

PUBLIC SUPPORT FOR ESTABLISHMENT AND DEVELOPMENT OF SMES IN POLAND – RESEARCH PROCESS PREPARATION

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Introduction/background: The development of the small and medium enterprises sector is extremely important for economy from the point of view of many, very diverse criteria. Employment increase, market expansion, active involvement in internationalization processes and product portfolio expansion require many qualitative changes such as improvement of the management system, implementation of innovations, raising funds for investments, overcoming paradoxes and management shortcomings. Politics and public support instruments play an increasingly active role in those processes. Such public aid may include, for example, dedicated EU funds, support for business environment institutions as well as direct and indirect public influence exerted from the central, regional and district level.

Aim of the paper: The purpose of this paper is to present an outline of the approach to contemporary entrepreneurship of small companies and the related development requirements which SMEs sector entities need to face as well as to draw out the research approach adopted by the author for evaluation of the public aid provided to entrepreneurs.

Materials and methods: The research instruments have been independently developed by this paper's author. They are the effect of pilot surveys held by the author with small and medium entrepreneurs and representatives of entrepreneurs' self-government in which they indicated their feelings about and reflections on the opportunities for obtaining public support. The author has based his work also on the evaluation reports on the use of EU Structural Funds in the years 2007-2014.

Results and conclusions: The system of research proposed by the author of the paper creates a space for becoming familiar with how entrepreneurs and administrators of aid funds evaluate potential changes which may result in corrections, as part of public support after 2020, that is during the period of the new perspective of financing with EU funds and during the greatest economic crisis after World War II caused by the coronavirus pandemic.

Keywords: entrepreneurship, SMEs sector development, public support for SMEs.

1. Introduction

In a turbulent environment, especially in the case of hypercompetition resulting from intensified globalisation, having an optimised knowledge about the conditions of, and components which block or facilitate, the development of the small and medium enterprises (SMEs) sector activity, about increasing SMEs' market potential and the ability to create market advantage, is becoming increasingly important.

If we adopt the paradigm according to which small and medium enterprises play essential role in economic development, it is important to show the factors determining SMEs' market position and their importance to entrepreneurship processes in the context of market opportunities and hazards.

The sector of SMEs (micro-, small and medium enterprises) makes up an overwhelming majority of all enterprises in Poland – 99.8%. Microenterprises are the most numerous group (96.7%; 2.08 million). Small enterprises make up 2.4% (52.7 thousand) of all Polish companies, medium ones – 0.7% (15.2 thousand), whilst large enterprises – only 0.2% (3.7 thousand) (Polska Agencja Rozwoju Przedsiębiorczości, 2020).

The entrepreneurs operating the entities which belong to the category of SMEs are faced with a number of decision dilemmas and situation complications related to running a business activity. They are looking for answers to a number of questions relating both to how the business activity conditions conducive to efficient and effective management should be shaped, how to build company's competitiveness in the context of new business models increasingly oriented at innovativeness, as well as to how and where to look for key success factors within a specific competition sector. Absorbing questions refer also to human resources, i.e. whether entrepreneurs, employees and managers of organisational units of all levels improve their skills and formal qualifications and whether they use them skilfully to implement functional strategies, processes and tasks oriented at company's development.

Managing small entities differs significantly from managing large enterprises and is frequently much more complicated and more difficult than managing a large enterprise whose management board often has a number of advisers who support the decision-making process and applies newest management methods. Fluctuations in economic situation in the SMEs sector have an important impact on labour market, on the situation of households and on maintenance of intra-economic ties such as, for example, complex logistics chains. Support for the SMEs' activity is becoming an important factor which strengthens their development strategies and allows effective management of market niches in a highly globalised market with an increasingly stronger supremacy of international concerns. What is more, the scope of such support needs to be more and more directed and expanded whilst dedicated forms of support need to be more precisely specified. From the point of view of public entities such coordination is relatively difficult, however, as the experience of SMEs indicates, it is also currently

inevitable, be it just for the purpose of reinforcing the activity in the area of internationalisation which requires improved innovativeness of enterprises where the capability of simple forms of support, such as, for instance, exhibitions, to effectively enhance the business activity of micro, small and medium enterprises, has been exhausted (Wodarski, Krannich, 2020, pp. 109-113).

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2. The role and importance of SMEs in economic relations and possibilities in the area of providing support to the SMEs sector

In global literature increased interest in managing small and medium enterprises could be noticed in the 70s of the 20th century. The so-called Bolton Report published in 1971 was the first work in which quantitative and quantitative standards that define entities which belong to the SMEs sector were formulated. In Poland the interest in such entities emerged along with the economic and political reforms after 1989. At that time the important, if not essential, role of SMEs in the process of changes in Poland's political system was emphasised, as well as the economic and social importance of the entities from that sector to the development of the new economic order.

It should be noted, however, that development of small enterprises in Poland has had a much longer tradition which comprises the entrepreneurship traditions of the Second Polish Republic as well as functioning of craftsmanship and agriculture at the time of the Polish People's Republic. The initial phase of the so-called "outburst of entrepreneurship" which took place in 1988-1993 was related to intense structural changes in Polish economy, privatisation of state companies, elimination of many unprofitable economic entities as well as increase in unemployment and in social exclusion, pauperisation of some households and increased inflation rate. System transformation and the then flexible legal regulations made many venturesome people decide to register independent businesses. The trend was so strong that the number of small and medium enterprises quadrupled – from approx. 570 thousand in 1988 to 2.1 million in 1993 (Lachiewicz, Matejun, 2012, pp. 13-45).

Therefore management in SMEs is a relatively young subdiscipline of the quality and management studies, distinguished based on the criterion of a specific type of organisation (Sudoł, 2007). Increasingly often, however, it is assumed that the aggregate of small and medium enterprises is internally very diverse which makes scientific comparisons complicated and also makes generalisation of trends identified in a given group of entities more difficult

(Dominiak, 2005). The sector of SMEs may be perceived as a relatively heterogeneous, and hard to unambiguously define, collection of entities whose legal shape, internal structure and nature of operation is determined by the methodology of the selected systematisation.

The sector of SMEs plays an important role in creation of economic prosperity, for example through (Lachiewicz, Załączny, 2003, pp. 16-20):

- quantitative domination in the total number of business entities,
- significant share of the smallest enterprises in total employment (on the level of entire economy),
- significant contribution to generation of gross domestic product, both on the level of individual countries as well as the entire European Union,
- significant impact on the level of trade (especially exports), investment expenditures and creation and diffusion of innovations,
- ability to create changes in the industrial structure of the country, manifesting itself in particular in development of the services and trade sector,
- being conducive to deconcentration of assets and passing antitrust regulations, related among other things to establishment of spin-off companies and entities which rapidly react to market changes,
- significant participation in the development of economic infrastructure which serves both individual and institutional customers,
- impact on the changes in regulations which facilitate development of entrepreneurship,
- development of the markets which remain outside the interest of large companies which is related to creation of dynamic and flexible business entities operating in specific segments and niches of the market,
- influencing the budget revenue of the country and communes, shaped by direct and indirect tax revenues as well as revenues from the tax due on employees' pays,
- educating "staff for economy", related to mobility of contemporary human resources,
- disbursement of own funds and dormant capital reserves,
- active marketing of new products, services, also including elimination of market gaps,
- increasing the capital flow rate that leads to increased dynamics of trade and economic stimulation also in less developed regions,
- influence on the economic multiplier effect, which consists in the impact of establishment or bankruptcy of one enterprise on emergence or decline of other business entities.

Such elements of impact accompany the study of the issues of development, financing, support and ongoing functioning of the SMEs sector. They focus on a broad range of substantive areas, taking into account various features of enterprises from that sector. Diagnosis of changes in the environment of the SMEs sector and analysis of entrepreneurs' specific needs indicates the increasingly important groups of research problems that include, for example:

- organisational culture and corporate social responsibility,
- managing entrepreneurship and intellectual potential,
- managing innovation,
- strategies for creating competitive advantage,
- perspectives of cooperation between small and medium enterprises and the environment of those organisations,
- policy of financial and non-financial support for the entities from the SMEs sector.

It seems that the last item deserves a particularly careful examination due to the value added indicator included in the “2020 report on the condition of the SMEs sector”. In 2018 value added made up as little as 24% of turnover and did not indicate any evident upward trend. The decrease (by 0.2%) with respect to 2017 was just a continuation of the previous tendencies. During this decade the value increased noticeably only in three years (2013, 2015 and 2017). This may mean that there have not been any significant triggers for innovative operation or for using highly processed knowledge for building a market position or creating a competitive advantage of SMEs. Competitiveness of an enterprise is evaluated on two levels (Bieliński, 2005, p. 16):

- the level of results – in the product market,
- the level of factors – the relationship between competitiveness and the factors and environment in which a company operates.

The elements which have a positive impact on competitive advantage of SMEs include, for example (Nogalski, Karpacz, 2004, p. 30):

- orientation on innovation (due to limited scale of production and individual approach to satisfying purchasers’ needs),
- clarity and transparency of organisational structures (it is caused by a limited range of offered products and concentration of operation on geographically small markets),
- the fact that the business is dominated by entrepreneur’s personality (it has an impact on both internal and external relations of the company and therefore direct contact of the entrepreneur with his or her employees may be of great importance).

The factors which weaken competitive advantage of small and medium enterprises include, for example (Nogalski, Karpacz, 2004, p. 35):

- limited resources,
- structural limitations and ways of managing the company,
- unspecified plans for company’s operation.

Limited financial resources to a large extent determine the operation of SMEs and obtaining funds from lending institutions is frequently restricted due to the cost of capital and significant formal requirements related to obtaining such capital. Synthetically, all source impediments to obtaining financing from financial sector entities come down to (Gołębiowski, 2009):

- continuously high interest rates on loans to entrepreneurs,
- complicated, time-consuming and incomprehensible bank procedures,
- complex character of creditworthiness,
- expensive formal security measures, frequently many times higher than company's assets,
- high commissions charged by banks,
- lack of stable economic and legal conditions,
- relatively higher costs related to awarding and controlling loans which in the case of SMEs are fragmented and dispersed.

This frequently results in a very insufficient development potential of a company. In such a case financial capital has its source in own savings, family support or borrowings from friends. Limited resources may result in entrepreneur's unwillingness to wait for profits for a long time while, at the same time, requiring an increase in invested cash flows. Insufficient resources include not only the funds for financing ongoing operations or investments but also capital resources.

Support for the entities which are not large companies is a relatively young field of the country's economic policy. Economic policy deals with the actions of public authorities with respect to economy, and in particular with the process of specifying social preferences, preparing variants of selection of appropriate institutional solutions for effecting such preferences and with ongoing decisions of the country (Acocella, 2002, p. 20). In such a way the entirety of the impact of public authorities on economy, its structure, dynamics of transformations and long-term functioning, impact on economic relations in the country and economic relations abroad for the purpose of achievement of assumed goals is being defined (Owsiak, 2006, pp. 51-56). Such an impact is effected by means of such instruments as stimuli (such as: prices, costs of capital, money supply, income); regulations (monopolies, tax burdens) and direct involvement (public supply of specific goods, nationalisation) (Włudyka, 2007, p. 191).

The instruments of state's impact are direct and indirect in nature. Indirect instruments are used for influencing attitudes and behaviour of aid administering entities (e.g. import duties). Direct instruments have a form of a command for specific behaviour (e.g. production limits) (Włudyka, 2007, pp. 22-24).

Supporting SMEs is the object of interest of state's economic policy. Its conceptual foundations include identification of the most desirable forms, directions of promotion, responsible actors and instruments of such policy (Piasecki, 2001, p. 80). Development of such foundations means not only that institutional framework, i.e. goals and instruments for their achievement expressed in the form of strategies and programmes, are consistent, but also that such foundations are based on empirically verified theories.

Various entities operating on different levels, both commercial and public, including high risk funds, lease funds, banks and consulting companies are involved in stimulation of development of small and medium enterprises. Support for SMEs is also offered by governments of different countries, whilst on the European level by the European Union itself (through EU directives).

On the European level EU regulations and programmes have a significant impact on the development of enterprises. This is the case also in Poland. Together with sector and regional policy the support for small and medium enterprises is treated as one of the cores of the community's economic policy. Major objectives of such EU's approach to the policy towards SMEs include:

- increase of the production potential of an enterprise,
- creating the conditions conducive to development of market competition,
- helping to create market competition,
- making sure that small companies are able to operate and compete with other entities.

Due to the gradually increasing importance of entrepreneurship for Poland's economic development central administration offers an increasingly broad support programme both for establishment of enterprises and for development of the already existing ones. National governments use different tools of support – from tax relieves or lower social insurance premiums to financial aid and subsidies. Many operations in the area of support for enterprises from the SMEs sector are also implemented on the regional level by means of the programmes implemented by local government units. These operations have different dimensions which results from the fact that local governments are at the same time the participants of the market and the entities which to a certain extent influence market participants' operation. The tools which support development include, for example, the administrative and legal, infrastructural, advisory and research instruments that support implementation of innovations and, first of all, the economic and financial instruments. Regional support is frequently provided in the form of the institutions which directly cooperate with small and medium enterprises. The system of support for SMEs operates on many levels – supranational, national, as well as regional and local ones. It comprises many support entities and instruments of different nature. The most common areas of operation include finances, trainings, implementation of innovations, consultancy and access to market information.

3. Methodology of approach to the research in assessment of public support for SMEs

For the purpose of assessment of the approach to supporting SMEs two research tools have been developed. These tools allow to analyse the perception and effectiveness of public support for enterprises. The research instruments have been independently developed by this paper's author. They are the effect of pilot surveys held by the author with small and medium entrepreneurs and representatives of entrepreneurs' self-government in which they indicated, often in a very general way, their feelings about and reflections on the opportunities for obtaining public support. The author has based his work also on the evaluation reports on the use of EU Structural Funds in the years 2007-2014.

The first questionnaire refers to the evaluation of public support processes from the point of view of entrepreneurs. For that purpose from the SMEs sector 150 entrepreneurs were selected who take advantage of development support in the following specialist industries:

- services,
- commerce,
- construction,
- industrial manufacturing,
- transport.

These industries correspond to the market activity of the majority of entities from the SMEs sector. Detailed breakdown of the entrepreneurs selected for the research which form a cross-sectional and representative sample (Table 1), is the following:

Table 1.
Detailed breakdown of selected entrepreneurs

Category	Classification	Number of SMEs*	[%]	Number of entities to be analysed	including the entities which employ the disabled**
Services	Section I, J, K, M, N	933073	33.6%	50	2
Commerce	Group 45.1, 45.3, 45.4, Division 46, 47	796297	28.7%	43	1
Construction	Section F	493000	17.8%	27	1
Industrial manufacturing	Section C	337943	12.2%	18	1
Transport	Division 49, 50, 51	214176	7.7%	12	0
	Total	2774489	100.0%	150	5

*On the basis of the Central Statistical Office's REGON tables, as on 31.12.2019.

**According to the Economic Activity Survey (*Badanie Aktywności Ekonomicznej Ludności – BAEL*) the disabled make up approximately 3% of all employed people.

Source: own analysis – preparation of a research sample.

Detailed questions, in the questionnaire, include the following substantive modules:

- Reasons and motivations behind starting an independent business activity.
- Factors which discourage entrepreneurs from starting an independent business activity.
- Relations between the skills acquired in the course of education and the type of business run by entrepreneurs.
- Sources of company's financing at the moment of starting the business.
- Assessment of the usefulness of the support obtained by an entrepreneur.
- Current needs for support.
- Support in the form of the information on opportunities, places and types of public support for SMEs.
- Evaluation of the selected existing forms of support from the point of view of entrepreneur's needs.
- Characteristics of the industries in the SMEs sector which require special public support.
- Evaluation of enterprise's situation after obtaining support.
- Current directions of potential support.

At the moment field research is being conducted. The research conducted with the use of the said research tool is planned to be completed by the end of 2020.

The second survey initially had a form of a narrative interview with a series of open-ended questions to decision-makers – funds administrators in the public institutions which manage dedicated support programmes and development funds – with respect to the forms of support for SMEs (middle and senior management representatives). The research tool was distributed in such institutions as:

- Employment agencies.
- EU funds administrators, e.g. Śląskie Centrum Przedsiębiorczości.
- Local governments of voivodships.
- Local governments of communes.
- The National Centre for Research and Development (NCBiR) – e.g. with respect to providing support to start-ups (grants).
- Academic incubators of entrepreneurship.
- Technoparks.
- Innovation and Technology Transfer Centres – operating at universities or universities of technology.

However, due to the difficulties related to the pandemic a mixed survey was used – it was a combination of Likert scale questions and open-ended questions. The questionnaire included the following substantive modules:

- Types of institutions and nature of their operation.
- Types of offered forms of support.
- Factors which encourage entrepreneurs to start an independent business activity.

- Factors which discourage entrepreneurs from starting an independent business activity.
- Assessment of the currently used forms of support.
- Assessment of the method of verification of applications submitted by entrepreneurs.
- Assessment of the operations which promote entrepreneurs' access to selected forms of public support.
- Demands and suggestions submitted to institutions – administrators of support for entrepreneurs.
- The weakest and strongest elements of support programmes and procedures.
- Barriers which make it difficult for entrepreneurs to periodically use public support.
- Assessment of public support in crisis situations.
- Assessment of cooperation between support administration units.
- Areas of long-term changes in the operation of the institutions which offer public support for entrepreneurs.

Direct research with the use of the second survey questionnaire is currently conducted in the group of 50 decision-makers which administer public support for SMEs. The research process is planned to be completed by the end of 2020.

4. Summary

Characteristics of the impact of SMEs sector entities on the functioning of the market system is multidirectional. These entities, due to the fact that they are flexibly responding to signals from the market, quickly fill the gaps in supply and operate based on the pragmatics of experience and rational management, have the greatest impact on the size and structure of market offer. For that reason their activity stimulates competition, thus creating an entity structure of economy and leading to its deconcentration and contributes to the weakening of the monopolistic position of large corporations in certain sectors. As a result micro-, small and medium enterprises exert an impact on the pricing game in individual markets and the extent of generalised demand which finds its reflection in economic growth.

Also the labour market is a significant area of impact of market behaviour of the entities from the SMEs sector (Aidis, 2005, p. 305). The research which was and has been conducted in Europe shows that the entrepreneurship activated in the SMEs sector contributes, to a significant extent, to job creation and reduction of unemployment. The number of newly employed people depends on the sector to which they belong (European Commission, 2015).

An important consequence of an effective process of supporting micro-, small and medium enterprises may also be establishment and deepening of cooperation between entities from the SMEs sector. Companies may enter into cooperation with one another for example due to the

lack of sufficient capital, the vision of keeping the company in good condition in the future, of choosing one specialisation, improving quality, broadening of the scope and scale of operation and expansion of operation (Wiatrak, 2001, p. 33). Public support for creating a network of cooperation or for building clusters provides an opportunity for significant reinforcement of the competitive position of SMEs.

The factors which make it possible for SMEs to achieve an attractive market position very often include key skills which give a company a chance to satisfy consumers' new needs (Prahalad, 1990, pp. 79-91). This can be achieved through active pro-innovative approach consisting in building sets of key competences which public aid may effectively initiate in the case of micro-, small and medium enterprises. The concept of the extraordinary character of using one's own potential and currently held resources as an element which is more valuable than the structure of the sector or impact of the environment is characteristic for the definition of competitiveness in the resource-based approach to management (Obłój, 2007).

From the point of view of many countries' politics the SMEs sector is treated as one of the most important elements in the implementation of priorities of the economic and social progress. Therefore we are dealing with a dispersion of support policies with respect to that sector in nearly all fragmentary policies and public intervention programmes on the national and EU level. At the same time the share of expenditures for supporting entrepreneurship and individual SMEs in public spendings has been growing. Therefore the demand for developing a consistent concept of operation in this field, based on scientifically verified foundations, seems legitimate. Such an analytical concept based on verifying the usefulness, efficiency and effectiveness of the dedicated orientation of public support to the SMEs sector, evaluated by beneficiaries of such operations may be used, in the form of recommendations for future operation of the administrators and authors of public aid instruments, for example for the purpose of:

- modification of general and detailed principles of addressing public support,
- correction of support granting procedures,
- formulating more effective decisions with respect to operational evaluation of implementation of the given support programme during its operation,
- better cooperation and exchange of information between beneficiaries of support and public institutions and funds administrators,
- changing the principles of evaluating the reasonableness of granted aid,
- development of additional instruments of support for the entrepreneurs from the SMEs sector.

For the purpose of achievement of his research objectives and further analyses the author of this paper developed his own research instruments which are to help understand and analyse the use of public support obtained by different SMEs from different sources and from various

entities – public funds administrators. Field research is currently being implemented and will be carried out until the end of 2020.

The research conducted among entrepreneurs by this article's author are oriented at practical evaluation of public support for micro-, small and medium enterprises as perceived by such public funds' beneficiaries.

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