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**CONDITIONS OF FUNCTIONING OF SMALL
AND MEDIUM-SIZED COMPANIES IN POLAND
IN THE ASPECT OF THE COUNTRY'S MEMBERSHIP
IN THE EUROPEAN UNION**

1. Introduction

The actions began by Poland, aiming at receiving membership in the European Union was of great significance to our country. These actions basically influenced the choice of strategic development of the country¹.

This is connected with the necessity of carrying out many processes that would accommodate Poland to the requirements of the Union. Therefore, various spheres of life in Poland have been developing unequally. The need of advancing the accommodation processes is of great importance today and is required by the EU.

The processes of Poland's integration with the EU are one of the repeatedly confirmed priorities of the Polish government; therefore it is necessary to present the results of these activities in our country and for our society; the results which are positive as well as negative². The fact that they will not be the same for all the Polish citizens and the fact, that today's decisions evoke many fears in some economic circles – is shown, among others, in the research made by Instytut Badań nad Demokracją¹ i Przedsiębiorstwem Prywatnym (Institute of

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¹ *Narodowa Strategia Integracji*, Komitet Integracji Europejskiej, styczeń 1997, "Monitor Integracji Europejskiej", wydanie specjalne, s. 12.

² *Raport z wykonania programu działań dostosowujących polską gospodarkę i system prawny do wymagań Układu Europejskiego oraz przyszłego członkostwa Polski w Unii Europejskiej w latach 1992–1996*, Urząd Komitetu Integracji Europejskiej, Warszawa 1997 oraz *Oświadczenie Rządu RP na otwarcie negocjacji Polski o członkostwo w Unii Europejskiej (Bruksela, 31 marca 1998)*, KIE, "Monitor Integracji Europejskiej" 1998, nr 18.

Examination of Democracy and Private Company) in 1998 among Polish entrepreneurs working in small and medium-sized companies³.

Although, the mentioned integration gives, to the examined companies, many positive effects it also shows numerous threats, including social. The entrepreneurs, whose representatives were examined, are interested in creating the best conditions to take advantage of the new chances and to limit the possible threats (Polak 2001, pp. 308–309).

A closer description of the above (chances and threats) can be seen in the surveys which were carried out. However, before presenting these surveys and their results it seems important that some bases and foundations of Poland's integration with the EU are presented. The results of the surveys are closely connected with the evaluations (of integration) given by Polish companies.

3. The methods and range of examinations

The evaluations of expectations and fears of S & M-sized companies connected with Poland's joining the EU have been based on the results of surveys and interviews carried out in a particular social-professional group.

These examinations allowed us to acquire more knowledge about the opinions of people interested in that problem. Small and medium-sized companies have played an important role in the economy. The role is greater than one might expect by observing their participation in the global employment or in the GNP⁴. This statement is especially true with countries, such as Poland which have been going through economic transformation. These companies influence many processes occurring in a country.

During the examination of fears and expectations of Polish entrepreneurs from small and medium-sized companies, a group of managers representing the analyzed professional group, was met. At the same time candidates for entrepreneurs were met, too. They were recruited among participants of courses organized by Instytut Badań nad Demokracją¹ i Przedsiębiorstwem Prywatnym (Institute of Examination of Democracy and Private Company) in Warsaw. The (research) examinations were carried out in two stages:

– in the first, introductory stage 48 representative members of courses were examined;

³ *Warunki funkcjonowania małych i średnich przedsiębiorstw w Polsce*, Instytut Badań nad Demokracją i Przedsiębiorstwem Prywatnym. Przedstawicielstwo Fundacji im. Friedricha Naumanna w Polsce, Warszawa 2001.

⁴ *Poland, Country Economic Memorandum, Reform and Growth on the Road to the UE*, Raport No. 16858-Pol. The World Bank 1997.

– in the second stage the basic examinations were carried out 226 persons were examined, all of them were members of the courses. These examinations took place in 2001.

The introductory examinations prepared to the basic ones. In those examinations questionnaires with open questions were used. The people examined answered them by presenting their own views and ideas. Their later analysis made it possible to modify questions in such a way that a part of them could have a closed character. Among them the persons examined selected those, which were most and least important and described their rank. They were doing it also during the basic examinations. It should be added that from the 226 questionnaires only 187 were qualified for analysis – 83% of the whole representative group.

This happened because some questionnaires were filled in improperly and could not be bases to formulate the final evaluations.

The answers given by respondents in the inquiries are the more interesting and contribute still more to the general knowledge on the given subject as they were collected from people working in, and involved in the complexity of mechanisms of functioning of small and medium-sized companies.

This was possible because managers of the examined companies took part in the examinations while they were improving their qualifications in courses of managing companies.

The information received in this way though indirect because presented questionnaires, allowed us to get acquainted with problems on the scale of units. This enriched our knowledge of the problems undertaken in the work. This knowledge is valuable because it allows us to create a program of further activities of state institutions. Those activities could minimalize any possible threats which small and medium-sized companies may face in connection with entering the EU.

The examinations mainly focused on the evaluation of the outcome of Poland's integration with the EU as seen, and felt, by the small and medium-sized companies. The picture, based on the received answers and showing only the positive results, is only one of the accepted criteria of evaluating the problem. A different criterion showing the evaluation of expected, most negative results of the process was accepted too (as was presented in the surveys).

It is highly probable that the data received in this way may lead to drawing certain conclusions which cannot be generalized as they do not refer to all the entrepreneurs.

This cannot be done as the group examined was too small and can not represent all the entrepreneurs. It should, however, be added that the examinations gave us some knowledge on the subject of threats connected with the integration of Poland with the EU, and showed us the areas where the threats were most acute.

4. The effects of Poland's entering the EU

It is obvious that the effects of Poland's entering the EU will be felt in all the areas of life. They will be different for the country as a whole and for such companies as the small and medium-sized ones (Piasecki, Rogut, Smallbone 1997). The respondents who took part in the survey expected the positive as well as negative effects of the process. Taking into account all the answers it is difficult to decide which effects are dominant or how to conquer the negative ones (Smallbone et al. 1996)⁵.

Also in most answers to the questions about the integration the role of economic, social, legal and technical effects was pointed out. Among those, the economic effects were strongly underlined.

Some of the consequences of the integration process which may give many advantages include:

- possibility of lifting customs barriers and introduction of liberalization of trade,

- entering of our economy to the world economy and integration of our country with the membership countries,

- opening of western markets to the Polish goods,

- setting up new firms, improving the quality of goods, economic increase, economic stability,

- easier access to credits and financial help from the EU countries.

Among the negative effects of Poland's admittance to the EU, the following were presented:

- transforming Poland into a sales' market for western firms,

- weakening of domestic industry,

- problems with the sale of agricultural products, the downfall of agriculture, increase of prices of land, services and goods.

Some of the social consequences, which will be advantages of the process, will be: an increase of social welfare, improvement of quality of life, making of new social contacts, new possibilities of employment and generally – social development.

However the negative consequences will be the increase of unemployment and the "Americanization of life".

The legal effects of the analyzed process are mainly positive. Among those the necessity of introducing a unified law was pointed out. Also attention was drawn to the fact that the quality and transparency of tax policies should be improved.

⁵ *The European Observatory for SMEs, Fifth Annual Report 1997*, European Network for SME Research.

Referring to technological aspects resulting from integration, the most important for the people surveyed, are: the possible access to new technologies, know-how, and to the technological achievements of the EU countries.

4.1. The effects of Poland's integration with the EU to the small and medium-sized companies

It should be underlined that in answers to the questions about the effects of integration the economic aspects dominated. These were regarded most important. However, a little less important for the small and medium-sized companies were the technological aspects.

Among the economic effects the following should be expected:

- the increase of export resulting from the lifting of customs duties and the enlargement of the sales' market for goods produced by the small and medium-sized companies,
- profitable trade agreements and the increase of economic cooperation,
- accepting foreign investments and a more intensive development of some economic branches,
- easier access to credits and possibility to increase the incomes of firms.

The positive effects of the unification process are not the only ones. Some respondents presented also the fears connected with:

- the increase of competition among firms which would threaten the Polish companies,
- the increase of market requirements and appearing of problems with the sale of products,
- the necessity of further investment in the companies,
- the need to restructurize many companies - and the fall of the weaker ones.

From among the technological effects to the small and medium-sized companies, which may come out from the integration the following were shown: - the improvement of quality of Polish products, access of Polish companies to the modern technologies, possibility of buying new machines and investing in Polish companies by the foreign partners, also the necessity of Polish firms to keep pace with the Western technologies and firms.

Among the aspects of Poland's unification with the EU the respondents expected the creation of impulses to perpetual training of the staff of small and medium-sized companies. They also expected motivation to a better work and diminishing of expenditures to finance the unprofitable companies.

4.2. The role of Polish authorities regarding the small and medium-sized companies in the process of Poland's integration with the EU

With the problems arising in the field of functioning of the S and M-S companies in the united Europe, the need to undertake some actions by the Polish government, which could diminish those problems, was pointed out. In the mentioned questionnaire the emphasis was put on:

- the necessity to adjust, by the state, the basic economic rules to the new conditions of cooperation among countries,
- the undertaking of gentle but definite actions to adjust the Polish business to the new conditions,
- fast reaction to the threats to S and M-S companies coming out from the integration,
- careful protection of strategic branches,
- the help in adjusting Polish firms to the EU requirements, caring for the integrity of the country,
- explaining to the society and to the economic subjects the mechanisms and effects of integration,
- caring and preserving the Polish identity in the EU.

According to the respondents, entrepreneurs should but stress on the government so that it would ensure the protection of Polish business and S and M-S companies in the transition period. The entrepreneurs should also have influence on the policy of the authorities as far as the integration processes are concerned. During the processes adjusting to the new rules the entrepreneurs should care to find a special place for the S and M-S companies in the economy and the government should respect that without any reservations. It is expected that in connection with the integration of Poland with the EU, all the opinions and needs of companies will be observed. Additionally, the need to put stress on foreign partners to strengthen mutual contacts between Polish and foreign entrepreneurs was underlined.

Poland – it seems – should be able to face competition and the Union's market forces under the condition that it continues to restructurize and keeps the open economy. However, the state owned companies can create a problem. The mistakes in management against the foreign competition can create serious consequences in the near future in those companies⁶.

⁶ *Euro-Biuletyn*, Centrum Informacji Europejskiej przy Urzędzie Komitetu Integracji Europejskiej, sierpień 2001, s. 19, oraz W. Polak, *Bezpośrednie inwestycje zagraniczne a zarządzanie przedsiębiorstwem*, artykuł oddany do druku w Akademii Ekonomicznej w Poznaniu, Poznań 2003.

4.3. The role of European institutions referring to the S and M-S companies in the process of integrating the country with the EU

Considering the expectations of Polish entrepreneurs for certain actions of European institutions to help the future Polish partner the most important are those of assistive character. It is understandable, for the fact that Poland as a weaker partner would not be able to deal with many problems requiring support. The most important assignments of European institutions in the process of giving us help and assistance are:

- the training, education and skills improvement of Polish personnel and economic subjects in the conditions of EU,
- the creating of conditions to develop Polish economy,
- careful help in privatizing of Polish strategic branches,
- definite execution of observing the adjustive procedures,
- the help in working out new legal regulations,
- presenting experience referring to the functioning in the EU,
- taking into account the specific Polish conditions in the Union, at the same time respecting the Polish identity.

The activities presented should be accompanied by self-organization of the circles of entrepreneurs and by the creation of structures facilitating cooperation and making a common lobby. This could make it possible to achieve such a level of development of Polish S and M-S companies, which could be compared with their EU counterparts. Having this goal in mind the entrepreneurs should have at their disposal such means and programs that would facilitate their active "permeating into the European structures" (Mertl, Stawasz, Pietraszewski 1997, p. 57)⁷.

5. Final conclusions

All the examinations which have been carried out aimed at analyzing and evaluating the collected material. The most important conclusions drawn from the analysis are the following:

- Comparing the threats and benefits of Poland's integration with the EU, the later were in the majority of answers.
- The integration will, as expected, bring mainly the economic results.

⁷ *Bankowe finansowanie małych i średnich przedsiębiorstw*, maszynopis, Instytut Badań nad Demokracją i Przedsiębiorstwem Prywatnym, Warszawa 1998.

– The social and economic effects were placed by the respondents on a more distant position. This allows us to assume that the place of man as an individual and his surrounding create the problems of second category.

– Among the threats the fear that Poland will only be the sales' market for the EU, dominated.

Another fear was that Poland may get under the "command" of foreign capital which, in consequence may make our country weaker in the United Europe.

– Other expected effects of Poland's joining the EU are the fears for survival of the S and M-S companies in the changed conditions. This fear shows that there is the awareness of difficulty to meet the standards of activities of the European S and M-S companies.

– Meeting these standards may require much effort from the domestic entrepreneurs without any guarantee of success.

– The fear that the competition from Western European will lead to the bankruptcy and downfall of Polish S and M-S companies also dominated.

– The demands directed to the Polish authorities referring to the S and M-S companies in the process of integration with the EU show that there is the need to carry out a consistent economic policy against this sector. The major aim is to create conditions of survival and later development of this sector. The making of optimal financial conditions should allow such development.

– The assignment of European institutions is the universal help to the Polish S and M-S companies in entering the European markets. This aim can be achieved through the help in restructurizing the economy and through the improvement of activities of entrepreneurs in the conditions of integrated market.

The integration with the EU will bring economic profit of the Polish economy, which makes a technological leap and arouses interest the Polish export. To exist on the EU market the Polish companies should concentrate on showing the mark (of authentic quality) by using the Internet.

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WARUNKI FUNKCJONOWANIA MPS W POLSCE W PERSPEKTYWIE CZŁONKOSTWA W UNII EUROPEJSKIEJ

Procesy integracji Polski z Unią Europejską są jednym z priorytetów polskiego rządu, stąd konieczne wydaje się akcentowanie ich skutków dla naszego kraju i społeczeństwa. To, że nie będą one jednakowe dla wszystkich Polaków, oraz to, że podjęte decyzje wywołują dziś wiele obaw w kręgach gospodarczych, pokazały między innymi badania przeprowadzone wśród polskich przedsiębiorstw – właścicieli małych i średnich firm (MSP). Integracja, o której mowa, przynosi zbadanym podmiotom wiele pozytywów, ale i uwidacznia niestety liczne, w tym społeczne zagrożenia.

Niniejsze opracowanie stanowi analizę wpływu akcesji Polski do Unii Europejskiej na funkcjonowanie sektora małych i średnich przedsiębiorstw.