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THE BARRIERS RELATED TO THE PROCESS OF SME CREATION

Abstract. Development barriers of small and medium enterprises, or the so called SMEs, have always been present in economic activity of private sector subjects. The literature on the subject discusses thoroughly the problem of development barriers that hamper the entrepreneurship development in Poland; these barriers include: too low initial capital; financing of earlier stages of organization existence with entrepreneur's own financial means; low qualifications of owners – managers and company employees, a lack of government and local authorities' support, limited possibilities of obtaining credits, an increasing competitiveness of subjects operating at the global, national, regional or even local markets, a lack on the job market of highly qualified managers, skilled in the area of management, technology, finances and marketing for the management needs of SMEs. They are important for companies' functioning in the contemporary economy is growing, what is related, among others, to the dynamic changes that take place in the environment of contemporary organizations – the changes that make organizations' environment characterize with widespread range of activity, variety and instability.

Key words: SME, ECR system, barriers to SME development.

1. INTRODUCTION

The system and strategy concept is often applied in discussions on the subject of functioning of contemporary firms. It can be assumed that it is of a universal character and refers equally to big firms and those belonging to the SME sector. What is more it does not change in relation to the area of business activity (line of business), age of the company, number of founders, organizational and legal nature of a company, tax system applied, product or process complexity. System and strategy theories refer to particular stages of a company life cycle and its crisis or developmental barriers. Hence the question: how does the phenomenon of perceiving the processes involved in company management originate? The answer is implied in the specificity of the system and strategy

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concept. It is based on mutual relationship between firms of one sector and their surrounding. Familiarising oneself with the fundamentals of the system and strategy approach is helpful in understanding mutual relations between the components of a system that creates the surrounding and organisations functioning in it. If this approach is accompanied by innovative application of ECR system, as one of the ways of overcoming growth barriers in the SME sector, there is created a base for enhancing, against a background of the system and strategy concept, selected elements responsible for the process of internal transformation of a company resulting in its growth and development. Since the issues raised in the article are extremely extensive its contents will be limited to the stage of starting business activity comprising employment of the concept of future effective customer service.

2. THE SYSTEM AND STRATEGY CONCEPT IN THE PROCESS OF SETTING UP A COMPANY

Among a wide range of theoretical studies concerning components of the system, there are models¹ deserving special attention that, in a simple way, reflect main elements of the internal system as well as relationships between the particular elements. Among the components of the system, and an organisation constitutes a system, there can be enumerated the following (Kozmiński, Piotrowski, [1997]; Antoszkiewicz, Pawlak, [2000]): goals and tasks of a firm which comprise its mission, vision, relationships between aims as well as particular tasks; people and their attitudes, qualifications, skills, predispositions, etc.; formal structure connected with hierarchy, organisational pattern, range of activity, etc.; equipment and technology comprising, for example, production and processing. There is literature on the subject indicating a different set of components constituting an enterprise as a whole and often enumerates the following: history (tradition) of a firm, its age, size, type of business activity, applied technology, systems of financing investments, methods of competing and management styles (Kieżun, [1998]). Since there is a tendency to simplify the initial phases of a model analysis, it is worth noting that modern economic experience implies reduction of the number of factors which are considered the most significant. Thanks to this tendency the first phase of research or study becomes clearer in terms of results achieved and also avoids the danger of lack

¹ It can be assumed that the model is ‘... a simplified presentation of phenomena taking place in an economy, realised thanks to assumptions that without distorting reality may be used for assessing a present state and forecasting future events and behaviours. They are not constructed for individual cases but for groups of entities and events of similar structure or similar operating conditions’ (Piasecki, [1999], p. 31).

of comparability when characteristics of different companies are compared. In terms of a model construction a solution like this may be difficult to apply due to the number of variables used which may negatively affect its clarity and hinder its practicality.

The concept of a system (in the system approach) may appear at different stages that begin with strategy analysis. It may refer to a planned, sequential and also diversified development of relationships between particular factors in an organisation (in a system-based pattern). These factors shape organisational behaviour that comprises elements of both the social subsystem and the technical one. Their dynamic analysis (strategic approach) creates a bridge between these two concepts. Theories of life cycle of an organisation also rely on these concepts, especially in the areas of: change of management style, development and transformation of organisational culture, transformation of organisational structure, change of connections within an organisation as well as those affecting its surrounding.

Modern management requires solutions that combine system and strategy based principles. Knowledge and experience in this area are especially useful in phases that precede and directly concern the process of setting up a business activity. The process of creating a firm is described sufficiently in the literature on the subject among which there are often 'handbooks' that in a systematic way, step by step, indicate actions to be taken by somebody who would like to run their own business. Their usual content includes mainly legal and formal procedures which are obligatory in a particular country. There are also publications whose authors in an oversimplified way try to convey minimum knowledge which, in exceptional situations, may be sufficient to register a firm and start one's own business activity.

However, as economic practice and experience imply, there is no room for unprepared entrepreneurs on the modern market. Requirements imposed by the environment of modern organisations is very often reviewed by the market which does not allow firms that are not prepared to the contemporary economy to survive. There are may be various reasons for the described state of affairs (See: Storey, [1994]; North, Leigh, Smallbone, [1991]; Cressy, [1997]; Ponthieu, Insley, [1996]; Gray, [1997]; Acs, Carlsson, Thurik, [1996]). Mistakes made by entrepreneurs in the area of management, especially in the process of setting up a company are the most significant and frequent reasons. An attempt at indicating a relationship between starting a business activity in the SME sector and reduction of barriers affecting these enterprises seems particularly important for the subject of our article.

The starting point is the relation between the process of creative entrepreneurship at the start-up stage and further fortunes of the enterprise. This relation is indicated in the qualitative definition of a small enterprise presented by

B. Piasecki, in which the author emphasises a special character of financial management in firms concerning mainly their action methods in financial matters in particular phases of their existence:

- in the phase of creation of an enterprise, where one's own and family's resources are the main opening capital
- in the development phase the financial source comes from part of profits of the enterprise, and not from credits or bank loans; this may result from fear of taking out loans (which, in turn, may be a symptom of a peculiar kind of the so called pre-industrial loan mentality of the middle class) but also difficulties in obtaining external sources of financing (due to lack of a possibility of issuing a company's shares, among others)

As the presented division implies, a transfer of the very concept of financing the business as based on internal sources of capital by an entrepreneur himself may be the specificity of small enterprises. Economic practice shows that besides good aspects of such a solution there is a great danger of 'genetic' weakening of future prospects of dynamic growth and development of the mentioned business.

The process of starting a business, from the perspective of further consequences of its individual stages, is described by the theory of life cycle of an enterprise (See: Veciana, [1988]; Quinn, Cameron, [1983]; Churchill, Lewis, [1983]; Mintzberg, Quinn, [1991]). From the point of view of the actions undertaken by an entrepreneur during the start-up phase, there can be distinguished the following stages: considering starting your own business activity, formulating a business project, carrying out analysis, making a forecast that will eventually prepare a prospective owner – manager to undertake his/her own business activity. Such a chronological sequence of event is referred to in the model presented by J.M. Veciana, where he distinguishes, among others, a pregnancy phase (foetal life of an organisation) connected with processes of planning for a newly started enterprise (Veciana, [1988]). Also, in the context of this phase J.M. Veciana has distinguished a group of factors that affect the process of creating a new organisation. The factors are the following: an entrepreneur's history, personal characteristics, the concept of an organization and the surrounding that influences the entrepreneur. In the context of the presented article all the areas mentioned by J.M. Veciana seem particularly important.

In case of an entrepreneurs's history, his/her childhood and family background are of great significance. Behaviour patterns passed down by closest relatives are often an invaluable base for undertaking actions of entrepreneurial nature. Character traits originate in one's childhood and are connected, in Veciana's opinion, with motivation, psychological qualities, education or professional experience. In case of the concept of an organisation, the following are emphasised: its size, its location and type of knowledge that the organisation will

be able to generate. A relation between this factor and the system approach, which assumes, among others, that an organisation can generate knowledge while functioning and learning. It is practically impossible to analyse the previous factors without indicating the environment that shapes a prospective entrepreneur. The environment comprises the following: positive example of entrepreneurship in the surrounding, current attitudes to entrepreneurship, social mobility, current demand on the market, capital availability, workforce availability, policy on supporting new firms, training and counselling availability, administrative and bureaucratic barriers, etc.

As this short presentation shows, there are several factors that can, in consequence, have impact on the start-up phase and make it a success or a failure.

Another researcher who has also observed a direct relation between factors influencing an entrepreneur and a decision to set up one's own business is Fry (Fry, [1992]). This researcher applying factors similar to those of Veciana's groups them in a different way as he assumes that the decision to make an effort to create one's own firm is a result of a simultaneous influence of three kinds of factors: antecedent factors, triggering factor and enabling ones. Only their simultaneous presence may result in creation of a new enterprise².

As it can be concluded from the above discussion, the start-up phase is in fact entirely connected with the very person of the entrepreneur, his/her attitudes, motivation, abilities and the way he/she perceives the world

It is worth pointing out that the start-up phase consists of an experimental stage and a conceptual stage and it should be taken into consideration that these two stages are the moments when the dream (idea) of setting up one's own firms really comes true. The determinants, shaping an entrepreneur's behaviour, that have just been discussed are the main source of risk that the process of planning an enterprise will be carried out badly while its aim is to improve quality of the actions undertaken in the founding process, to reduce a feeling of insecurity, to relatively overcome the complexity of the task and to select one alternative in the process of programming based on forecasting.

If an entrepreneur does not understand that aims formulated in this way indicate a need for a strategy increasing chances of a successful start-up of a busi-

² In his publication Fry F.L., *Entrepreneurship. A planing approach*, Bradley University, 1992, pp. 38–42, distinguishes the following categories of factors:

antecedent factors referring to various events from the past which are a source of inspiration for starting one's own business activity; the following can be differentiated here: a person's creativity, his/her personality, education, experience and family background,

triggering factors are in close connection with significant events in a person's life, e.g. personal and professional experience; often the underlying reasons for such factors are finances (especially important in a consumer economy),

enabling factors which depend on the two above groups of factors; these can be e.g.: obtaining appropriate resources or identifying a market situation favourable for setting up a firm.

ness activity, there arises a threat of ignoring a need for building a basic strategy for an organisation (Piasecki, [2001])³. Hence, there appears a danger that the prospective owner – manager may not answer (even himself) questions concerning a type of business activity, potential usefulness of the prospective products or services, expected profit rates, position on the market, course of development, external sources of financing, future human resources policy, motivation system or creation of organisational culture.

In fact, increase in requirements for those who would like to set up and successfully run their own firms causes an increase in attention paid to not so much the process of an entrepreneur's learning from his/her own mistakes or oversights but rather the preparatory phase that will help him enter the market successfully.

3. THE INNOVATIVE APPLICATION OF ECR SYSTEM FOR THE BUSINESS GROWTH

Modern firms of SME sector through innovations can significantly improve its competitive position. The new organizational arrangements, new technologies and IT systems significantly affect the ability of companies development. The period of crisis is a moment of great changes. Companies reacting to the crisis often optimize their business. One of the opportunities to improve these processes is the implementation of ECR by companies that want to collaborate in the transsectoral and transregional system.

To facilitate this process it is required to develop a system for collecting, identification and transfer of data which, in turn, becomes a base for preparing management actions relying on creation and employment of effective customer service in a firm's strategy. ECR – Efficient Consumer Response, can be easily called a phenomenon of modern management. Its superiority over other concepts results from the fact that it originated in times of crisis so it was prompted by the need to adjust business activities to growing market needs. The concept of Efficient Consumer Response means, in fact, effective reacting to customers' demand by all participants of the system of creating values, from raw materials and packaging suppliers to producers and firms offering commercial services.

When considering setting up a company it seems only wise to accept that ECR is the best customer service strategy in the era of a customer-oriented market. It reviews the long-held relationships which says that growth of customer

³ Description and presentation of basic strategies is included in a publication by Rogut A., Rzetelska A., *Uruchomienie działalności gospodarczej*, w: Piasecki B. (editor.) *Ekonomika i zarządzanie małą firmą*, Wydawnictwo Naukowe PWN, Warszawa 1999, pp.126-127

service level is accompanied by growth of its costs as ECR makes it possible to maximise customer satisfaction but at the same time to reduce costs incurred by all the subjects on the way of the product to the customer. This situation reduces barriers against entering the sector but also improves a firm's competitive position within the sector.

A person setting up a firm should take into consideration the fact that ECR is a modern strategy of supply chain realised as based on partnership of its participants and consists in synchronised management of supply and demand while using supportive technology in order to increase competitiveness of the whole supply chain and to maximise profits of all the chain participants at the simultaneous growth of end user satisfaction.

As it has been indicated before, demand management in ECR means information management, its obtaining, processing and transferring to all the links of the supply chain, making it possible to forecast, satisfy and create customers' demand. Thus, a design of a firm's concept must include such factors which involves purchasing modern technology adjusted to the firm's needs as well as all the know-how that employees can use. This, in turn, affects the policy of selecting and recruitment of personnel. A similar situation can be observed within the management of supply. A person starting a business activity must take it into consideration that, in practice, it means management of flow of goods and information. The flow of goods includes the following: flow of raw and other materials, half-finished products, finished products down the chain of supply but also flow of other material and human resources, e.g. transfer of technology or financial means. The flow of information and accompanying flow of goods take place in both directions and concern mainly processes in the supply chain. A consequence of these assumptions is creation of a future ECR. The starting point and purpose of all aspirations in this area is to precisely identify and fully satisfy costumers' needs in order to increase their level of satisfaction. At the same time appropriate actions must be undertaken in connection with range of product optimisation, product delivery, reserve stock management, etc., which will facilitate realisation of express orders or customised distribution processes in the most cost-effective way.

The ECR principle comprises three integrated areas of activity, among which there can be differentiated many significant, inter-related and occurring along all the supply chain processes or methods of improving efficiency and effectiveness of activities. Within the structure of processes and actions constituting ECR there are two dominant dimensions of management, i.e. logistic dimension including Supply Chain Management and marketing dimension referring to Category Management.

On one hand, supply chain management should strengthen cooperation in the supply chain between producers and commercial enterprises aiming, in fact, at exhausting any potential growth of activity effectiveness

On the other hand, thanks to a better cooperation in the area of marketing a complex category (development and introduction of new products, promotion, range of products design) management should be employed in order to direct this cooperation towards turnover increase.

While preparing to introduce this solution into a newly created firm one should remember that the concept of ECR formulates two main objectives: shortening delivery time of product to end user and decreasing costs of key processes in the delivery chain. It is often indicated that processes that created the greatest added value are the following:

- delivering goods expected by a customer to points of sale
- ensuring a high level of availability of the required goods
- informing about benefits and value of the product through advertising and price incentives

Introducing the ECR concept changes cooperation principles. Behaviour observations and customer demand analysis are the starting point in value creation in the logistic chain and must be an objective of overriding importance for a prospective firm whose assumptions and future strategy must precede the formal process of its registration and start-up.

4. CONCLUSIONS

Knowledge-relying economy has become more and more important strategy for Polish SME sector. This term has been present in the Polish literature on the subject for a few years but its complex realisation is still in a phase of strategic assumptions (Kukliński, [2004]). Many EU initiatives and actions emphasise creation better and better conditions for the functioning of small and medium enterprises in a particular country as well as in other member countries⁴. The concept of common application of solutions from the area of innovative application of ECR system. Its importance in the conceptual stage that precedes the actual registration of an enterprise may lead to a competitive advantage of a newly created firm and become another proof of Schumpeter's theory about the so called 'creative destruction' resulting from replacing the existing firms by new, stronger and better prepared business subjects. Promoting innovative application of ECR at the level of a business start-up phase may become a part of the concept, mentioned above, of economy based on knowledge and influence reduction of barrier.

⁴ The Lisbon Strategy. The European Charter of Small Enterprises.

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ZNACZENIE BARIER W PROCESIE POWSTAWANIA I ROZWOJU FIRM SEKTORA MŚP

Bariery rozwoju małych i średnich firm, zwanych firmami sektora MŚP, zawsze istniały w działalności gospodarczej biznesu. Literatura tematu podjętego w artykule dotyczy problematyki barier, które utrudniają wzrost firm sektora MŚP w Polsce. Bariery te polegają na: zbyt niskim kapitale początkowym, finansującym początkową fazę funkcjonowania firmy, często opartym na oszczędnościach przedsiębiorcy; niewystarczających kwalifikacjach właściciela – menedżera oraz jego pracowników, braku pomocy ze strony władz lokalnych i rządowych, ograniczonych możliwościach uzyskania kredytów, wzroście konkurencji w obszarze działania na rynku globalnym, krajowym, regionalnym i lokalnym, braku wysoko wykwalifikowanych menedżerów, przygotowanych do zarządzania w firmach sektora MŚP w obszarze technologii, finansów, marketingu, itp. Szczególnie jest to ważne dla firm funkcjonujących na ciągle rosnącym rynku, zmieniającym się otoczeniu. Zmieniające otoczenie charakteryzuje się różnorodnością, niestabilnością i zróżnicowaniem.

Słowa kluczowe: MŚP, system ECR, bariery rozwoju MŚP.