an increase in consumers’ requirements result in some necessity for distinguishing a company’s offer on the market. Foundations of the market success may be provided by the brand image. In the era of the Internet and popularization of social media, companies have lost a major part of

their control over their brand image that at present is a derivative of feedback and opinions obtained in social media. Therefore, companies are now facing some need to conduct related research into their brand image in the social media environment. This allows for identifying a process of selecting products by consumers, behaviours of consumers and their attitudes towards brands (Zembik, 2015).

The practical activities of enterprises indicate the need to focus both on strategy and entrepreneurship. Connecting the activities of entrepreneurial and strategic nature becomes necessary due to the dynamics of changes, increased uncertainty and risk or intensity of competition, influencing the creation of new threats and new opportunities in business and economy. Responsive market orientation and proactive market orientation shows that there has been an influence upon the achievement of the performance of innovative (Haryanto and Haryono, 2015).

In entrepreneurial activity, the identification and exploitation of opportunities play an important role. In the strategic approach, it is essential to transform occasion into a competitive advantage (Kuratko, 2005). The common area of interest of entrepreneurship and strategic management is to identify opportunities and transform them into competitive advantages that build the company's value.

Aspects of Innovation within the Economy

An important issue is sources of funding for the development of small and medium-sized enterprises. Availability of budgetary grants and EU funds is relatively high in the SME sector. However, the use of these sources oblige companies to present a business plan, to utilize the funds received, and often to co-finance investments with their own resources (Best, 2005).

It is often the case that SMEs, particularly micro-, single or family entities, do not have sufficient knowledge to create a business plan. At the same time, their own resources are insufficient for investment in innovation (Tabor, 2006; Kot and Brzezinski, 2015). Due to the high aversion of risk and a conservative approach to running a business and ways of acquiring funds, most capital is spent on reconstruction investments, depreciation, or purchase of used fixed assets, which act as a hindrance to growth (and hinder growth in innovation).

In the ranking on innovation, based on data from the years 2009 to 2012, prepared by the European Commission in 2014, Poland is a "moderate innovator" that generates innovation at approximately 50 to 90% of the EU average (unfortunately Poland ranks closer to the lower value). Innovation leaders are the Nordic countries (Finland, Sweden, and Denmark) and Germany (Innovation Union Scoreboard, 2014). Perhaps a recipe for the improvement of this situation in Poland would be to strengthen the mutual cooperation of academic centers with the business sector. The experience of countries that achieved measurable successes in R&D activities indicate the need to appoint appropriate organizational structures (e.g. in the form of companies, foundations and associations), whose task would be, among others, to stimulate the process of the absorption of developed solutions into business practice (Best, 2005).

According to CIS (Community Innovation Survey) surveys, published by Eurostat in 2012, the percentage of actively innovative enterprises in 2010-2012 amounted to an average of 48.9% in the EU (Community Innovation Survey Report, 2012). Among the EU members, first place was taken by Germany (66.9% of innovative enterprises), followed by Luxembourg (66.1%), Ireland (58.7%) and Belgium (55.6%). The least innovative businesses were observed in Latvia (30.4%), Poland (23%) and Romania (20.7%). Thus, low scores were reported primarily in the new EU Member states, which may result from them being at a different stage of development in regard to their economies.

The Polish economy is currently in an intermediate stage between building competitive advantage based on labor costs (the importance of which is decreasing) and the increasing role of innovation activities, together with R&D. This may explain the relatively low result of Polish companies in this study. The economies of countries ranked higher in this study have already passed through this evolution, allowing them to build better facilities for R&D. Their companies, therefore, attach more importance to innovation (Rudzewicz and Strychalska-Rudzewicz, 2014). Since the Polish economy is in the process of "catching up" with its western neighbors, it can be expected that Polish companies will be ranked consistently better in the future (Czarniewski, 2015a).

Due to the smaller range of activities performed by SMEs, they can better adapt to the needs of the local market (Bhattacharjee et al., 2009). Activities that are not profitable for large competitors, because of their much larger range of activities and market share, are cost-effective for micro-enterprises. Some SMEs, when presented with the possibility of moving beyond their niche, make such a decision. However, this can happen only under some conditions: the change does not require too much preparation nor does it require the company to change to their business model (or incur large investment costs). This is due to the fact that the priority for many companies is not to reach economic success, but to provide financial security (Mainkar et al., 2006). It is worth mentioning that successful companies make decisions about their specialization (by choosing a specific niche) in order to better compete with larger entities.

Lack of sufficient cost information on production supporting processes is the main reason for the occurrence of breakdowns in the examined enterprise. Information management process is an important production factor, essential for appropriate organization of modern production supporting processes (Łęgowik-Świącik, 2015). It should be noted that managers of many companies are aware of the necessity to verify their adopted strategies and intended objectives with respect to changes in the environment, although they do not eagerly implement adaptive or innovative activities (Narver et al., 2004). They believe that the company is able to control the environment through their own decisions (Carlton and Perloff, 2005). However, the global economic crisis revealed the crisis of the management system and forced the reaction of managers to the appearance of changes in the environment.

The ability to adapt to change does not only mean being aware of their occurrence, but it also means the ability to select the appropriate set of instruments with knowledge of how to use them effectively (Männasoo, 2008). The management staffs of small and medium-sized companies need to monitor the status of implementation of the strategy and to verify it in case of changes in the environment. This behavior is typical for learning organizations that observe their competitors and at the same time have influence over the shaping of the local environment.

Conclusions

A smaller range of activities is sometimes a kind of competitive advantage for the SME sector, which, combined with flexibility, can ensure success in defending their position on the local market. The situation may become difficult when a bigger competitor takes action in the occupied market niche. A minimalist approach does not allow companies to consider the possibility of expanding beyond the local market. Expansion is usually not the ambition of many micro-enterprises.

It seems that Polish SMEs have, in perspective, a wide spread opportunity for development. The level of self-awareness of micro-enterprises is still low, so they often do not fully use the opportunities offered them by the market. Difficult access to capital and a number of barriers, mainly resulting from the excess of confusing regulations, still make the full development of entrepreneurship in Poland difficult. In conclusion, it should be noted that companies that are able to get information, to select and use them properly in order to make decisions, gain a competitive advantage in a difficult and changeable market. Information about consumers (customers) has gained special significance because consumers are the recipients of products introduced to the market by the company.

Innovation is an important issue for many companies. Innovation causes the company to be distinguished and attractive to customers. Consequently, innovation generates revenue and profit. Innovation based on a close connection with customers' needs and expectations are characterized by much lower risk of failure and by lower costs of their introduction into the market.

Key features of competitiveness, as shown in this work, are important in the long term. The skills and experiences of company management can allow for the creation of value that changes over time, which ensures customer retention in the long term, guaranteeing the continuity of the company's existence and its high value. These qualities are the result of competitiveness and a source of future activities in the field of research and development.

Future empirical research should be focused main in areas high-technology (information technology). Modern information technologies contribute to overcoming physical barriers such as time and space, and greatly reduce transaction costs. The use of technology allows the company to move a part of their activities into virtual space and make their operations more dynamic. Firms

(organizations) of the future are often treated as network organizations that intensively use modern technologies, which affect their reaction time in specific areas of business.

Future studies (analysis) should be also focused on create new concepts of organization and management in business. Developing countries can improve their growth rates through trade by importing knowledge from selected countries. The benefits (also for selected organizations) may occur through increased innovation, imitation or the use of such knowledge in production (services). Market size and competitive are dominant factors in explaining innovation in developing organizations, whereas high-technology imports, human capital to have a stronger impact on developed organizations.

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MAŁE I ŚREDNIE PRZEDSIĘBIORSTWA W KONTEKŚCIE INNOWACYJNOŚCI I PRZEDSIĘBIORCZOŚCI W GOSPODARCE

Streszczenie: W polskim sektorze przedsiębiorstw wyraźnie dominują małe i średnie podmioty gospodarcze. Ich rola w gospodarce jest niezwykle istotna, nie tylko z uwagi na liczbę podmiotów z sektora MSP, lecz także na ich wkład w tworzenie PKB oraz zdolność generowania miejsc pracy. Poprzez wzrost PKB małe i średnie przedsiębiorstwa przyczyniają się do wzrostu dobrobytu społecznego, co jest jednym z najważniejszych celów polityki społeczno-gospodarczej. Nie ulega wątpliwości, iż małe i średnie przedsiębiorstwa są nierzadko źródłem innowacyjności i przedsiębiorczości w gospodarce i biznesie. W ramach tego opracowania przedstawiono najważniejsze zagadnienia dotyczące rozwoju sektora MSP w Polsce i ich roli w kształtowaniu sytuacji gospodarczej Polski oraz zasygnalizowano perspektywy rozwoju tego sektora. Celem tego opracowania jest, więc ukazanie roli sektora MSP w gospodarce, a także zwrócenie uwagi na konieczność innowacji i przedsiębiorczości w działalności biznesowej w erze globalnej konkurencji. Rozważania czynione w tym opracowaniu nie stanowią konkretnych, jednoznacznych pojęć czy definicji, a jedynie mogą być traktowane, jako głos (opinia) w ramach dyskusji z zakresu nauk o zarządzaniu.

Słowa kluczowe: biznes, przedsiębiorczość, innowacje, zarządzanie, konkurencja

中小型企業在創新和創業的背景在經濟

摘要：波蘭企業部門顯然是小型和中型的經濟實體為主。他們在經濟中的作用是非常重要的，不僅是因為中小企業部門，也因為他們的國內生產總值和創造就業的能力貢獻的實體的數量。通過GDP的增長，中小型企業有助於社會福利的增長，這是最重要的經濟和社會政策目標之一。毫無疑問，中小型企業往往是創新和創業精神的商業和經濟來源。在這項研究的框架內，關於波蘭中小企業發展的最重要的問題呈現，以及他們在塑造波蘭經濟狀況的作用。這個部門的發展的角度也在這裡信號控制。這項研究表明中小企業在經濟和創新的必要性和企業家精神在全球競爭時代的作用，企業的嘗試。本文件所載的反思沒有明確的特點和應被視為在領域管理科學的討論意見。

關鍵詞：商業，創業，創新，管理，競爭。