



LEWIATAN

POLISH SMALL AND MEDIUM ENTERPRISES ON THE ROAD TO MODERNITY

Bohdan Wyżnikiewicz

The Gdansk Institute for Market Economics



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According to the results of the study prepared by Polish Confederation Lewiatan within the framework of the project *Monitoring of condition of SMEs* in 2010-2012*, co-financed by the European Union within the confines of The European Social Fund.

The study was conducted by Public Opinion Research Center from April 26th to July 1st 2013 on the nationwide sample of 1 500 active private enterprises. The enterprises, which employ from 2 to 249 workers on the legal basis of fixed-term or indefinite employment contract, were evaluated. The study included 9 of the following PCA (Polish Classification of Activity) sections: processing industry, water supply, management of wastewater and waste and remediation, construction wholesale and retail trade, transport, inventory management and connectivity, activity related to accommodation, catering services, information and communication, property management, professional, scientific and technical activities. The PORC (Public Opinion Research Center) pollsters evaluated enterprises in all 16 provinces in Poland conducting face-to-face interviews.

* SME - small and medium enterprise

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INTRODUCTION

The publication focuses on the presentation of results of the survey of micro, small and medium enterprises, conducted in 2013 on a large sample of enterprises on the entire territory of the country, employing at least one employee. The survey is the eleventh issue of a series of surveys initiated by Polish Confederation Lewiatan in 2002 and the third issue organised under the project *Monitoring of the Condition of the SME Sector in years 2010-2012*, co-financed by the European Union under the European Social Fund.

The entrepreneurs presented their opinions during direct interviews conducted by the Public Opinion Research Centre and by filling in the questionnaires. The mission statement of this year's issue of the report is the road of Polish enterprises towards the modern and innovative company, and the use of the European Union support in order to achieve this goal. The scope of the survey is slightly broader than in the previous reports, accordingly, the subsequent issues may focus on other important aspects of the SME situation.

Polish Confederation Lewiatan and the authors of the report would like to take this opportunity to express gratefulness to all persons who contributed to preparation of the report and its previous issues, in particular, to the huge group of Polish entrepreneurs-employers, who were willing to participate in the survey and present their opinions and standpoints as well as share their considerations concerning the Polish entrepreneurship, the nature of its problems, strategic activities undertaken, motives underlying the decisions and many others.

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1

INFORMATION ON THE ENTERPRISE SECTOR IN POLAND

- 1.1. Number of companies
- 1.2. Legal status
- 1.3. Methods of settlements with the Tax Office
- 1.4. Structure of the enterprise sector according to economic branches
- 1.5. Share of enterprises in creation of the GDP
- 1.6. Workforce productivity in the enterprise sector
- 1.7. Persons employed and working in the enterprise sector
- 1.8. Investments of enterprises
- 1.9. Investments of enterprises in innovation

1.1. Number of companies

In 2011, the total of 1,784,603 enterprises operated in Poland¹, i.e. by 3.4% more than in 2010 (1,726,663 active companies²). At the same time, in 2011 in the REGON system, 4,071,576 enterprises were registered³, i.e. by 0.4% less than in 2010. Among companies registered in the REGON register less than 43% is active.

Table 1. Structure of the enterprise sector in years 2010-2011 according to the size classes

Year	TOTAL	micro	small	medium	large
2010	1 726 663	1 655 064	52 591	15 841	3 167
2011	1 784 603	1 710 598	54 999	15 817	3 189

According to the class of size, reduction of the number of active enterprises was noted only in the group of medium companies – they decreased by 0.2%. In other cases, growth was recorded, with the highest increase of 4.6% in the small enterprises group. Micro companies recorded the growth at 3.4% range, and the number of large enterprises increased by 0.7%.

In 2011, micro, small and medium enterprises constituted 99.8% of the total number of active companies in Poland. This value has not changed in relation to year 2010. The number of large enterprises reached 3,189⁴, i.e. 0.2% of the total number of active companies. In the sector of micro, small and medium enterprises companies employing up to 9 employees dominate (micro). In 2011 the total of 1,710,598 of such companies operated⁵, constituting 96% of the overall SME population.

In 2011, companies employing from 10 to 49 employees, i.e. small enterprises, corresponded to 3.1% of the total number of SME sector companies. The total of 54,999 of such companies operated. The number of active companies in 2011 reached 15,817, constituting 0.9% of the total number of SMEs.

1.2. Legal status

In Poland, enterprises-natural persons dominate – according to GUS (Central Statistical Office), in 2011, in the entire SME population their number reached 1,641,523, i.e. 92.1%⁶. Enterprises constituting legal persons make 8% of the overall number of companies (142,968 enterprises).

Table 2. Structure of the enterprise sector in 2011 according to legal status (%)

Legal status	2010			2011		
	micro	small	medium	micro	small	medium
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0
natural persons	94.7	46.8	14.8	94.3	47.7	14.8
legal persons	5.3	53.2	85.2	5.7	52.3	85.2

¹ Activity of non-financial enterprises in 2011, GUS, 22.02.2013.

² Activity of non-financial enterprises in 2010, GUS, 09.01.2012.

³ Report on the condition of the small and medium enterprises sector in Poland in years 2010-2011, PARP 2012.

SOURCE: own calculations based on data from Activity of non-financial enterprises in 2011, GUS 22.02.2013 and Activity of non-financial enterprises in 2010, GUS 09.01.2012.

⁴ Activity of non-financial enterprises in 2011, GUS, 22.02.2013.

⁵ Ibid.

⁶ Ibid.

SOURCE: own calculations based on data from Activity of non-financial enterprises in 2011, GUS 22.02.2013 and Activity of non-financial enterprises in 2010, GUS 09.01.2012.

⁷ Ibid., own calculations.

In the group of micro companies, enterprises-legal persons constituted 5.7% of the entire population (97,672 enterprises), in the group of small companies – 52.3% (28,739 enterprises), and in the group of medium companies – 85.2% (13,480 enterprises). In case of large enterprises, in 2011 almost all of them, i.e. 96.5% (3,077 companies)⁷, represented enterprises-legal persons.

⁸ Ibid., own calculations.

1.3. Methods of settlements with the Tax Office

According to GUS, for the majority of micro, small and medium enterprises settlements with the Tax Office are based on a book of revenues and expenditures – in 2011 this method was used by 65.8% of SMEs. 20.1% of SMEs used revenue registry and 4.9% – a fixed amount tax system. Ledgers were kept by 9.2% SMEs (only 6.6% micro companies, but even 65.9% small and 98% medium companies)⁸.

Table 3. Structure of the enterprise sector in 2011 according to the method of settlements with the Tax Office (US) (%)

Method of settlement with US	TOTAL	micro	small	medium
TOTAL	100.0	100.0	100.0	100.0
ledger	9.4	6.6	65.9	98.0
book of revenues and expenditures	65.7	67.5	34.1	2.0
revenue registry	20.0	20.9	0.0	0.0
fixed amount tax	4.9	5.1	0.0	0.0

SOURCE: own calculations based on data from *Activity of non-financial enterprises in 2011*, GUS 22.02.2013.

Table 4. Structure of the enterprise sector in years 2010-2011 according to the method of settlements with the Tax Office (US)

Method of settlement with US	2010	2011
TOTAL	1 726 663	1 784 603
ledger	141 063	167 371
book of revenues and expenditures	1 138 768	1 173 060
revenue registry	350 995	357 351
fixed amount tax	95 837	86 822

SOURCE: own calculations based on data from *Activity of non-financial enterprises in 2011*, GUS 22.02.2013 and *Activity of non-financial enterprises in 2010*, GUS 09.01.2012.

1.4. Structure of the enterprise sector according to economic branches

Within the enterprise sector, commercial enterprises represent the highest share (29.46% in 2011), whereas those operating in the area of culture and recreation – the lowest (1.09%). Industrial companies account for 10.65% of all active enterprises.

SMEs dominate in all sectors of economy. Relatively, their highest share (almost 100%) is recorded in education, and the lowest – in industry (99.11%). It means that on average, industrial enterprises represent the biggest entities.

Table 5. Structure of the enterprise sector in years 2010-2011 according to economic branch

Economic branches	2010			2011			Dynamics 2010/2011
	Number of enterprises	including: SME share (%)	Structure (%)	Number of enterprises	including: SME share (%)	Structure (%)	
TOTAL	1 726 663	99.82	100.00	1 784 603	99.82	100.00	103.4
Industry	186 012	99.09	10.77	189 977	99.11	10.65	102.1
<i>including: processing</i>	176 390	99.14	10.22	179 155	99.16	10.04	101.6
Construction	233 005	99.92	13.49	239 221	99.93	13.40	102.7
Car trade and repairs	524 828	99.92	30.40	525 768	99.92	29.46	100.2
Transport and storage	138 642	99.86	8.03	145 942	99.87	8.18	105.3
Accommodation and catering	50 000	99.92	2.90	47 879	99.92	2.68	95.8
Information and communication	55 301	99.84	3.20	59 941	99.84	3.36	108.4
Real estate service	36 140	99.89	2.09	40 298	99.90	2.26	111.5
Professional, research and technical activities	186 141	99.89	10.78	200 537	99.93	11.24	107.7
Administration and support	50 379	99.48	2.92	53 457	99.53	3.00	106.1
Education	42 143	99.99	2.44	44 281	100.00	2.48	105.1
Health care and social welfare	128 656	99.95	7.45	135 450	99.93	7.59	105.3
Culture and recreation	17 551	99.86	1.02	19 474	99.88	1.09	111.0
Other services	77 864	99.98	4.51	82 378	99.99	4.62	105.8

SOURCE: own calculations based on data from Activity of non-financial enterprises in 2011, GUS 22.02.2013 and Activity of non-financial enterprises in 2010, GUS 09.01.2012.

In 2011, in relation to 2010, the highest growth of active companies was observed for companies operating on the market of real estate services (11.5%), those associated with culture and recreation (11%) and acting in the information and communication sector (8.4%).

The growing sector of information and communication (among others, activities in the scope of software, telecommunications, IT software and advisory services, data processing) demonstrates the effects of changes in the economy, its modernisation and increasing demand of both enterprises and households for services offered by this sector. Changes in terms of the number of companies acting in this sector should be definitely interpreted as positive.

The only sector where the number of companies in 2011 was lower than in 2010 was accommodation and catering (decrease by 4.2%). It is probably the effect of the economic downturn, smaller demand, resulting in stronger market competition and the necessity to suspend or wind up business by the smallest entities.

⁹ Report on the condition of the small and medium enterprises sector in Poland, PARP 2012.

1.5. Share of enterprises in creation of the GDP

In 2010 SMEs generated 47.6% of the GDP, including 29.6% attributable to micro enterprises, 7.7% – to small companies and 10.4% – to medium companies. Large enterprises generated 24% of the GDP. In total, in 2010 the enterprise sector generated 71.6% of GDP⁹.

1.6. Workforce productivity in the enterprise sector

SMEs are less effective than large companies – one person working in the large enterprise sector generates double added value as compared to one person working in the SME sector¹⁰. The smaller the company, the less beneficial relation is noted.

Table 6. Productivity* in the enterprise sector in 2011, divided into size classes

Specification	TOTAL	micro	small	medium	large
added value (PLN M)	862 864	214 615	94 673	147 070	406 507
number of employed (M)	9 028 536	3 508 557	1 181 565	1 646 415	2 691 999
added value per 1 employed (PLN)	95 570.75	61 169.02	80 125.09	89 327.42	151 005.63
added value per 1 working hour per 1 employed (PLN)	47.22	30.22	39.59	44.13	74.61
total added value per 1 hour = 100% (%)	100.0	64.0	83.8	93.5	158.0
	Total SMEs				
added value (PLN M)	x	456 358			x
number of employed (M)	x	6 336 537			x
added value per 1 employed (PLN)	x	72 020.10			x
added value per 1 working hour per 1 employed (PLN)	x	35.58			x
total added value per 1 hour = 100% (%)	x	75.4			x

* Productivity measured by gross added value per 1 working hour (assumption of 2024 working hours per year).

The lower productivity of the SME sector arises, among others, from the branch structure (the smallest enterprises usually operate in branches of relatively lower productivity, for example, in trade), lower level of equipment of SMEs in terms of fixed assets, but also from the fact that SMEs mostly operate on more competitive markets as compared to large companies. An important factor raising productivity is also the so called effect of scale which increases parallel to the growth of enterprise size.

¹⁰ Activity of non-financial enterprises in 2011, GUS, 22.02.2013, own calculations.

SOURCE: own calculations based on data from Activity of non-financial enterprises in 2011, GUS 22.02.2013.

1.7. Persons employed and working in the enterprise sector

In 2011 in the enterprise sector, 6.6 million persons were employed based on employment contract, i.e. by 1.5% more than in 2010. Among all employed persons, 60.5% are the employees working in the SME sector. Employees of micro companies represent 1.3 million (19.8% of the total number of employees in the enterprise sector), employees of small companies account for 1.1 million (16.6%), and employees of medium companies make 1.6 million (24.1%) of all persons employed¹¹.

¹¹ Ibid., own calculations.

Table 7. Structure of employment in the enterprise sector in Poland in years 2010-2011, according to economic branches

Economic branches	2010				2011				Total employment dynamics 2010/2011
	Average employment based on employment contract	including: employment in SMEs (%)	Structure (%)	Average employment based on employment contract per 1 entity	Average employment based on employment contract	including: employment in SMEs (%)	Structure (%)	Average employment based on employment contract per 1 entity	
TOTAL	6 495 266	60.30	100.00	3.8	6 595 759	60.51	100.00	3.7	101.5
Industry	2 539 904	50.04	39.10	13.7	2 559 527	50.08	38.81	13.5	100.8
<i>including: processing</i>	2 087 071	54.37	32.13	11.8	2 121 576	54.40	32.17	11.8	101.7
Construction	605 137	81.76	9.32	2.6	627 747	81.91	9.52	2.6	103.7
Car trade and repairs	1 482 191	73.56	22.82	2.8	1 477 900	72.74	22.41	2.8	99.7
Transport and storage	543 642	41.88	8.37	3.9	547 574	44.14	8.30	3.8	100.7
Accommodation and catering	143 007	78.97	2.20	2.9	147 022	78.66	2.23	3.1	102.8
Information and communication	185 967	48.04	2.86	3.4	190 058	48.43	2.88	3.2	102.2
Real estate service	115 137	86.95	1.77	3.2	120 760	85.87	1.83	3.0	104.9
Professional, research and technical activities	287 813	72.09	4.43	1.5	303 246	72.16	4.60	1.5	105.4
Administration and support	333 816	35.91	5.14	6.6	337 919	37.20	5.12	6.3	101.2
Education	25 824	95.68	0.40	0.6	30 667	97.19	0.46	0.7	118.8
Health care and social welfare	132 358	73.58	2.04	1.0	146 989	69.30	2.23	1.1	111.1
Culture and recreation	51 219	76.75	0.79	2.9	52 691	78.88	0.80	2.7	102.9
Other services	49 249	90.54	0.76	0.6	53 657	91.38	0.81	0.7	109.0

The highest number of persons employed is recorded in industry - 38.8% of all employees in the enterprise sector. In the same branch of economy, the highest employment rate per one enterprise is also noted - on average, 13.5 persons (employment based on employment contract). The lowest share in employment occurs in education - only 0.5% of the total number of the employed, and only 0.7 employee per enterprise (employment based on employment contract). Education is also this part of economy where over 97% of persons employed work in the SME sector.

SOURCE: own calculations based on data from *Activity of non-financial enterprises in 2011*, GUS 22.02.2013 and *Activity of non-financial enterprises in 2010*, GUS 09.01.2012.

Also in education, the highest growth of employment was observed in 2011 in relation to 2010. It reached 18.8%. It is, however, the highest percentage growth which means that additional 4,843 persons were employed in the education sector. On the other hand, the highest growth of employment in real terms is observed in construction (22,610 new employees) and in industry (34,505 of newly employed in industrial processing).

In 2011, in the enterprise sector, the total number of working persons reached 9.03 million (by 0.17 million persons more than in 2010), including 6.34 million persons working in the SME sector (70.2% of the total number of persons working in the enterprise sector). The number of persons employed in the SME sector was lower by 2.36 million since, among others, the self-employed and members of their families, if they are working persons, should be added to the number of employed.

1.8. Investments of enterprises

In 2011, the enterprises invested PLN 161.2 billion, i.e. PLN 19.3 billion more as compared to 2010, including 50.1% of the funds allocated to SME.¹²

Table 8. Structure of investments of enterprises, divided into size classes

Specification	2010		2011		Dynamics 2010/2011
	in thousand PLN	Structure (%)	in thousand PLN	Structure (%)	
TOTAL	141 938 802	100.0	161 240 144	100.0	113.6
SME	71 322 986	50.2	80 823 753	50.1	113.3
micro	24 847 777	17.5	28 281 557	17.5	113.8
small	16 876 903	11.9	18 757 455	11.6	111.1
medium	29 598 306	20.9	33 784 741	21.0	114.1

SOURCE: own calculations based on data from *Activity of non-financial enterprises in 2011*, GUS 22.02.2013 and *Activity of non-financial enterprises in 2010*, GUS 09.01.2012.

Micro companies invested PLN 28.3 billion, i.e. by 13.8% more than in 2010, which made 17.5% of the total investments of companies in 2011. Investments of small companies also increased in 2010, since they amounted to PLN 18.8 billion (11.1% more than in 2010), which corresponds to 11.6% of the total investments of companies in 2011. The highest level of investment was recorded for medium companies, namely PLN 33.8 billion, which increased their investment in relation to 2010 by 14.1%¹³.

1.9. Investments of enterprises in innovation

Innovativeness of enterprises in Poland is low – in the years 2009-2011, thus, the time when enterprises used European funds for financing of investment in innovation to the highest extent throughout the entire programming period 2007-2013 (OP IE¹⁴), only 16.1% of industrial companies and less than 12% of service companies implemented innovation in practice.

¹² Ibid., own calculations.

¹³ Ibid., own calculations.

¹⁴ Operational Programme *Innovative Economy 2007-2013*.

In the years 2009-2011 large companies constituted the biggest group of innovative enterprises. Investment in innovation was recorded in 57.8% of large industrial enterprises and 44% of large service enterprises. Among medium companies, innovation activities were undertaken by 30.1% of industrial enterprises and 19.6% of service enterprises whereas among small companies, the share amounted to 8.9% and 9.1%, respectively¹⁵.

In 2011 itself, large companies invested PLN 24.6 billion, which made 77.4% of total expenditure on innovation incurred by small, medium and large companies. For medium companies this share reached 16%, since they invested PLN 5.1 billion. The value of investments of small companies, amounting to PLN 2.1 billion, corresponded to 6.6% of investment of Polish enterprises in innovation in 2011¹⁶.

Table 9. Share of revenue from new or significantly improved products in total sales revenue in 2011, divided into size classes (%)

Specification	Industrial enterprises			Service sector enterprises		
	small	medium	large	small	medium	large
new for the market	0.6	2.5	6.7	0.4	1.1	2.2
new only for enterprise	1.1	3.0	4.3	0.4	1.2	3.5
TOTAL	1.7	5.5	11.0	0.8	2.3	5.7

Consequently, in 2011 the highest share of revenue from sales of new or significantly improved products in total revenue from sales was reached by large companies – 11% in case of industrial enterprises and 5.7% for service enterprises. For medium companies, this share amounted to 5.5% and 2.3%, respectively and for small companies – only 1.7% and 0.8%, respectively.

¹⁵ Activity of enterprises in the scope of innovation in years 2009-2011, GUS 05.12.2012.

¹⁶ Ibid.

SOURCE: Activity of enterprises in the scope of innovation in years 2009-2011, GUS 05.12.2012.

2

METHODOLOGY OF THE SURVEY

- 2.1. Description of preparation of the quota-based sample of enterprises for the whole Poland
 - 2.1.1. Survey population
 - 2.1.2. Subdividing the population into layers
 - 2.1.3. Sample allocation
 - 2.1.4. Specifications of quotas
 - 2.1.5. Selection of enterprises for the survey
- 2.2. Weighing of data

2.1. Description of preparation of the quota-based sample of enterprises for the whole Poland

2.1.1. Survey population

Private enterprises in nine sections of PKD (Polish Classification of Business Activity) 2007:

1. **Section C** - industrial processing
2. **Section E** - water supply, sewage and waste management and activities related to reclamation
3. **Section F** - construction
4. **Section G** - wholesale and retail trade
5. **Section H** - transport, storage and communication
6. **Section I** - activities related to accommodation, catering services
7. **Section J** - information and communication
8. **Section L** - real estate service
9. **Section M** - professional, research and technical activity.

Depending on the number of persons working in enterprises, the entities were divided into three groups:

1. employing 2-9 employees,
2. employing 10-49 employees,
3. employing 50-249 employees.

In order to develop the quota-based sample, data received from GUS were used (status as of 31 December 2012).

Table 10. Number of entities in survey population according to GUS (at the end of 2012) divided into the number of persons working in selected sections of PKD 2007

Section PKD 2007	Entities with the number of working persons			TOTAL	%
	2-9	10-49	50-249		
C	90 658	25 956	6 319	122 933	15.48
E	3 171	839	152	4 162	0.52
F	92 861	14 519	1 807	109 187	13.75
G	310 189	26 531	3 048	339 768	42.78
H	43 170	4 276	566	48 012	6.05
I	40 721	4 591	255	45 567	5.74
J	21 649	2 406	327	24 382	3.07
L	23 537	2 375	461	26 373	3.32
M	68 336	5 057	465	73 858	9.30
TOTAL	694 292	86 550	13 400	794 242	100.00
%	87.42	10.90	1.69	100.00	

Table 11. Number of entities in survey population according to GUS at the end of 2012, according to provinces

Province	Number of entities	%
01. Dolnośląskie	61 062	7.69
02. Kujawsko-pomorskie	36 305	4.57
03. Lubelskie	31 044	3.91
04. Lubuskie	19 325	2.43
05. Łódzkie	52 371	6.59
06. Małopolskie	70 225	8.84
07. Mazowieckie	150 008	18.89
08. Opolskie	17 619	2.22
09. Podkarpackie	28 111	3.54
10. Podlaskie	15 971	2.01
11. Pomorskie	47 612	5.99
12. Śląskie	102 566	12.91
13. Świętokrzyskie	24 077	3.03
14. Warmińsko-mazurskie	19 160	2.41
15. Wielkopolskie	82 129	10.34
16. Zachodniopomorskie	36 657	4.62
TOTAL	794 242	100.00

SOURCE: J. Kalka, CBOS.

2.1.2. Subdividing the population into layers

As a result of the classification adopted, 432 layers were obtained: 3 employment categories x 9 sections of PKD x 16 Provinces.

2.1.3. Sample allocation

Due to considerable disproportions in the number of enterprises in the selected groups (prevalence of micro companies and companies representing the wholesale and retail sector), allocation of the sample on a pro rata basis would not enable to obtain the size providing for correct and reliable conclusions concerning the population, according to the profiles adopted for analyses. There, the disproportional sample allocation was adopted, taking into account both the statistical data and the possibility to perform analyses after the survey. The allocation method also considered the minimisation of weights for the sample processed.

Table 12. Planned sample size according to PKD 2007 sections and according to the number of working persons

PKD 2007 section	Entities with the number of working persons			TOTAL	%
	2-9	10-49	50-249		
C	63	132	80	275	18.33
E	16	20	16	52	3.47
F	92	102	45	239	15.93
G	141	102	39	282	18.80
H	58	54	26	138	9.20
I	58	54	20	132	8.80
J	36	35	22	93	6.20
L	38	37	26	101	6.73
M	98	64	26	188	12.53
TOTAL	600	600	300	1500	100.00
%	40	40	20		

source: J. Kalka, CBOS.

Table 13. Planned sample sizes, divided into provinces

Province	Number of entities	%
01. Dolnośląskie	112	7,47
02. Kujawsko-pomorskie	82	5,47
03. Lubelskie	77	5,13
04. Lubuskie	57	3,80
05. Łódzkie	109	7,27
06. Małopolskie	124	8,27
07. Mazowieckie	182	12,13
08. Opolskie	52	3,47
09. Podkarpackie	72	4,80
10. Podlaskie	52	3,47
11. Pomorskie	102	6,80
12. Śląskie	143	9,53
13. Świętokrzyskie	62	4,13
14. Warmińsko-mazurskie	59	3,93
15. Wielkopolskie	132	8,80
16. Zachodniopomorskie	83	5,53
TOTAL	1500	100,00

source: J. Kalka, CBOS.

2.1.4. Specifications of quotas

The determined sizes of entities to be surveyed according to layers were recorded in quota-based specifications for individual provinces.

Table 14. Example of quota specification for Dolnośląskie Province

PKD 2007	Number of enterprises to be surveyed, with a number of employed persons		
	2-9	10-49	50-249
Section C - industrial processing	4	9	6
Section E - water supply, sewage and waste management and reclamation	1	2	1
Section F - construction	7	9	3
Section G - wholesale and retail trade, car repairs	10	7	3
Section H - transport and storage management	4	4	2
Section I - accommodation and catering	5	4	1
Section J - information and communication	3	3	2
Section L - real estate service	2	3	2
Section M - professional, research and technical activity	8	5	2
TOTAL	44	46	22

SOURCE: J. Kalka, CBOS.

The sizes of samples planned for the survey were not always achieved. Differences between the sizes planned and processed in layers were usually insignificant - from one to several cases.

2.1.5. Selection of enterprises for the survey

The selection was made by interviewers in the field, following the records of the quota-based specification and guidelines contained in the instruction. The instruction contained rules concerning sample differentiation depending on the class of location:

- ◆ no more than 60% and no less than 30% of the quota for a province (treating each of the three employment categories separately) could be processed in cities of 100 thousand and more inhabitants;
- ◆ minimum one questionnaire should have been processed in a village and one in a town up to 20 thousand inhabitants (if the quota for the province in one employment category was lower than 4, then minimum one questionnaire had to be conducted in a village or in a small town up to 20 thousand inhabitants);
- ◆ the remaining part of the quota of individual samples for the province should have been processed in towns from 20 to 100 thousand inhabitants.

For selection of companies the interviewers used the biggest database of enterprise addresses (*Panorama Firm* [The Panorama of Companies]).

2.2. Weighing of data

Three weights were developed:

- ◆ for individual groups in terms of the number of working persons (according to the PKD section and province);
- ◆ for individual PKD sections (according to groups in terms of the number of persons working and provinces);
- ◆ total sample (according to groups of persons working, PKD 2007 sections and provinces).

In order to determine the weight of individual categories of the sample analysed and its sub-samples, the following algorithm was adopted:

$$W_{pk} = \frac{LO_{pk}}{LU_{pk}}$$

where:

W_{pk} - weight in p^{th} sample (sub-sample) for entities classified in category k

LO_{pk} - size expected for this k^{th} category of the p^{th} sample (sub-sample)

$$LO_{pk} = \frac{L_{pk}}{\sum_{k=1}^{k_p} L_{pk}} n_p$$

L_{pk} - number of entities in k^{th} category in the population (sub-populations) from which this p^{th} sample (sub-sample) was selected

LU_{pk} - sample size obtained after processing in the k^{th} category of the p^{th} sample (sub-sample)

k - category number, $k=1,2,\dots,k_p$

k_p - total number of categories in the p^{th} sample

n_p - size of sample processed based on the p^{th} sample (sub-sample).

3

INFORMATION OF THE SURVEYED ENTERPRISE POPULATION AND RESPONDENTS

- 3.1. Size of enterprises
- 3.2. Size of the surveyed population according to the PKD 2007 section
- 3.3. Legal status of the surveyed enterprises
- 3.4. Value of the revenue in 2012
- 3.5. Methods of settlements with the Tax Office
- 3.6. Educational level of owners and managers
- 3.7. Information on respondents
- 3.8. Comments to the presentation of results of the survey

3.1. Size of enterprises

In order to separate three groups of enterprises: micro, small and medium, one of several criteria jointly used in the European Union for defining of the SME sector was applied¹⁷ (SME – micro, small and medium enterprises) – the number of employed.

In relation to the group of micro companies, the survey covered only companies employing at least one employee (where minimum 2 persons work, including the owner). The self-employed persons who do not act as employers were not covered by the survey. Thus, the survey refers to entrepreneurs exclusively.

Table 15. Number of enterprises covered by the survey, according to size classes, and their share in the total population surveyed (raw data)

How many employees are employed by your company based on employment contract?	N	%
2-9	628	41.9%
10-49	606	40.4%
50-249	266	17.7%
TOTAL	1500	100.0%

¹⁷ In accordance with the definition of the European Union, the staff headcount, value of annual turnover and/or value of assets as well as capital relations provide basis for classification of an enterprise to the SME sector (Recommendation of the European Commission 2003/361/EC of 6 May 2003, concerning the definition of micro, small and medium-sized enterprises).

SOURCE: Report of the quantitative studies "SME Sector in Poland", CBOS 2013.

3.2. Size of the surveyed population according to the PKD 2007 section

Table 16. Number of enterprises covered by the survey, according to the PKD 2007 section (raw data)

Size and percentage of enterprises in sections	N	%
Section C – industrial processing	282	18.8
Section E – water supply, sewage and waste management and activities related to reclamation	52	3.5
Section F – construction	242	16.1
Section G – wholesale and retail trade	280	18.7
Section H – transport, storage and communication	137	9.1
Section I – activities related to accommodation, catering services	134	8.9
Section J – information and communication	87	5.8
Section L – real estate service	98	6.5
Section M – professional, research and technical activity	188	12.5
TOTAL	1500	100.0

SOURCE: Report of the quantitative studies "SME Sector in Poland", CBOS 2013.

3.3. Legal status of the surveyed enterprises

In Poland enterprises run by a natural person prevail – in the entire SME population (including the self-employed, not covered by this survey) in 2011, according to GUS¹⁸, such enterprises constituted 92.1%, i.e. 1,641,523. Enterprises of legal persons amount to 142,968 companies, i.e. 8% of the entire enterprise sector (increase by 0.3 percentage point in relation to 2010). In the group of micro

¹⁸ Activity of non-financial enterprises in 2011, GUS, 22.02.2013.

¹⁹ Ibid., own calculations.

companies, in 2011, enterprises of legal persons made only 5.7% of the total population (97,672 enterprises), in the group of small companies – 52.3% (28,739 enterprises), and in the group of medium companies – 85.2% (13,480 enterprises). In 2011, in the entire SME sector, 139,891 enterprises of legal persons operated, which made 7.9% of all micro, small and medium-sized companies¹⁹.

Table 17. Legal status of enterprises covered by the survey (% share in the population surveyed)

Legal form of the enterprise	%
enterprise of a natural person - based on entry to the register	74.3
limited liability company	11.0
civil law partnership	8.6
general partnership	4.2
joint stock company	0.7
limited partnership	0.2
partnership	0.1
other form	0.7
TOTAL	100.0

SOURCE: Report of the quantitative studies "SME Sector in Poland", CBOS 2013.

3.4. Value of the revenue in 2012

Some enterprises from the SME sector do not want to provide financial data concerning their activity, even as basic as the value of annual turnover. Over 22% of the entities surveyed did not provide any response to the question containing the request to indicate the brackets of turnover in 2012, not asking for the specific value of the revenue. Therefore, it is not possible to use the additional criterion to divide enterprises according to size classes, namely the value of turnover.

Table 18. Value of turnover (brackets) in enterprises covered by the survey in 2012

Please, indicate the brackets within which the value of turnover in your company was included in 2012 (in M EUR)	%
to EUR 0.2 million	48.9
from EUR 0.2 million to EUR 0.5 million	15.0
from EUR 0.5 million to EUR 1 million	6.1
from EUR 1 million to EUR 2 million	2.4
from EUR 2 million to EUR 10 million	3.6
from EUR 10 million to EUR 50 million	0.6
above EUR 50 million	0.4
refused to answer	22.1
not applicable (the company was established in 2013)	0.9
TOTAL	100.0

SOURCE: Report of the quantitative studies "SME Sector in Poland", CBOS 2013.

3.5. Methods of settlements with the Tax Office

Among the companies covered by the survey, the majority settled with the Tax Office based on the book of revenues and expenditures – such form was selected by 64.2% of the companies. Slightly more than a half of them selected flat rate tax, others settled their taxes according to the progressive tax scale. Comprehensive bookkeeping applies to slightly more than 20% of the companies surveyed. On the other hand, lump-sum tax is used by 5.3% of entities covered by the survey.

Table 19. Methods of settlements with the Tax Office in enterprises covered by the survey

Methods of settlements with the Tax Office	%
the book of revenues and expenditures - progressive tax (18% and 32%)	30.6
the book of revenues and expenditures - flat rate tax (19%)	33.6
comprehensive bookkeeping - progressive tax (18% and 32%)	6.8
comprehensive bookkeeping - flat rate tax (19%)	13.5
fixed amount tax	0.8
lump-sum tax	5.3
comprehensive bookkeeping for legal persons	9.4
refused to answer	0.1
TOTAL	100.0

SOURCE: Report of the quantitative studies "SME Sector in Poland", CBOS 2013.

3.6. Educational level of owners and managers

Among company owners, persons with secondary education dominate (45.7%). University education of the 1st or 2nd level is recorded in almost 39% of SME owners (increase by 1.5 percentage points in relation to 2012). Less than 10% entrepreneurs have elementary or vocation education (decrease by 2.5 percentage points in relation to 2012).

Table 20. Level of education of owners of enterprises covered by the survey

What is the level of education of your company owner?	%
secondary school	45.7
university degree (BSc, BA, MSc, MA)	38.9
primary and vocational	9.9
university degree with scientific title	3.2
incomplete elementary	0.1
not applicable - the enterprise is a company with shareholders or the government is the beneficial owner of the company	2.1
refused to answer	0.0
TOTAL	100.0

SOURCE: Report of the quantitative studies "SME Sector in Poland", CBOS 2013.

The structure of persons managing enterprises covered by the survey, according to the education, is similar to the structure of owners assessed according to the educational criterion. However, the management staff includes more persons with university education of the 1st or 2nd level – the difference

amounts to 3.2 percentage points. In 2013, as compared to 2012, the percentage of persons with university degree, managing enterprises, increased from 38.5% to 42.1%.

Table 21. Level of education of persons managing enterprises covered by the survey

What is the level of education of your company owner?	%
secondary school	44.8
university degree (BSc, BA, MSc, MA)	42.1
primary and vocational	10.2
university degree with scientific title	2.8
incomplete elementary	0.2
not applicable - the enterprise is a company with shareholders or the government is the beneficial owner of the company	0.0
refused to answer	0.0
TOTAL	100.0

SOURCE: Report of the quantitative studies "SME Sector in Poland", CBOS 2013.

3.7. Information on respondents

The interviewer had a possibility to conduct the interviews with several persons in one company, who were most competent in the specific subject. In practice, the respondents mostly included owners or co-owners of enterprises.

Table 22. Position/role of the respondent in enterprises covered by the survey

Position of the respondent	%
owner	67.9
co-owner	17.2
president of the board / director	5.3
vice-president / deputy director	1.1
financial director	0.6
executive / production director	0.4
sales director	1.5
chief accountant	3.6
other person	6.2
what other person?	including
accountant	0.5
head of HR/HR specialist	0.0
board member, proxy, legal representative of the company, etc.	1.1
directors of other departments / advisers to the Board	0.4
head of sales department	0.4
heads and specialists of other departments (e.g. head of pharmacy, plant, office, hotel, centre, laboratory etc.)	3.8
Member of the Supervisory Board	0.0

SOURCE: Report of the quantitative studies "SME Sector in Poland", CBOS 2013.

3.8. Comments to the presentation of results of the survey

Comments to the presentation of results of survey included in the whole report:

1. All graphs and diagrams were developed by the report authors themselves, based on the survey conducted under the project *Monitoring of the Condition of the SME Sector in years 2010-2012*, co-financed by the European Union under the European Social Fund, and Polish Confederation Lewiatan. If the source is different, it is provided below the relevant Graph.
2. Data for the entire population surveyed shall be marked as “SME_PL”.
3. Data for micro enterprises shall be marked as “micro”, for small enterprises – “small”, for medium enterprises – “medium”.
4. Data according to the gender criterion: in the survey four groups of companies are separated (a sample was not adjusted according to the criterion of a manager’s and owner’s gender):
 - a) **a company owner and manager is a woman**: this group consists of two subgroups of companies – the owner manages her company herself or employs other woman as a manager (share in the sample – 27.8%),
 - b) **company owner and manager is a man**: this group consists of two subgroups of companies – the owner manages his company himself or employs other man as a manager (share in the sample – 61.1%),
 - c) **mixed variant**: this group consists of two subgroups – the owner of the company is a woman and she employs a man as a manager, or the owner of the company is a man and he employs a woman as a manager (share in the sample – 9%),
 - d) **a company has dispersed shareholders or other company/a institution is the majority owner** (share in the sample – 2.1%).

4

SITUATION IN THE ECONOMY AND SITUATION IN THE SECTOR AND IN THE ENTERPRISE ACCORDING TO THE OPINION OF MICRO, SMALL AND MEDIUM ENTERPRISES

- 4.1. Situation in economy
- 4.2. Assessment of the situation in the sector
- 4.3. Assessment of the situation in the enterprise
- 4.4. Tendencies of changes in the SME sector

In the years 2012 and 2013 the situation of the European economy is not the best. In 2012 shallow recession was recorded (decrease of the GDP in the EU by 0.4%), and for 2013 the European Commission forecasts stagnation of the GDP²⁰. In the first half of the year, decline of the GDP by 0.1%, was even expected, however, the economic results of the second and third quarter were better than expected. Following the GDP decline in the first quarter by -0.1% q/q and by -0.8% y/y, in the second and third quarter the increase was noted by 0.3% and 0.2% quarter on quarter, respectively.²¹ Considering the improving economic situation in the majority of the Member States, particularly, in German economy, the biggest in the European Union, slight growth of GDP may be even expected in the whole European Union (EU-28) in 2013.

In 2013, as compared to the EU countries the economy of Poland has positive results. Poland belonged to the group of seven economies where no decline in GDP was noted in the first three quarters of the year, both on a quarterly basis and as compared to the corresponding quarters of the previous year. In this period, only Romania, Latvia and Estonia recorded higher economic growth than Poland. Forecasts for the Polish economy in the entire 2013 were moderately optimistic, oscillating around 1.5%, while poor GDP growth in the first quarter (0.5%) and only slightly better in the second quarter (0.8%) caused reduction of forecasts for the whole year to 1.2%. Only the announcement of the GDP growth rate for the third quarter (1.9%)²², indicating visible recovery of the Polish economy from the slowdown period, has contributed to increase of optimism in the economy and the general belief that the economic growth in 2013 shall be close to 1.5%, while the expectations concerning the growth forecast for 2014 reached even 3%.

The factor contributing to the reversal of trends in the economy, i.e. to the transition from the slowdown to the economic recovery was the lower inflation rate in 2013 as compared to the previous year, accompanied by the expectations that its level shall be also low in the future. In the period from January to September 2013 the consumer price index reached 1.0%, and prices of production sold in industry decreased by 1.3%, whereas a year earlier, the consumer price index increased by 3.9%, and prices of production sold in industry increased by 4.1%. Lower inflation contributed to the recovery of consumer demand, which stimulated enterprises to increase production.

4.1. Situation in economy

In 2013 improvement of economic results has occurred, accompanied by the improvement of entrepreneurs' attitude. According to the research conducted by GUS, at the turn of 2012/2013 the perception of the general climate of economic situation by micro, small and medium enterprises has been the worst since the turn of 2008/2009. The research has covered industry (besides micro enterprises), construction and retail trade²³. GUS shows that the assessments of economic situation by SMEs was improving over the first three quarters of 2013, and the emerging seasonal declines in these assessments were smaller than in the previous years.

Improvement of attitude among entrepreneurs, month by month, is confirmed by the results of economic activity of the enterprise sector, covering medium and large enterprises in GUS research. Still in the first half of the year, the revenue of these enterprises was lower by 1.7% than a year ago whereas after three quarters this decrease was only 0.3%²⁴. It means that the enterprises have

²⁰ <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00115>

²¹ http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-14112013-AP/EN/2-14112013-AP-EN.PDF

²² http://stat.gov.pl/gus/5840_4403_PLK_HTML.htm

²³ http://www.stat.gov.pl/cps/rde/xbcr/gus/KON_w_przem_budow_handlu_uslugach_11m_2013.pdf

²⁴ *Financial results of non-financial enterprises in the period from I-VI 2013*, GUS, 22 August 2013, and *Financial results of non-financial enterprises in the period from I-IX 2013*, GUS, 21 November 2013.

significantly increased sales in the third quarter of 2013. The cost rate has also slightly dropped from 95.4% to 95.3%. Another good news is the growth of financial result on sales of products, goods and materials by 2.4% as compared to three quarters of 2012.

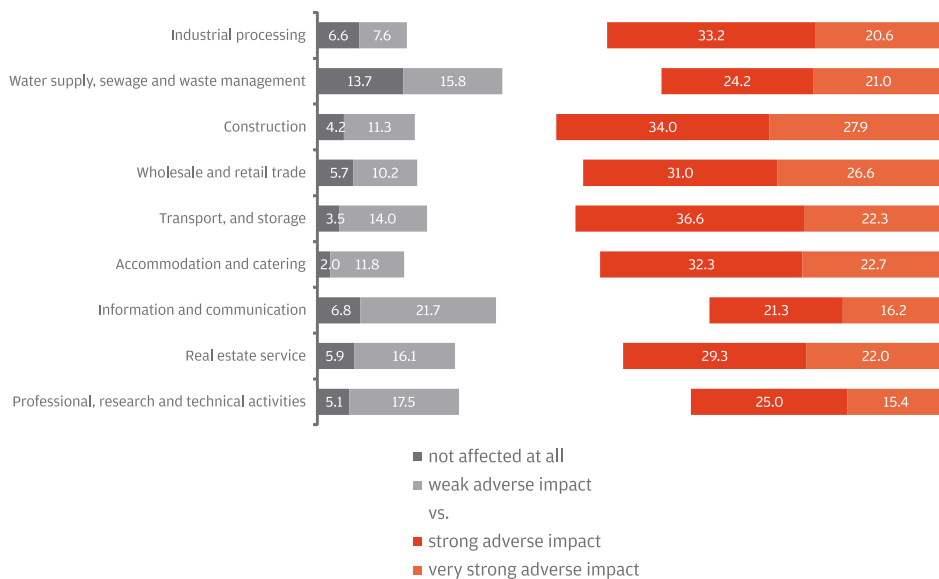
Thus, it can be explicitly stated that the economic situation of Polish enterprises has started to improve in a visible way since the third quarter of 2013. The survey of enterprises discussed in this report was conducted in the second quarter and at the beginning of the third quarter, in the period when the symptoms of recovery were still quite weak. Therefore, in some cases, the moment of conducting of the survey might have influenced smaller optimism of the opinions expressed.

4.2. Assessment of the situation in the sector

Irrespective of the economic branch surveyed, the majority of respondents claims that the sector their company operates in is still affected by the very strong negative impact of the economic downturn.

NOTICE: this comment refers to all graphs in the report where the designation "vs." is used in the legend. In some graphs prepared by the authors for the need of the report, the "empty" part appears, described as versus (vs.). In this way, the authors want to strengthen the message, by separating the "positive" responses from the "negative" responses. The space "vs." contains specific data referring to responses formulated as: "average", "no change", "no impact", "not applicable", "difficult to say" etc.

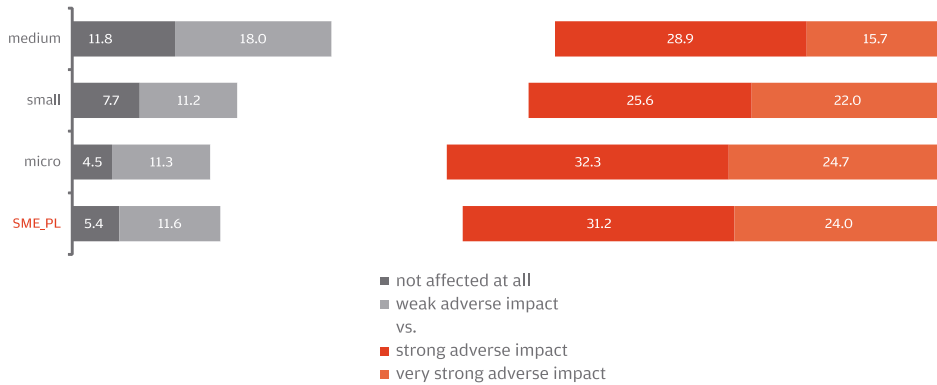
Graph 1. Is the sector your company operates in still affected by the negative impact of the economic downturn? (% SMEs according to economic branches)



Construction enterprises are the most affected, since even 61.9% of the companies feel the adverse impact of the economic downturn on performance of the sector. Definitely, the lowest effects of the economic downturn are perceived by enterprises representing the sector of water supply, garbage and waste management as well as companies associated with information and communication. In case of the first group, the situation may be explained by the fact that this branch mostly provides public utility services purchased by consumers irrespective of the economic situation. Due to the low price flexibility of such services, companies supplying them do not need to be afraid of the decreased demand or the excessively strong response to the changes in prices. Therefore, 13.7% of enterprises operating in this branch declare that they do not expect any impact of the economic downturn on their standing.

4. Situation in the economy and situation in the sector and in the enterprise according to the opinion of micro, small and medium enterprises

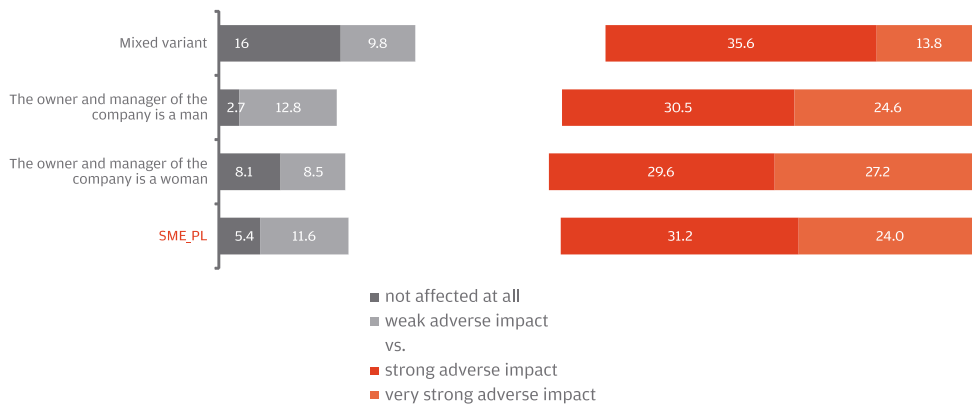
Graph 2. Is the sector your company operates in still affected by the negative impact of the economic downturn? (% of SMEs according to size classes)



Looking at the assessment of the impact of the economic slowdown on branches represented by the surveyed SMEs it is clear that there is correlation between the size of the company and the strength of perception of the economic downturn effects on the branch. The smallest enterprises, i.e. those employing from 2 to 9 employees, demonstrate the strongest perception of the adverse impact. On the other hand, medium enterprises, employing from 50 to 249 employees, indicate the weakest perception of the adverse impact of the economic situation on performance of their sector. The discrepancy is significant – 11.8% of medium companies declare that their sector is not affected by the economic downturn at all, whereas in case of micro enterprises, this value amounts to only 4.5%.

The reasons of this situation should be attributed to the difference in capital resources held by micro, small and medium enterprises. The size of the capital resources of a company is associated with a lower risk of losing the financial liquidity, accordingly, even in case of reduced scale of activities, affecting the sales profitability and liquidity, the enterprise may survive a worse period on the market.

Graph 3. Is the sector your company operates in still affected by the negative impact of the economic downturn? (% SMEs according to the gender of owners and managers)



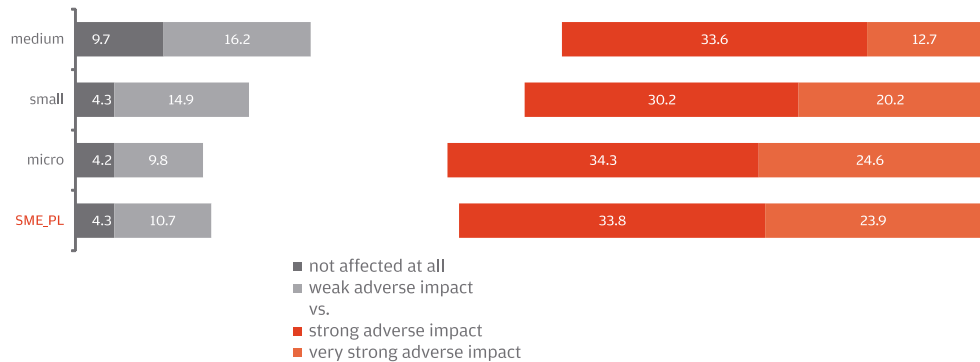
The research on SMEs shows that there are also differences in assessment of the risk of impact of the economic downturn on the situation in the company between companies where owners or managers represent different gender. The highest percentage of companies afraid of the negative impact occurs among “female” companies (56.8% declares strong or very strong impact), and the lowest – among mixed companies (49.4 % declares strong or very strong impact).

Thus, the aforementioned conclusions suggest a question on how much the assessments and concerns of enterprises are determined by their branch structure (for example, relatively high share of “female” companies in the trade sector), rather than by uniformity or diversity of the ownership and managerial staff.

4.3. Assessment of the situation in the enterprise

Entrepreneurs were also asked about direct impact of the current economic downturn on situation in their companies. Concerns are expressed by a similar percentage of SMEs as in case of assessments concerning the impact of the economic downturn on their sectors. The largest difference may be observed among opinions of medium companies, more pessimistically perceiving the situation in their own company (25.9% of enterprises recognises weak impact of the economic downturn on their company) rather than the situation in their sector (29.8 % of enterprises recognises weak impact of the economic downturn on situation in their sector).

Graph 4. Is your company still affected by the adverse impact of the economic downturn? (% of SMEs according to size classes)



Graph 5. Do you expect a possibility of your company losing liquidity, or even declaring bankruptcy, or is the financial standing of the company good and the financial liquidity high? (% of SMEs according to size classes)



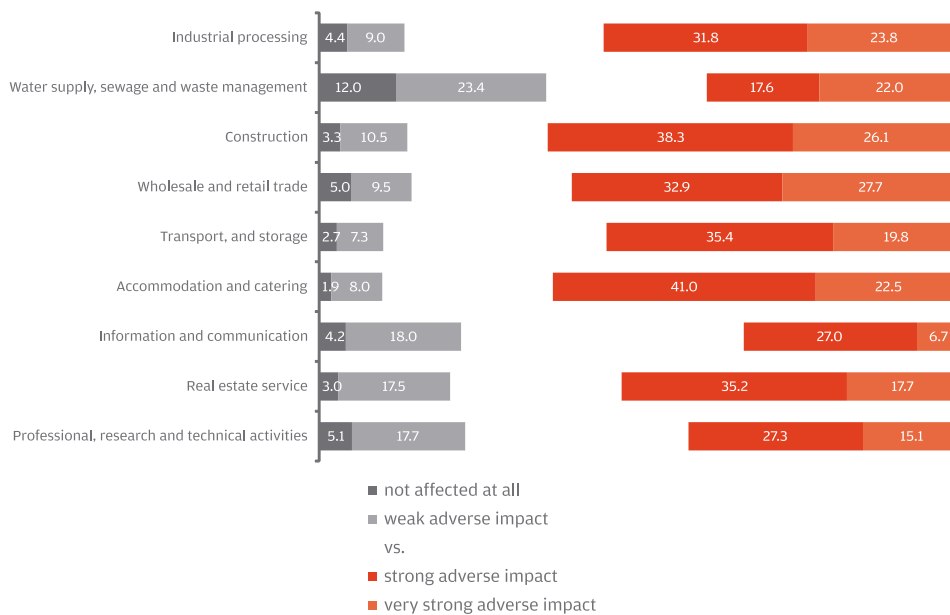
4. Situation in the economy and situation in the sector and in the enterprise according to the opinion of micro, small and medium enterprises

The concerns of the SMEs related to the adverse impact of the economic downturn on their operations, to a large extent, imply the possibility of losing liquidity or even declaring bankruptcy. In the group of medium enterprises, even 53.3% of the companies surveyed considered such possibility. For small enterprises this value reached 43.0%, whereas for micro companies it amounted to 32.4%. Slightly less micro companies, i.e. 32.3% declare that their company has a safe or even very good financial situation and liquidity. The data thus did not confirm the earlier assumption that medium companies, holding larger capital resources bear smaller risk of losing financial liquidity.

Consequently, this picture suggests that a relatively big number of companies has no resources available to maintain financial liquidity and survive the current economic downturn. In case of medium enterprises the fact is also surprising that even companies declaring lack of impact of the economic downturn on their core operations, are afraid of losing their financial liquidity. For the whole SME sector, the percentage of enterprises perceiving strong or very strong impact of the economic downturn reached 57.7%, whereas 34.1% declare the risk of losing their financial liquidity or even declaring bankruptcy. Deducting one value from the other, we obtain the percentage of SMEs (23.6%), which, irrespective of the perceived economic downturn, do not expect a possibility to lose their financial liquidity.

The concerns of micro, small and medium enterprises related to the impact of the economic downturn on situation in their companies are also illustrated by the analysis of SME assessments conducted according to economic branches.

Graph 6. Is your company still affected by the adverse impact of the economic downturn?
(% SMEs according to economic branches)



Graph 7. Do you expect a possibility of your company losing liquidity, or even declaring bankruptcy, or is the financial standing of the company good and the financial liquidity high? (% SMEs according to economic branches)

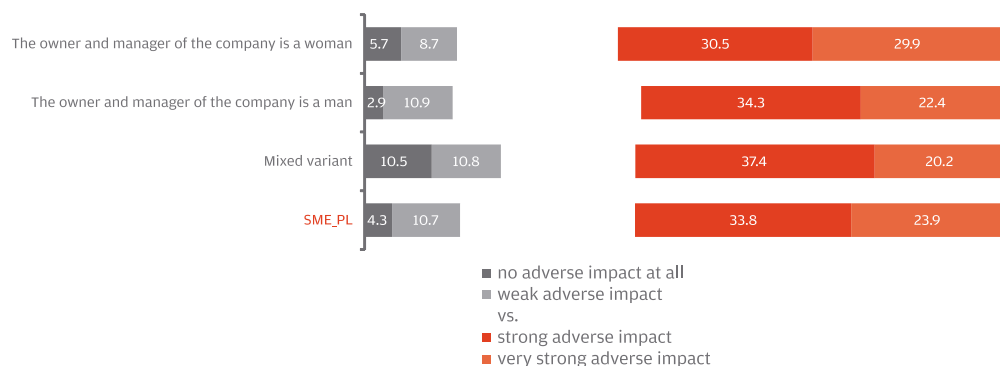


The most difficult situation, directly in companies, is indicated by enterprises representing the construction sector (64.4%) and accommodation and catering (63.5%). For construction companies, year 2012 was not the easiest, therefore even 35.0% of them consider a possibility of losing liquidity. In case of accommodation and catering sector this percentage is slightly lower, reaching 23.8%.

The highest risk associated with losing liquidity is perceived by enterprises representing the sector of water supply, sewage and waste management. However, this is probably the effect of rather unfavourable changes in regulations concerning a part of this sector (waste management) – namely, the so-called garbage act was amended²⁵, which may limit the possibilities of activity and development of many enterprises dealing with collection of municipal waste.

Equally high risk of losing liquidity is declared by enterprises from information and communication sector – even 49.4% of them takes such possibility into account. However, this high statistics does not correspond to the perceived adverse impact of the economic downturn which is communicated by 33.7% of the sector. Therefore, it is possible that in this case the threat of losing liquidity arises from the fast growing competition on the market and the need to implement expensive investments in research and development.

Graph 8. Is your company still affected by the adverse impact of the economic downturn? (% SMEs according to the gender of owners and managers)

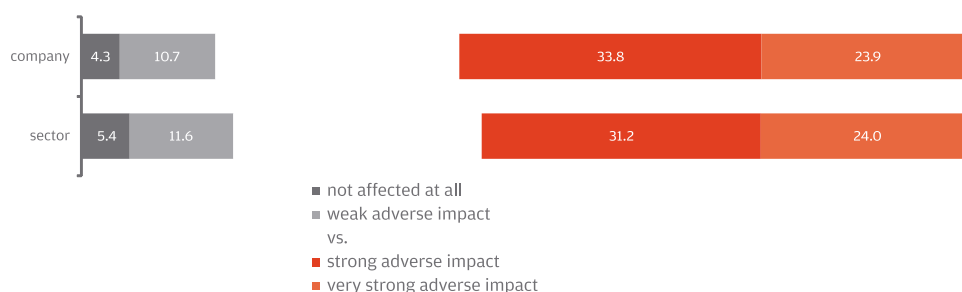


²⁵ The amended act of 13 September 1996 concerning maintaining cleanness and order in communes.

Considering the gender of owner and managers of the surveyed companies, the strongest adverse impact of the economic downturn is perceived by “female” companies (60.4% of response confirming strong and very strong adverse impact). This impact is assessed as the weakest by mixed companies – 21.3% of them does not recognise any adverse impact or perceives weak adverse impact.

The survey performed shows that in 2013, Polish entrepreneurs assessed their “close environment”, i.e. situation in their companies, in a slightly more pessimistic way than the situation in more “distant environment”, i.e. in their sector.

Graph 9. Is your sector and your company operates in still affected by the negative impact of the economic downturn? (% SME_PL)



The table below (23.) presents the difference between the negative assessment of the situation in the company and in the sector, declared by the enterprises surveyed. Net negative assessments were compared to net positive assessments, calculated both for the whole SME sector and for the individual sectors of economy.

Table 23. Difference between negative and positive assessments of the situation in the company and in the sector* by the enterprises surveyed

Specification	assessments-net negative	assessments-net positive
SME_PL	2.5	-2
Industrial processing	1.8	-0.9
Water supply, sewage and waste management	-5.7	5.9
Construction	2.5	-1.7
Wholesale and retail trade	3.0	-1.4
Transport and storage	-3.7	-7.5
Accommodation and catering	8.7	-3.9
Information and communication	-3.8	-6.3
Real estate service	1.5	-1.5
Professional, research and technical activities	2.0	0.2

* The difference between negative/positive assessment of the situation in the company and in the sector: percentage of SMEs evaluating economic downturn in 2013 in their company as strong (strong adverse impact + very strong adverse impact)/weak (no adverse impact perceived at all + weak adverse impact) less percentage of SMEs evaluating the economic slowdown in 2013 in the sector as strong (strong adverse impact + very strong adverse impact)/weak (no adverse impact perceived at all + weak adverse impact).

Among net negative assessments, positive results prevail, which means that the situation in companies was evaluated worse than the situation in the sector (number of negative assessments of the situation in the company exceeds the number of negative assessments of the situation in the sector). Opposite opinion is only presented by representatives of such branches as Water supply, sewage and waste management, transport, storage management as well as information and communication.

Among net positive assessments, on the other hand, negative results prevail, which results from the fact that the majority of enterprises evaluated the situation in their sector more optimistically than the situation observed in their company.

4.4. Tendencies of changes in the SME sector

Within the study on *Monitoring of the Condition of the SME Sector*, carried out in 2011, the typology of enterprises was proposed, constructed based on declarations of the companies, concerning changes in revenues from sales, profits, market share, employment, investments, including implementation of product innovations, investments in R&D, purchase of new technology, licenses, use of external funding. Four types of enterprises were distinguished – at risk, on the crossroads, stable innovators and dynamic innovators. The description of features of individual types of enterprises is contained in diagram 1. All the entities surveyed were classified to one of the distinguished categories.

Diagram 1. SME typology based on enterprises' plans in 2013 – description

SME TYPE	FEATURES (based on forecasts in 2013)
AT RISK	<ul style="list-style-type: none"> • Expect decline in revenues on sale, decrease in market share and reduced profit • Do not invest • Do not launch new products on the market • In principle, do not use bank credits or leasing • Expect reduction of employment based on employment contract in their companies
ON THE CROSSROADS	<ul style="list-style-type: none"> • Expect decline in revenues on sale, decrease in market share and reduced profit • The majority would not invest in research and development, or purchase of new technologies, licenses, or implement own technology • However, some invest in fixed assets and such investment will be kept at a level of previous year • Some would launch new products / services on the market • The majority does not use leasing or bank credits • Expect certain reduction of employment based on employment contract in their companies
CAREFUL INNOVATOR	<ul style="list-style-type: none"> • Expect increased revenues on sales and market shares, profit will remain at a level similar to previous year • Invest to a limited extent in purchase of new technologies, licenses, implementation of own technology • Plan launching new products/services on the market (slight increase) • Some invest in fixed assets and such investment will be kept at a level of previous year • Significant part uses bank credits and leasing • Employment shall remain at the same level
DYNAMIC INNOVATOR	<ul style="list-style-type: none"> • Expect increased revenues on sales and profit, their market share will grow • Invest in research and development, purchase of new technology and implement own technologies (slight increase) • Invest in fixed assets and such investment shall increase • Plan launching new products/services on the market (increase)

SOURCE: J. Kalka, CBOS; M. Starczewska-Krzyszczoszek based on analysis of results of the survey *SME sector in Poland, strengths and weaknesses, opportunities and threats*, under the project *Monitoring of the Condition of the SME Sector in years 2010-2012*, co-financed by the European Union under the European Social Fund, Confederation Lewiatan, survey from 2011 and 2012.

Year 2013 brought significant changes in forecasts (expectations) of the surveyed enterprises. Although the number of companies “at risk” decreased (from 33.1% to 29.4%), in this year it was the most sizeable group. It results from significant changes in distribution between all four groups, with special attention to the group of dynamic innovators. In the latter case, the share increased by 11.8 percentage points, which means almost double growth. This situation indicates that enterprises do not only expect growth of their revenue on sales and increased profits but they also foresee that their market share will increase. Moreover, companies increase their investments (both in research & development and technology as well as in fixed assets) and they plan launching new products or services on the market. Increased investments of companies mean growing optimism among enterprise owners which probably results from the first symptoms of economic recovery.

Diagram 2. SME typology based on enterprises' plans in 2013 – structure according to size classes (%)

SME TYPE	Year	SME	MICRO	SMALL	MEDIUM
AT RISK	2011	27.9	30.4	11.4	2.6
	2012	33.1	35.8	18.0	10.9
	2013	29.4	31.5	17.0	13.0
ON THE CROSSROADS	2011	22.8	21.7	30.4	20.2
	2012	33.7	34.6	29.4	14.8
	2013	26.3	27.1	22.9	10.3
CAREFUL INNOVATOR	2011	30.4	31.5	24.2	16.0
	2012	20.5	17.5	38.6	63.0
	2013	20.0	17.4	34.8	55.7
DYNAMIC INNOVATOR	2011	18.9	16.3	34.0	61.2
	2012	12.4	12.1	13.9	11.3
	2013	24.2	24.0	25.3	21.0

Micro, small and medium enterprises perceive the situation and the development opportunities in different way. In 2013 among companies employing from 2 to 9 persons, companies “at risk” made the biggest group. In spite of the decrease by 4.3 percentage points in relation to the previous year, this group still constitutes about 1/3 of all micro enterprises.

Different situation is observed among small and medium companies, where “careful innovators” make the biggest groups. In case of small enterprises, this group comprises over 1/3 of companies, whereas among medium enterprises, this group contains over a half of the companies surveyed. It is also worth mentioning that both in small and medium enterprises the number of dynamic innovators significantly increased – by 11.4 and 9.7 percentage points, respectively.

Diagram 3. SME typology based on enterprises' plans in 2013 - structure according to economic sectors (%)

SME TYPE	Year	AT RISK	ON THE CROSSROADS	CAREFUL INNOVATOR	DYNAMIC INNOVATOR
SME_PL	2011	27.9	22.8	30.4	18.9
	2012	33.1	33.7	20.5	12.4
	2013	29.4	26.3	20.0	24.2
C - industrial processing	2011	16.7	21.3	32.4	29.5
	2012	27.1	28.6	31.3	13.0
	2013	9.2	19.1	34.6	37.1
E - water supply, sewage and waste management, reclamation	2011	12.6	49.4	18.6	19.4
	2012	18.9	25.7	36.5	18.9
	2013	17.4	32.6	13.0	37.0
F - construction	2011	30.7	22.8	29.3	17.2
	2012	25.2	38.8	21.4	14.6
	2013	20.3	38.6	22.0	19.1
G - wholesale and retail trade	2011	33.1	23.7	28.5	14.7
	2012	42.1	32.1	17.1	8.6
	2013	42.2	24.9	17.7	15.2
H - transport and storage management	2011	16.2	31.1	29.1	23.6
	2012	17.2	40.4	36.4	6.0
	2013	25.7	30.9	17.6	25.7
I - activities related to accommodation, catering services	2011	22.1	30.8	27.0	20.0
	2012	31.7	43.2	17.3	7.9
	2013	26.9	33.6	13.4	26.1
J - information and communication	2011	21.2	6.5	31.0	41.3
	2012	13.4	34.8	19.6	32.1
	2013	8.0	13.8	28.7	49.4
L - real estate service	2011	27.9	11.7	49.3	11.1
	2012	40.5	21.6	19.8	18.0
	2013	36.7	21.4	9.2	32.7
M - professional, research and technical activity	2011	32.4	16.5	35.6	15.5
	2012	31.8	35.8	8.6	23.8
	2013	27.7	23.9	12.5	35.9

The forecasts also significantly differ depending on the economic sector surveyed. The strongest concerns are expressed by commercial enterprises and those related to real estate services – they are the sectors where the percentage of companies at risk is still the highest. Such situation results from the fact that on the period when the survey was conducted the purchasing tendency of consumers still remained at a low level.

Construction companies are still a little “lost”. This should not be surprising since the previous year was extremely difficult for them. The group of companies “on the crossroads” in the sector has, however, slightly decreased. After a wave of bankruptcy cases stabilisation period started. Some companies had to change their business model and search for new opportunities. Their number decreased but, owing to that, entities remaining on the market could strengthen their position since the number of dynamic innovators has increased in this sector.

Significant changes, as compared to the previous year, occurred in the information and communication sector. Both the number of careful innovators and dynamic innovators has strongly increased in this sector. Companies operating in this sector became aware that their continued market presence will depend on investment. Companies conducting editorial activities, radio and television companies and telecommunications enterprises are under restructuring which should enable them to adjust to new conditions. The fact that a part of them is currently changing their business models also should not be disregarded.

A picture of enterprises of SME sector arising from the typology applied is more optimistic than in 2012 – in micro, small and medium enterprises the number of dynamic innovators has strongly increased. However, this optimism does not apply to all enterprises since in the group of medium companies a number of enterprises at risk has increased. The increased risks started to be perceived by companies dealing with transport and storage. Their situation, like in case of commercial enterprises, is strongly dependant on the current condition of the economy. Although only the first signs signalling the end of the economic downturn are visible, many companies look forward into the future more optimistically.

5

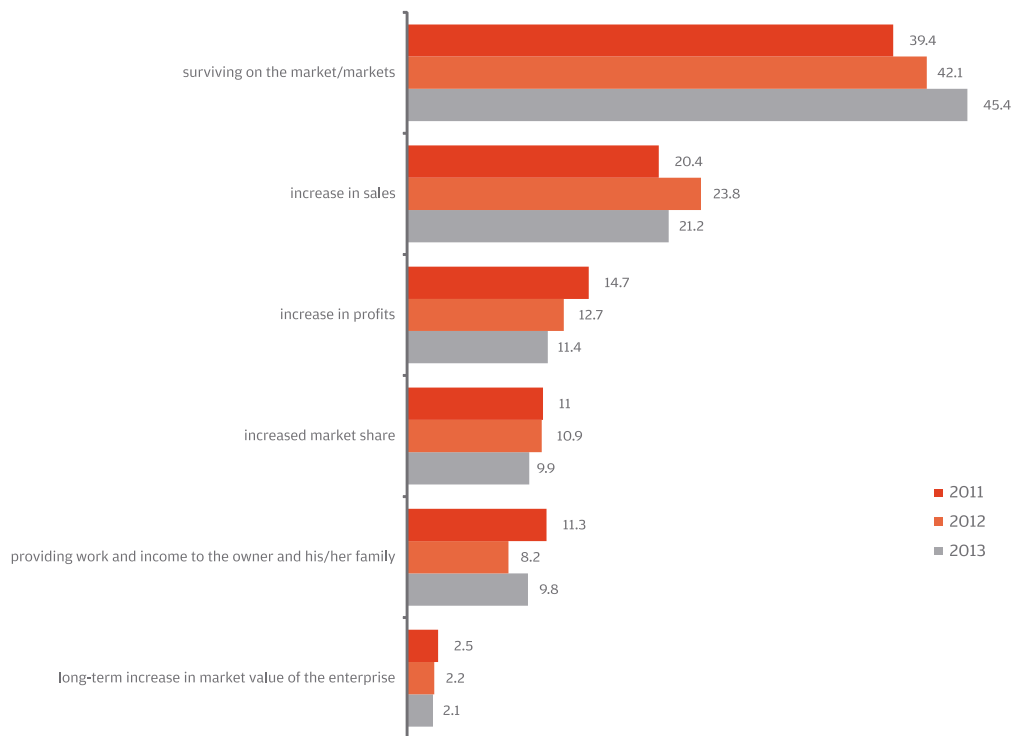
STRATEGIC OBJECTIVES, INVESTMENTS AND INNOVATIVENESS OF MICRO, SMALL AND MEDIUM ENTERPRISES

- 5.1. Strategic goals of enterprises
- 5.2. Investments of enterprises
- 5.3. Approach to innovativeness
 - 5.3.1. Investments of enterprises in innovation
 - 5.3.2. Future plans of enterprises
 - 5.3.3. Reasons for implementation of innovation
 - 5.3.4. Research and development in enterprises

5.1. Strategic goals of enterprises

Year 2013 brought minor changes in the overriding strategic goals declared by micro, small and medium enterprises. Similar to 2011 and 2012, the majority of the companies decided that their strategic goal is to survive on the market (45.4%). The number of companies declaring such overriding goal is increasing successively, which is confirmed by the difference of 6 percentage points in relation to 2011.

Graph 10. What is the overriding strategic goal of your company? (% SMEs; 2011, 2012 and 2013)



NOTICE: the graph does not include the responses "other goal" and "difficult to say".

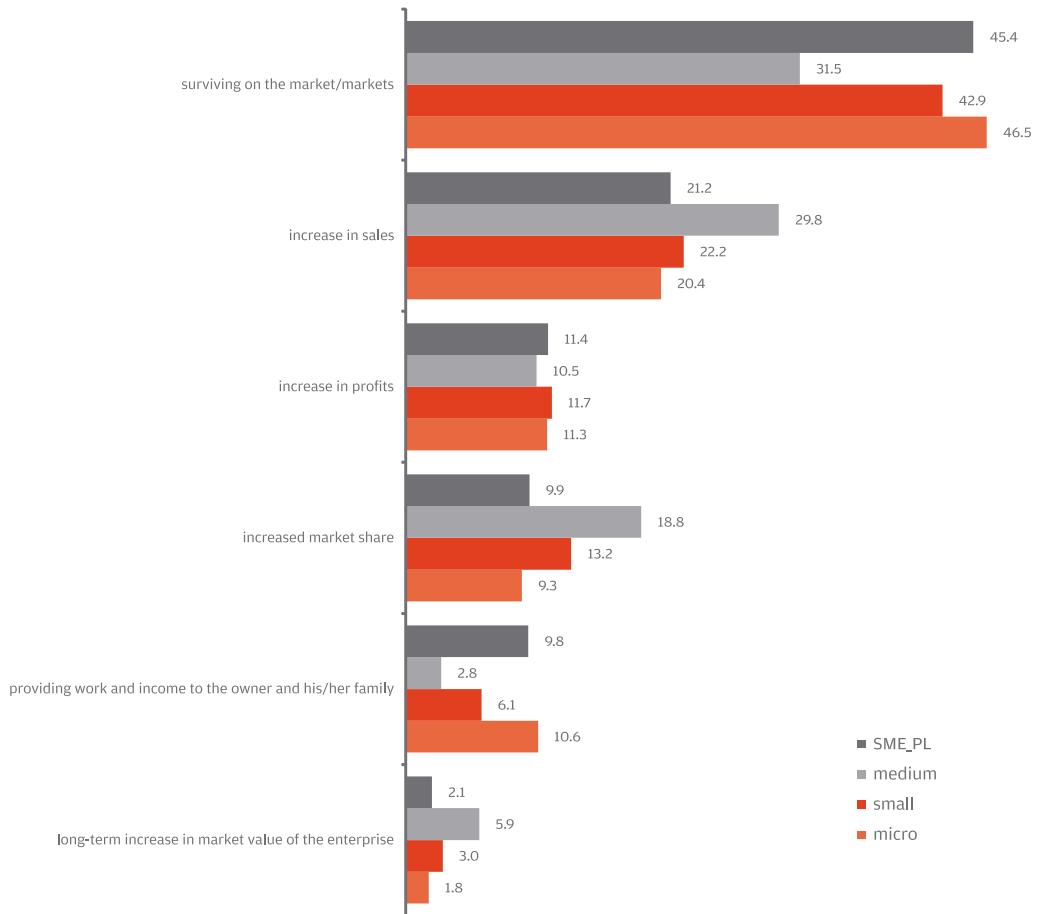
The second strategic goal, most commonly declared among the SMEs is the growth of sales (21.2%). However, in this case, decrease in relation to 2012 is observed. In case of the third most commonly provided strategic goal, i.e. increase in profit (11.4%), the downward trend has been maintained since 2011 (decrease by 3.3 percentage points in relation to 2011).

Adopting the goal of surviving on the market as the overriding strategic goal confirms the defensive instead of expansive attitude. The small and decreasing role of increased market share is alarming.

The conclusion arising from the above data is the fact that more and more SMEs are afraid of the necessity to abandon their market, consequently resigning from investment in increased production. This situation, consequently, implies the lack of ambition to increase profits and market share of the company.

NOTICE: the graph does not include the responses "other goal" and "difficult to say".

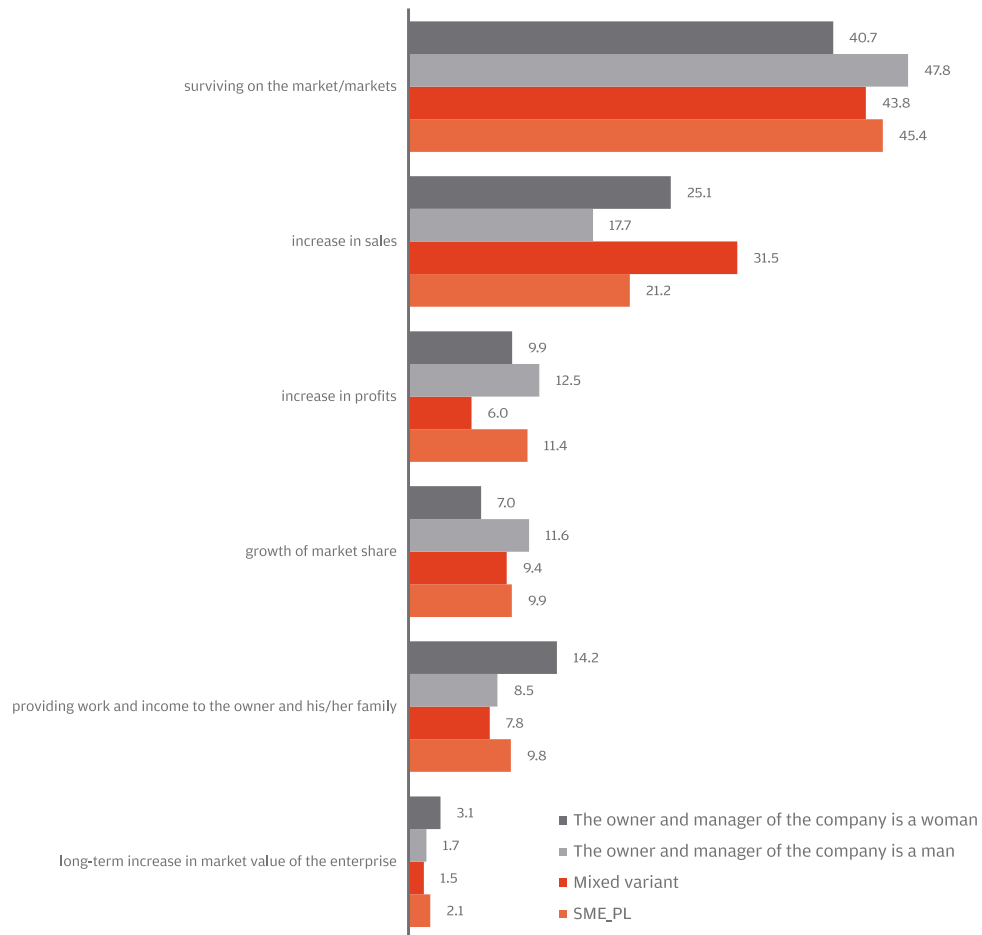
Graph 11. What is the overriding strategic goal of your company? (% of SMEs according to size classes)



In the group of micro companies, even 46.5% of enterprises are focused on surviving on the market. Adding 10.6% of companies declaring providing work and income to the owner and his/her family as their strategic goal, it turns out that even 57.1% of micro enterprises do not focus on development but on activities which enable to survive.

Medium companies definitely run more open business. In their case, 31.5% concentrate on surviving whereas the overriding strategic goal for even 29.8% of them is to increase sales, and 18.8% focus on increasing of their market share.

Graph 12. What is the overriding strategic goal of your company? (% SMEs according to the gender of owners and managers)

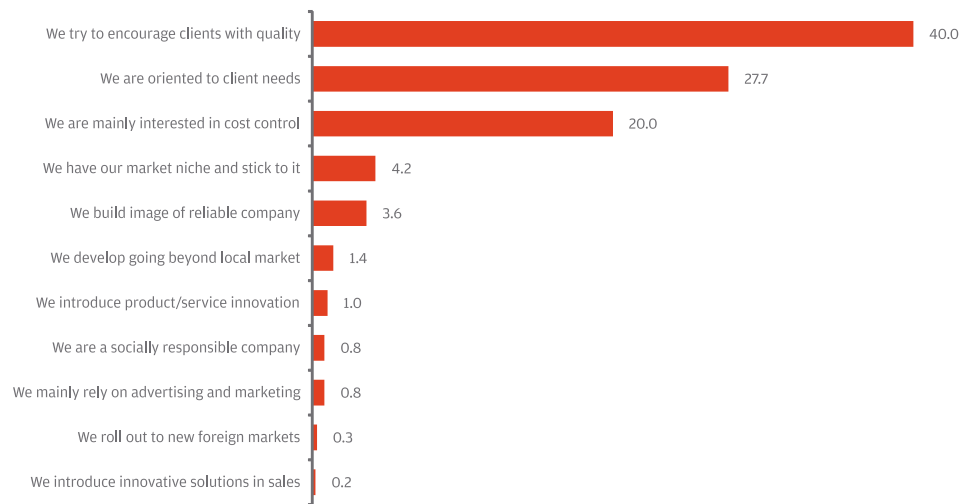


NOTICE: the graph does not include the responses "other goal" and "difficult to say".

Irrespective of the gender of owners or managers of the company, surviving on the market is the dominating strategic goal of the surveyed enterprises. However, it is mostly significant for companies managed by men (47.8%). Female companies, besides surviving on the market (40.7%) and growth of sales (25.1%), focus also on the goal of providing work and income to the owner and his/her family (14.2%).

NOTICE: the graph does not include the response "other".

Graph 13. How does your company reach this strategic goal? The most important method - indicated on the first place. (% SME)

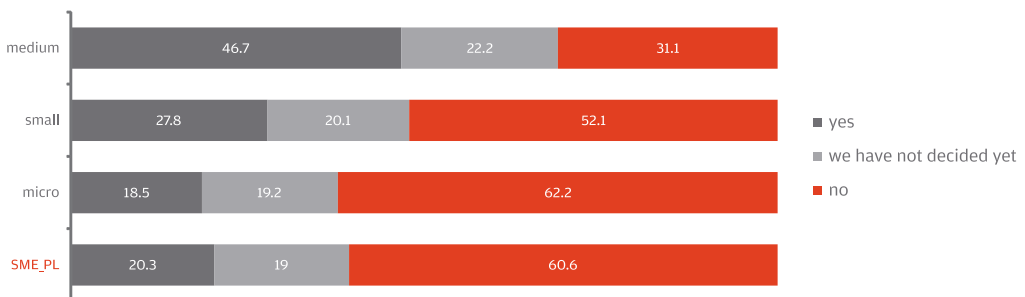


In order to achieve the assumed strategic goal, 40% SMEs try to encourage clients with quality of their products and services while 27.7% are oriented to client needs, offering products or services adjusted accordingly. Unquestionably, it is a positive phenomenon. On the other hand, 20% of companies declare that they control their costs on an on-going basis. This group certainly comprises enterprises whose overriding strategic goal is to survive on the market or to increase profits.

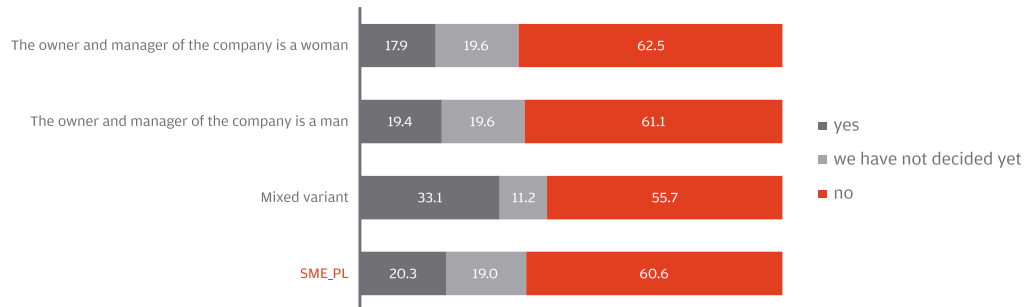
5.2. Investments of enterprises

In accordance with the strategic goals imposed, the majority of SMEs does not implement or plan investments in 2013. Most of them are micro companies which are predominantly afraid of the necessity to leave their market (only 18.5% of them implements or plans investments in 2013).

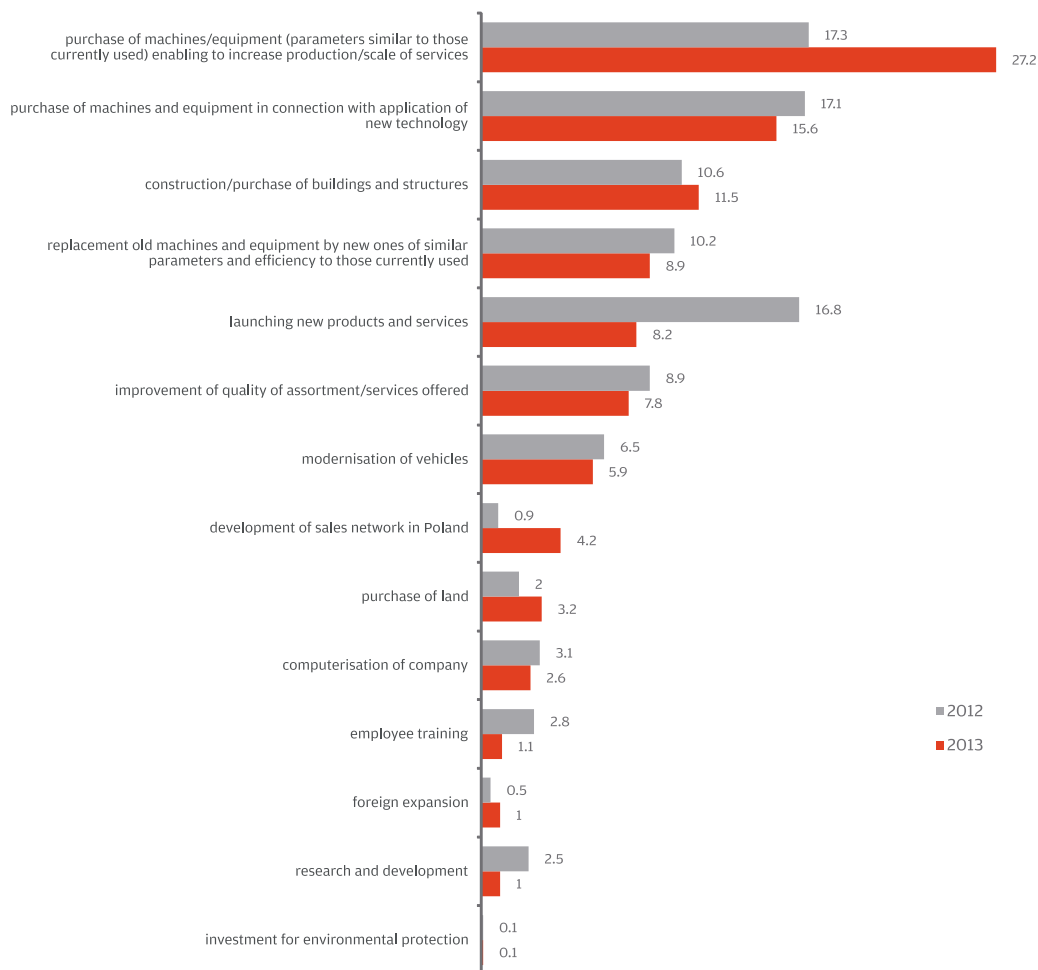
Graph 14. Does your company implement/plan investments in 2013? (% of SMEs according to size classes)



In the group of medium enterprises 46.7% implements or plans to undertake investments in 2013. Certainly, such investments are associated with the plans of growth of sales, profits or market share. It is also worth mentioning that irrespective of the size of an enterprise, at the moment the survey was conducted, about 20% of the SMEs have not yet taken decision whether they would plan investments in 2013 or not.

Graph 15. Does your company implement/plan investments in 2013? (% SMEs according to the gender of owners and managers)

The majority of companies implementing or planning investments in 2013 are the enterprises managed both by a woman and by a man, i.e. mixed companies (33.1%). Probably the lowest level of investments in 2013 will be implemented in companies managed by women (17.9%), among which even 62.5% do not plan any investments.

Graph 16. What does your company plan to invest/invest in? (% SMEs, 2012 and 2013)

NOTICE: the graph does not include responses "other" and "difficult to say/no final decision".

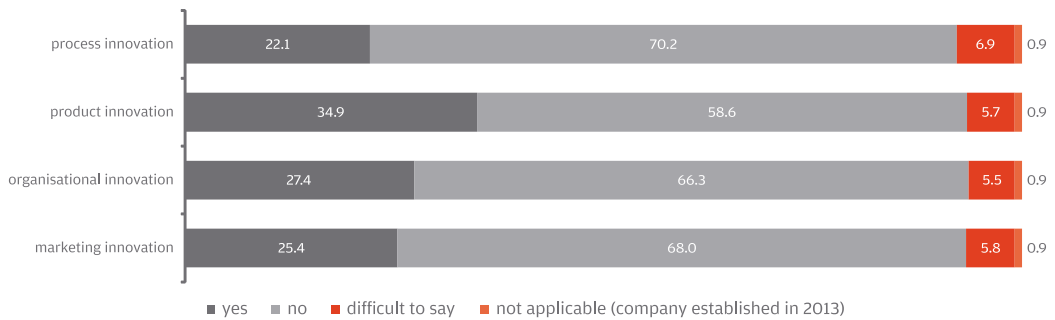
Among companies implementing or planning investments in 2013, the majority (27.2%) plans purchase of machines/equipment (parameters similar to those currently used) enabling to increase production or scale of services. In relation to year 2012 the number of companies planning such investments has definitely increased – last year this group included 17.3%. In order to apply new technology, investment in machines and equipment this year is planned in 15.6% of companies. 8.2% of investing SMEs plan to launch new products or services.

5.3. Approach to innovativeness

5.3.1. Investments of enterprises in innovation

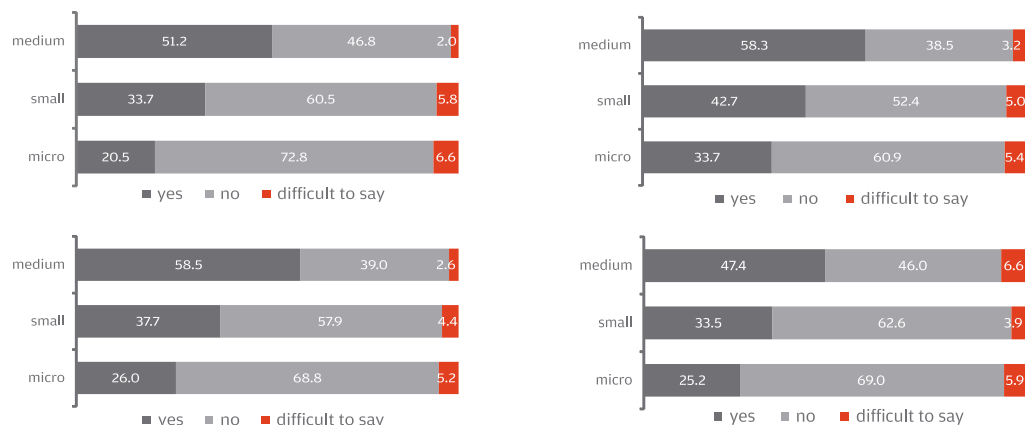
Demonstrating the innovative approach is one of the ways to maintain market position, achieve higher revenue in sales, increased profits and the increased value of the company. However, irrespective of numerous benefits arising from innovation, not all SMEs are interested in it.

Graph 17. Has your company implemented in practice any process, product, organisational, marketing innovations in the period 2010-2012? (% SME)



Over the years 2010-2012 only 22.1% SMEs implemented process innovations, 34.9% – product innovations, 27.4% – organisational innovations, and 25.4% – marketing innovations. Thus, the majority of the enterprises focused on creating competitive products and the lowest number – on improvement of its processes.

Graph 18. Has your company implemented in practice any product, process, organisational, marketing innovations in the period 2010-2012? (% of SMEs according to size classes)



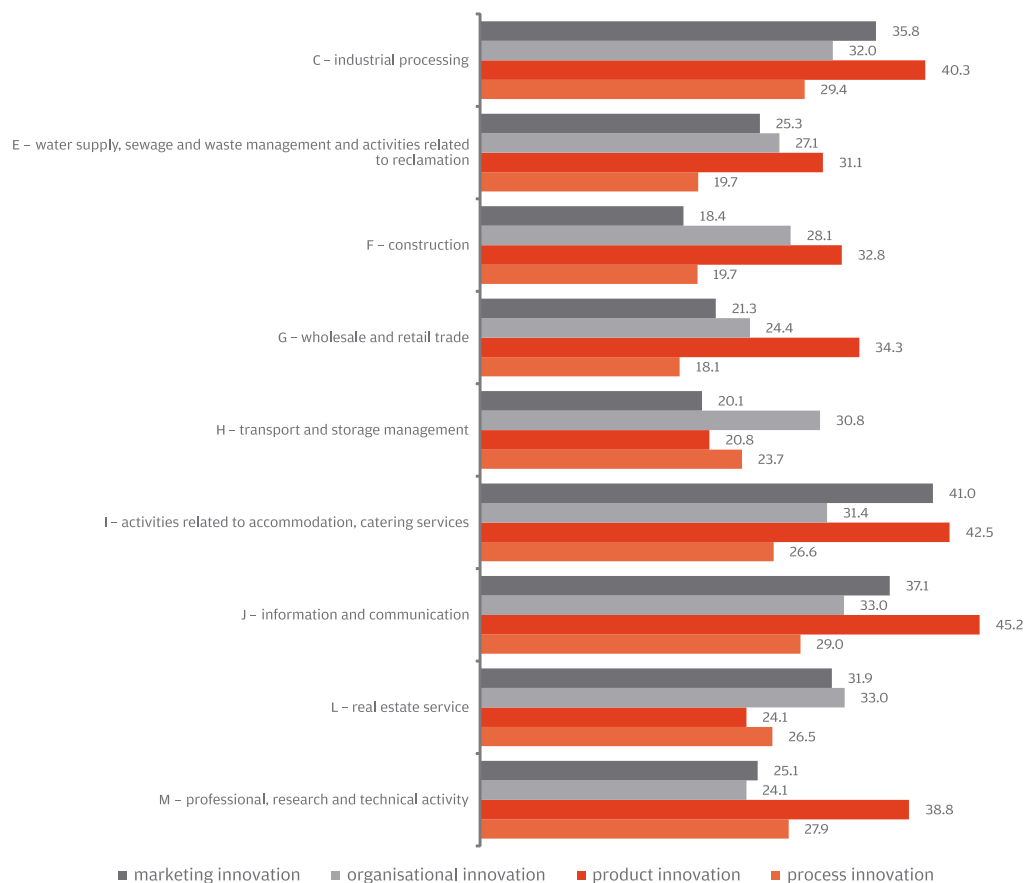
The highest level of innovation was recorded for medium enterprises. They mainly invested in organisational innovations (58.5%) and product innovations (58.3%). Marketing innovations were the least important for them (47.4%).

Among small enterprises, the majority focused on product innovations (42.7%). On the other hand, the lowest expenditure in this group was spent on marketing (33.5%) and improvement of processes (33.7%).

In the years 2010-2012 micro companies launched significantly less investments in innovation as compared to enterprises employing at least 10 persons. Similar to medium enterprises, the highest expenditure was incurred on product innovations – such investments were undertaken by 33.7% micro companies. However, this result is significantly lower as compared to medium enterprises (a difference amounting to 24.6 percentage points).

The above data allows for conclusion that companies of the SME sector undertaking investments in innovation focus on creating new products. Such investments are not always associated with an effort to introduce innovation in the accompanying processes and their marketing, which probably results from the lack of sufficient financial resources.

Graph 19. Process, product, organisational and marketing innovation implemented in practice in the period 2010-2012 (% SMEs according to economic branches)



Considering the analysed economic sectors, the highest level of investments in product innovations in the years 2010 – 2012 occurred in companies providing services related to information and communication (45.2%). Innovation in marketing was the most important for activities associated with accommodation and catering services. The highest number of operational innovations appeared sectors dealing with real estate service and information and communication whereas investment in process innovation was the most common for enterprises operating in industrial processing (29.4%).

In total, the highest number of innovations was introduced in the sectors of information and communication, activities related to accommodation and catering services as well as in enterprises dealing with industrial processing.

Graph 20. Number of innovation types introduced (% SMEs, 2011, 2012 and 2013)

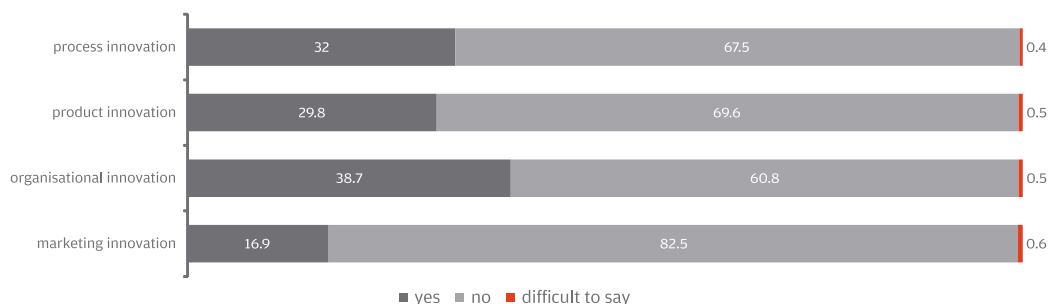


As compared to the period previously analysed (2009–2011), in the years 2010–2012 the number of investments in innovation decreased by 2.3 percentage points. Answering the question on the number of investment types introduced in the period 2010–2012, even 48.8% SMEs declared that they did not undertake any of the investments analysed, 18.8% enterprises introduced one type of innovation, whereas only 8.5% invested in all 4 areas of innovativeness.

5.3.2. Future plans of enterprises

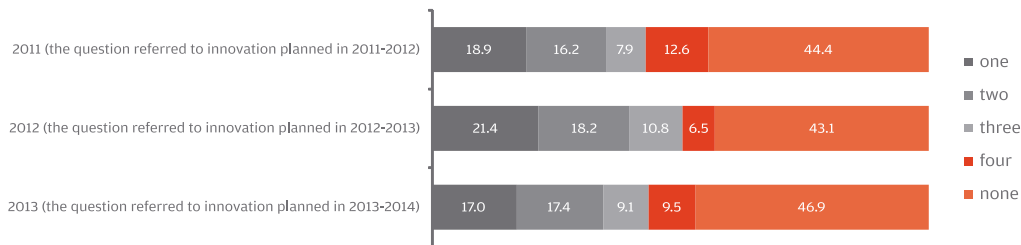
In accordance with the plans of micro, small and medium companies, years 2013 and 2014 should bring many investments in organisational innovation (planned in 38.7% of enterprises). The number of process innovation will also increase – planned by 32.0% SMEs. In order to identify relevant funds in its budget, some enterprises shall resign from product and marketing innovation. In case of the latter, they are planned only by every sixth company.

Graph 21. Does your company introduce/intend to introduce innovation in the years 2013-2014? (% SME)



It can be concluded that the change in the undertaken types of investments in innovation is to lead to the long-term growth of the value of enterprises, thus, to strengthening of their current market position. Focusing on organisational and process innovations the companies want to improve their activity which shall probably affect the increase in production effectiveness.

Graph 22. Number of planned innovation types to be introduced (% SMEs; 2011, 2012 and 2013)

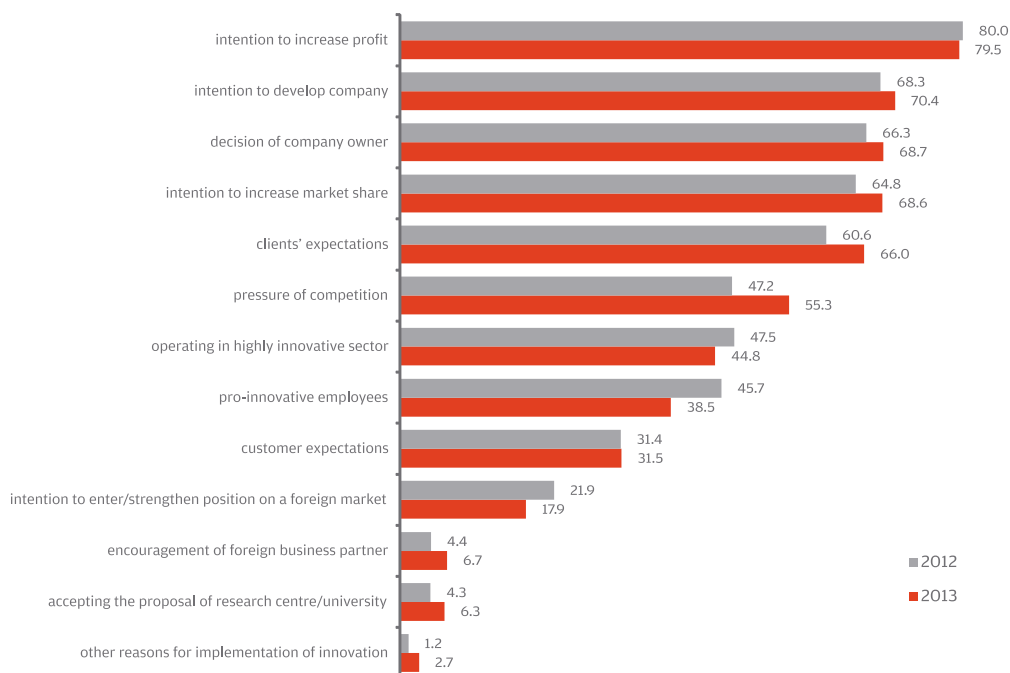


Considering the plans associated with the number of innovations introduced, in 2013 the companies are more pessimistic than in the previous years. Even 46.9% of enterprises does not plan implementation of any innovation. On the other hand, the number of companies declaring introduction of three or four innovations has increased (9.1% and 9.5%, respectively). This trend shows a certain stratification - whereas some enterprises totally abandon any innovation, other companies plan considerable development in this area.

5.3.3. Reasons for implementation of innovation

Taking decision on implementation of innovation, each enterprise has a different motivation. For the majority of the companies, the most important factor influencing such a decision is the strategic goal determined previously.

Graph 23. Reasons for implementation of innovation (% SMEs, 2012 and 2013)

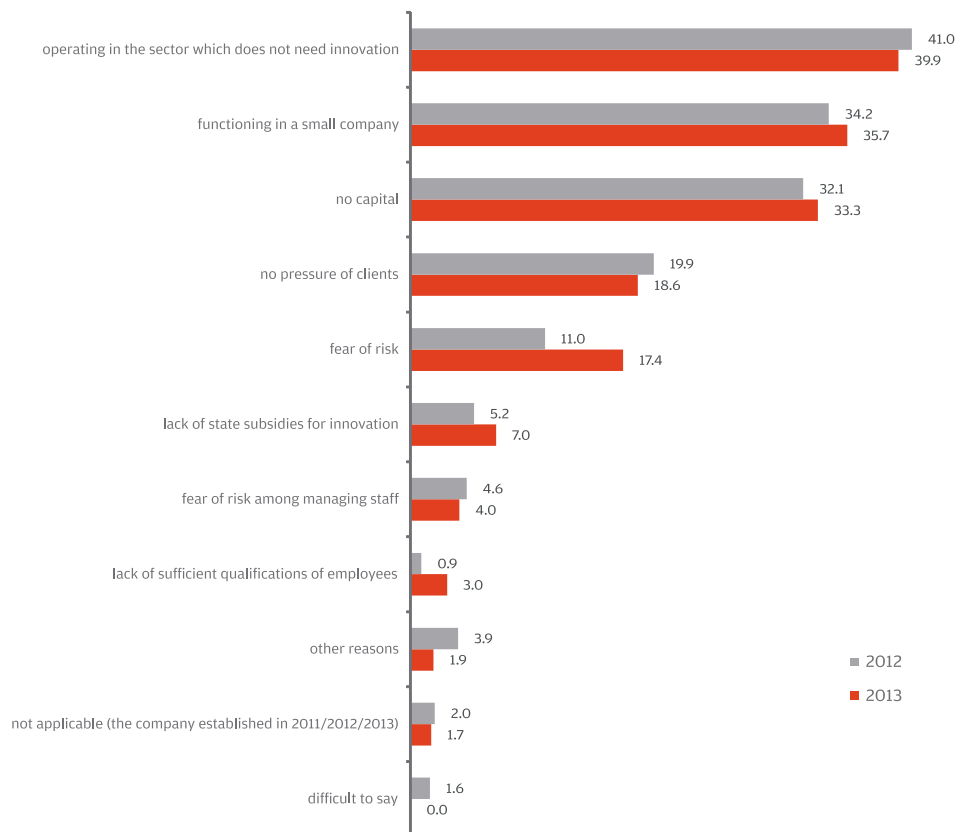


NOTICE: measurement 2012 - only in companies which introduced innovation in 2009 - 2011; measurement 2013 - only in companies which introduced innovation in 2010-2012).

Thus, in accordance with the determined overriding strategic goals, the majority of the companies invest in innovation in order to increase profit, increase market share or for the development of the enterprise. Quite often, it is also the activity undertaken due to the decision of the company owner, or in response to expectations of clients and customers.

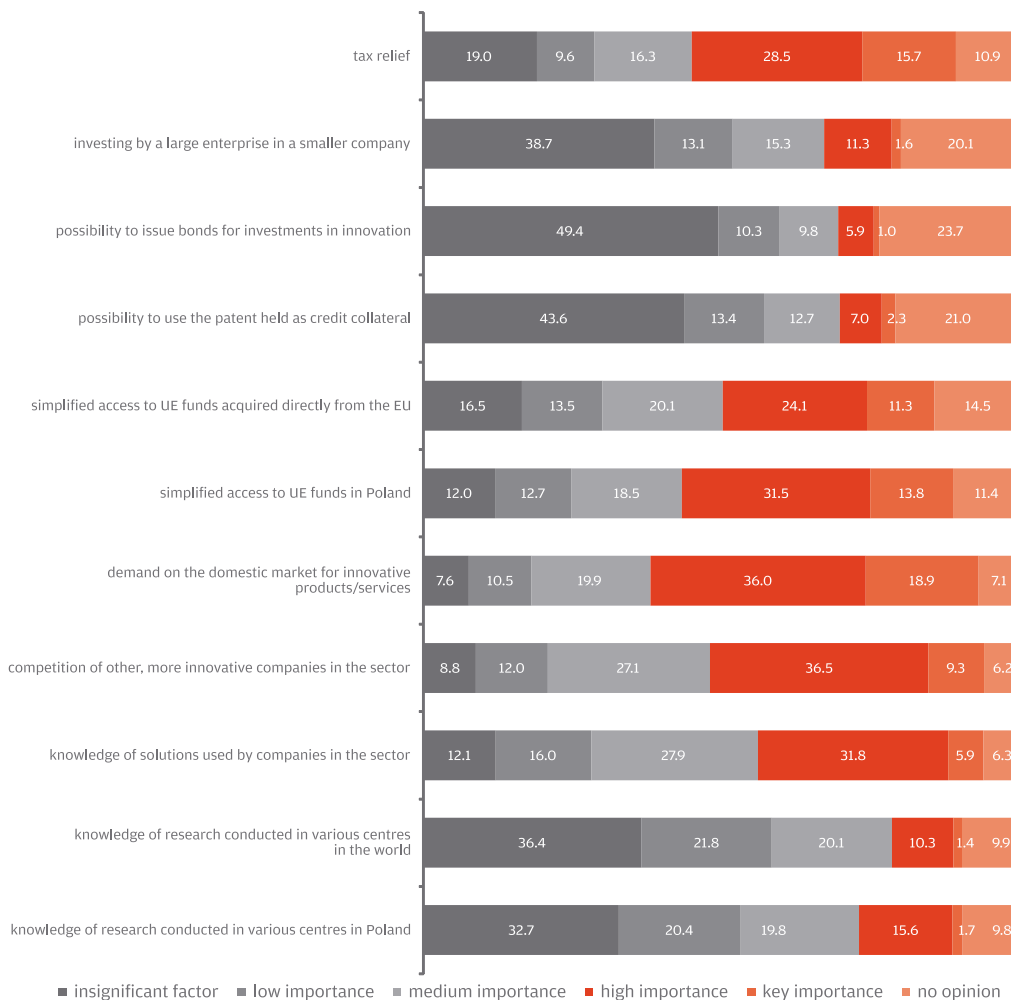
On the other hand, a relatively rare incentive for the SME to introduce innovation is its intention to enter a foreign market or strengthen its market position (17.9%). Only every fifteenth enterprise (6.7%) takes decision on introducing innovation to its company having been persuaded by a foreign business partner. Only 6.3% SMEs accept the proposal to conduct innovative activities in cooperation with a research centre or university.

Graph 24. Why hasn't the company introduced innovations? (% SMEs, 2012 and 2013)



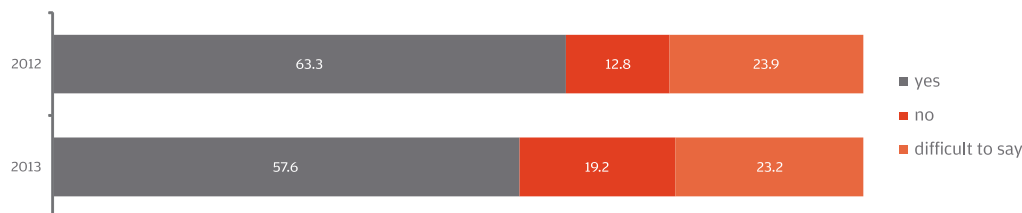
In terms of factors influencing the decision on the lack of investments in innovation, the fact of operating in the sector which does not need innovation is most commonly specified (39.9%). Other reasons causing resignation of companies from this type of investments include small size of the company (35.7%) and lack of sufficient capital expenditure (33.3%). It also happens that clients of the company themselves do not expect introduction of any innovations (18.6%), which certainly enhances the aversion of companies to take risk associated with their implementation (17.4%). Fear of risk among managing staff is indicated by 4% of enterprises, 7% of SMEs resign from innovation in their companies due to the lack of state subsidies, whereas 3% of the companies believe that their employees do not have sufficient qualifications to develop the innovative ideas.

Graph 25. What factors would increase innovativeness of your company or encourage to introduce innovation? (% SME)



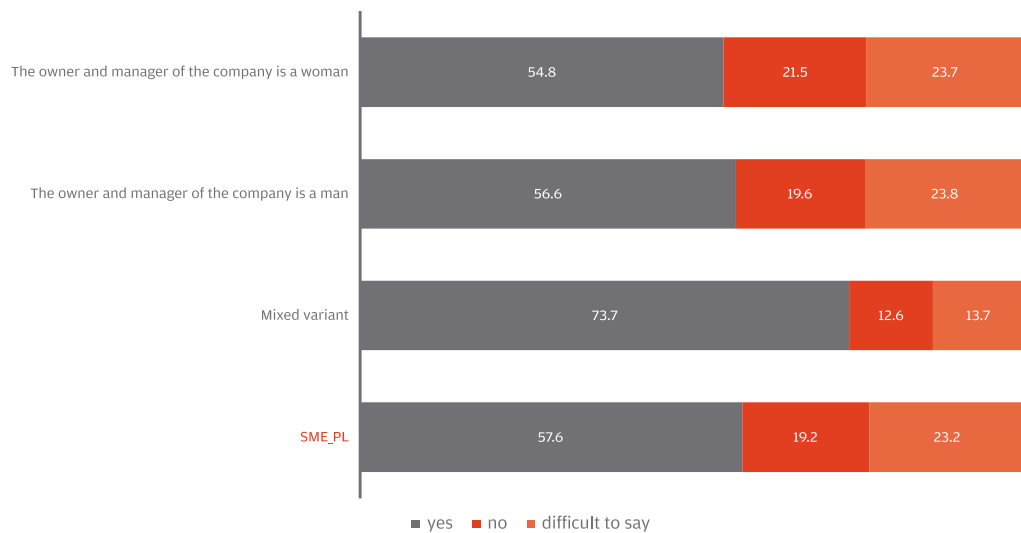
Entrepreneurs asked about factors which would increase innovativeness of their companies or influence their decision to introduce innovation, most commonly listed demand for innovative products and services on the domestic market, tax relief and simplified access to the EU funds in Poland, as well as competition of other, more innovative companies in the sector and knowledge of the solutions used by them. However, the SME representatives have no awareness of the factors of key importance and impact on innovativeness of their enterprises.

Graph 26. Irrespective of whether your company invested/invests in innovation or not, do you think that innovative activities would be useful for your company? (% SMEs, 2012 and 2013)



Irrespective of whether the specific company invests in innovation or not, only 57.6% entrepreneurs believe that innovations are or would be useful in their company. Comparing to 2012, this result is lower by 5.7 percentage points which may indicate that the number of SMEs willing and planning to invest in innovation is decreasing. This picture is quite pessimistic since it shows that for Polish enterprises dynamic development and successive increasing of market dominance is not important. It is a very short-sighted approach since innovation influences not only the development of the enterprise itself but also the development of the entire sector. Innovation almost always increases effectiveness and improves processes of key importance for the enterprises.

Graph 27. Irrespective of whether your company invested/invests in innovation or not, do you think that innovative activities would be useful for your company? (% SMEs according to the gender of owners and managers)



Innovation is considered useful mostly by mixed companies. Whether they invest in innovation or not, even 73.7% believe that innovative activities would be useful in their company. On the other hand, companies managed by women are the least innovative – among those companies, only 54.8% consider innovation as a factor increasing the value of the enterprise.

5.3.4. Research and development in enterprises

In order to introduce an effective innovation, a company should have its own research and development unit or cooperate actively with universities or research institutes. Among the SMEs surveyed in 2013 as many as 95.7% companies neither have their own R&D unit nor cooperate with universities or research institutes.

Table 24. Does your company have its own R&D unit or cooperate with a university/universities or research institutes?
(% SMEs, 2012 and 2013)

Specification	2012	2013
Yes, we have own R&D unit but we also cooperate with a university/research institute	0.2	0.7
We do not have our own R&D unit but we cooperate with a university/research institute	1.7	2.4
Yes, we have own R&D unit	1.3	0.8
We conduct R&D activities for other enterprises/institutions	0.0	0.4
No, we do not have our own R&D unit and we do not cooperate with a university/research institute	96.8	95.7

In relation to the previous year, the number of companies which have their own research unit and cooperate with universities or research institutes (0.7%) and those only cooperating with universities or research institutes (2.4%) slightly increased. However, in relation to 2012 the number of enterprises which have their own R&D unit decreased (0.8%). It may result from the fact that on the market there appeared companies which conduct R&D activities for other companies and institutions (0.4%).

6

USE OF THE EUROPEAN UNION FUNDS BY MICRO, SMALL AND MEDIUM ENTERPRISES

- 6.1. Access to external funding
- 6.2. Application and use of the European Union funds
 - 6.2.1. Application for EU funds
 - 6.2.2. Methods of the European Union funds use
 - 6.2.3. Effects achieved owing to the EU funds
 - 6.2.4. Preferences concerning the use of the EU funds
 - 6.2.5. Criteria of distribution of the EU funds
- 6.3. Awareness of the Small Business Act and the JEREMI and JASMINE initiatives
 - 6.3.1. Small Business Act
 - 6.3.2. JEREMI
 - 6.3.3. JASMINE

6.1. Access to external funding

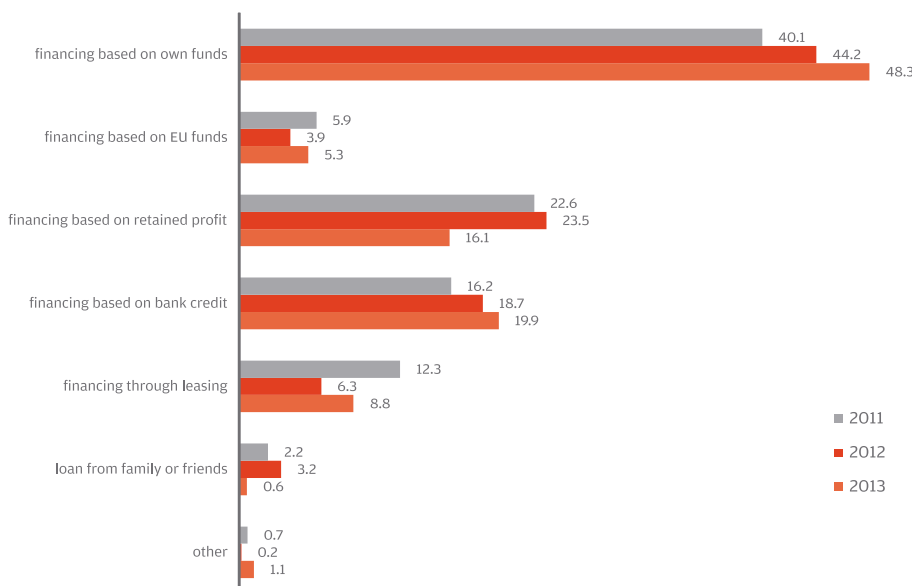
According to the general perception of problems faced by micro, small and medium enterprises, difficult access to external funding is often listed at on the first place. For about 28% of SMEs conditions of access to credits as well as sureties and guarantees hinder their development and have adverse effect on their economic situation.

Graph 28. How do the factors listed affect the development opportunities of your company and its economic and financial situation? (% SME)



In order to reduce the engagement of own capital, enterprises finance their operations through leasing or by means of using the EU funds. Whereas leasing facilitates the development in case of 24.3% SMEs, only 19.4% companies consider access to EU funds as a facilitating measure. On the other hand, even 65.6% enterprises claim that access to the EU funds has no impact on the development of their activities (the sum of answers *no influence* and *not applicable*). What is interesting, in case of all four factors specified above, the highest percentage share falls to responses *not applicable* and *no influence*. It means that SMEs mostly finance their operations based on own funds and do not search for alternative forms of access to the capital.

Graph 29. Based on which sources does your company fund/intend to fund the investment expenses? (% SMEs, 2011, 2012 and 2013)



Asked about sources of financing of their investment expenses, SMEs first indicate own capital (48.3%). Such result is not surprising – since 2011 it has always been the most commonly listed source of financing (respectively, 44.2% and 40.1% for 2011 and 2012). The subsequent popular financing sources in 2013 include bank credits (19.9%) and retained profits (16.1%). We can also observe systematic growth of share of bank credits in sources of financing used by the SMEs. In the period from 2011 to 2013 this share has increased by 3.7 percentage points. However, in case of retained profits, no explicit trend has been noted over the period 2011 – 2013. In the period from 2012 to 2013 share of financing based on retained profit has decreased by 7.4 percentage points. It was probably caused by the expected lower retained profits of enterprises in 2013.

8.8% companies use the possibilities offered by leasing. However, irrespective of significant increase of share of this type of financing in the sources used by SMEs (increase by 2.5 percentage points as compared to 2012), also in this case, no upward trend has been observed since 2011. Surprisingly small number of micro, small and medium enterprises, only 5.3%, reached for the EU funds while deciding on financing of their expenditure.

6.2. Application and use of the European Union funds

6.2.1. Application for EU funds

Lower share of the European Union funds in the sources of financing of investment expenses of the SMEs results from a very low level of involvement of enterprises in attempts aimed at gaining the funds. In 2013 only 14.4% enterprises submitted an application for the EU funds, and financing was awarded to 9.3% of all micro, small and medium companies.

Table 25. Has your company submitted an application/applications and has it received the co-financing from EU funds? (% SMEs, 2012 and 2013)

Specification	2012	2013
Yes – the company submitted the application and received co-financing, only in 2004-2006	1.7	2.2
Yes – the company submitted the application and received co-financing only in the second period, i.e. after 2006	5.4	6.6
Yes – the company submitted the application and received co-financing both in the first and in the second period	1.5	0.5
Yes – the company submitted the application in the years 2004-2006, but has not received co-financing	1.5	0.7
Yes – the company submitted the application only in the second period, i.e. after 2006, but has not received co-financing	2.3	2.6
Yes – the company submitted the application and has not received co-financing both in the first and in the second period	2.5	1.8
The company has not submitted the application	85.1	85.6

The above data indicates the fact that among enterprises applying for EU funds, as many as 65% received co-financing (in the period 2004-2006 or in the second period, i.e. after 2006). In spite of such a high level of effectiveness reached by companies applying for EU funds, the number of enterprises submitting the applications for co-financing decreased by 0.5 percentage points in relation to 2012.

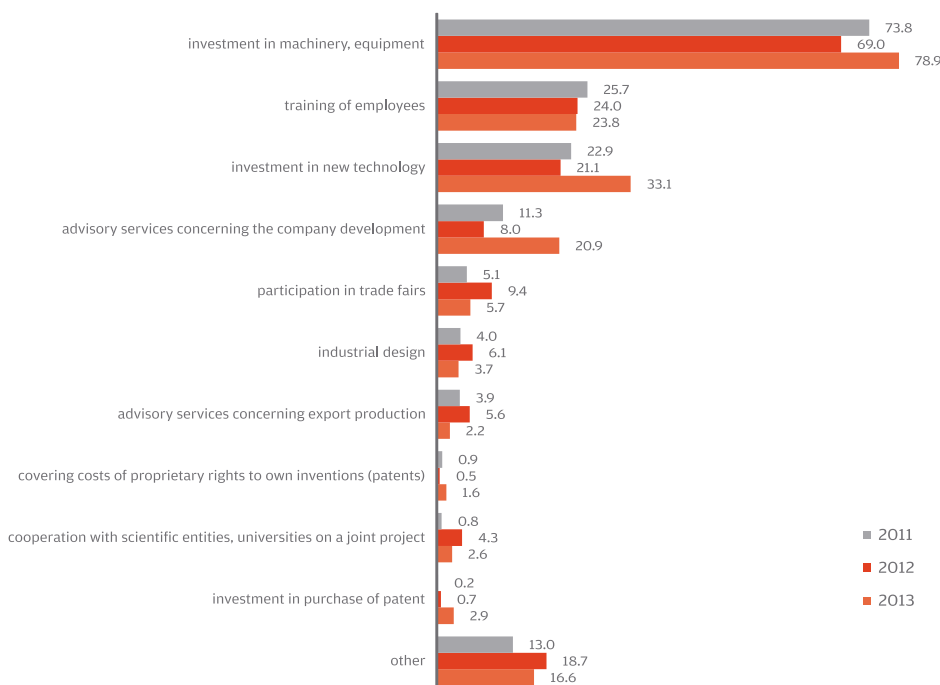
Table 26. Has your company submitted an application/applications and has it received the co-financing from EU funds?
(% of SMEs according to size classes)

Specification	micro	small	medium
Yes - the company submitted the application and received co-financing, only in 2004-2006	1.8	3.2	12.7
Yes - the company submitted the application and received co-financing only in the second period, i.e. after 2006	5.9	10.0	18.9
Yes - the company submitted the application and received co-financing both in the first and in the second period	0.1	2.3	8.9
Yes - the company submitted the application in the years 2004-2006, but has not received co-financing	0.5	2.0	4.5
Yes - the company submitted the application only in the second period, i.e. after 2006, but has not received co-financing	2.5	4.9	5.8
Yes - the company submitted the application and has not received co-financing both in the first and in the second period	1.7	2.2	4.7
The company has not submitted the application	87.5	75.4	44.5

Among all SMEs, the highest percentage of enterprises submitting the application for co-financing from the EU funds was recorded among medium companies (55.5%). Consequently, even 40.5% of medium companies received co-financing in the years 2004-2006 or in the second period, i.e. after 2006, which shows efficiency at a level of 73%. Considering micro companies, only 12.5% decided to submit the application for co-financing, within which funds were awarded to 7.8% of all micro enterprises (effectiveness at a level of 62%).

6.2.2. Methods of the European Union funds use*

* In a group of companies which received EU subsidies after 2006.

Graph 30. What was the allocation of the European Union funds which were used/are used by your company after 2006?
(% SMEs, 2011, 2012 and 2013)

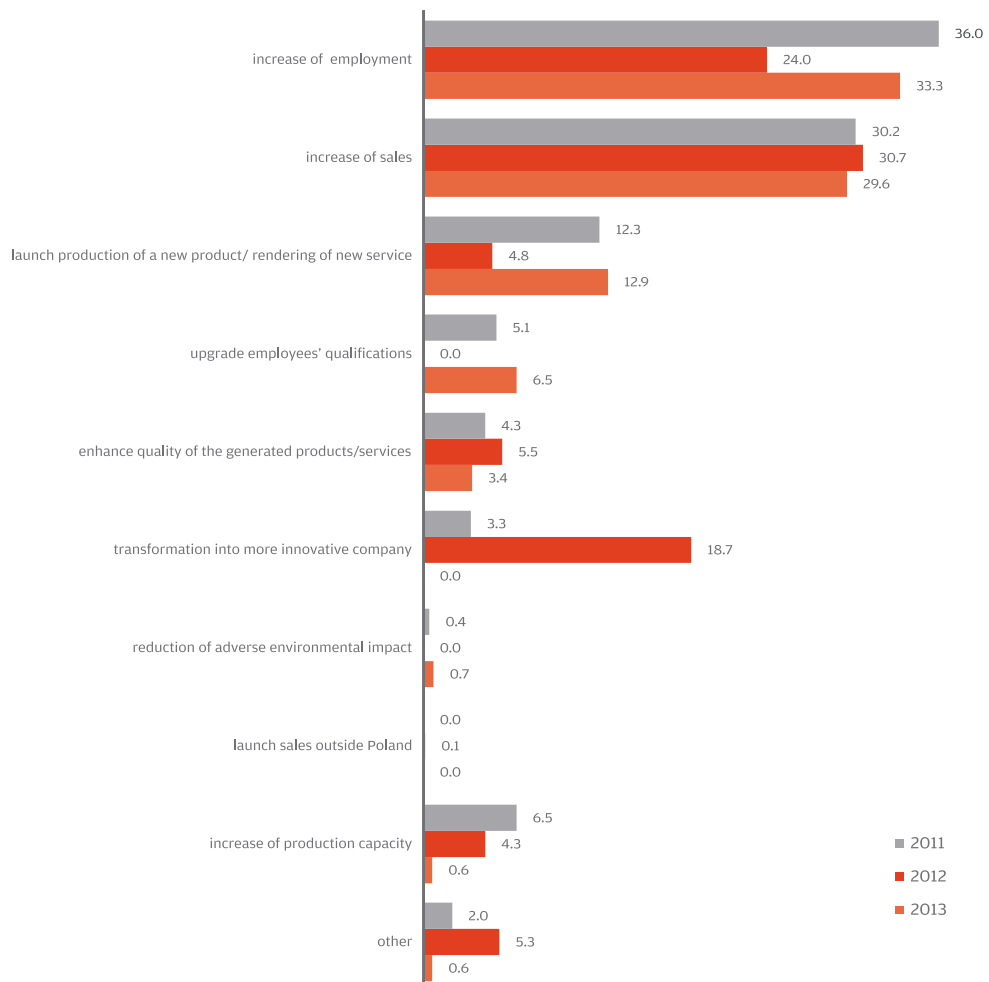
Among companies which received co-financing from the EU funds, the majority allocated the funds granted for investment in machinery and equipment (78.9%), i.e. for increasing their production capacity, or modernisation and replacement of old machines. Such activity was undertaken by 9.9% more companies than in 2012. Significant increase is also observed among enterprises investing in implementation of new technologies. In 2013 this group amounted to even 33.1%, i.e. by 12 percentage points more than in the previous year.

Irrespective of the insignificant decrease of the number of companies allocating the EU funds for training of employees, these expenses still constitute a considerable part of investments undertaken by enterprises (23.8%). Slightly less, i.e. 20.9% of companies recognise the importance of co-operation with entities providing advisory services in the scope of enterprise development, which was significantly neglected in previous years (respectively, 11.3% and 8% in 2011 and 2012).

6.2.3. Effects achieved owing to the EU funds*

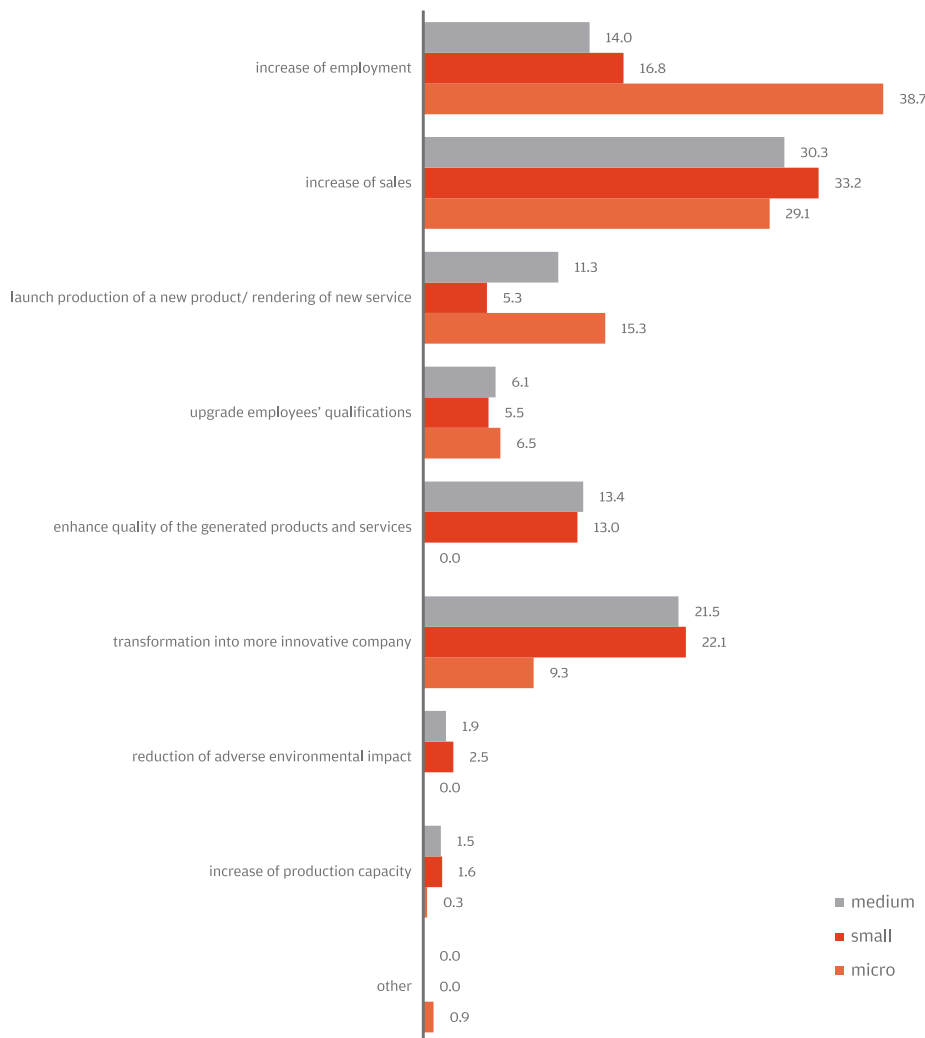
* In a group of companies which received EU subsidies after 2006.

Graph 31. What results has the company achieved/intends to achieve as a result of using the EU funds acquired after 2006? (% SMEs, 2011, 2012 and 2013)



Enterprises undertaking investments financed based on the European Union funds expect return of costs incurred mainly in the form of increased employment (33.3%), increased sales (29.6%), launching the production of a new product or rendering of a new service(12.9%), or upgrading employees' qualifications (6.5%). It is probably the road to achieve the assumed strategic goals which in the majority of cases are oriented towards survival on the market and increase of sales. It is not a very ambitious approach, since it disregards the long-term opportunities of enterprise growth. Such a protective attitude does not stimulate the improvement of competitiveness and it often inhibits its force of attracting new clients.

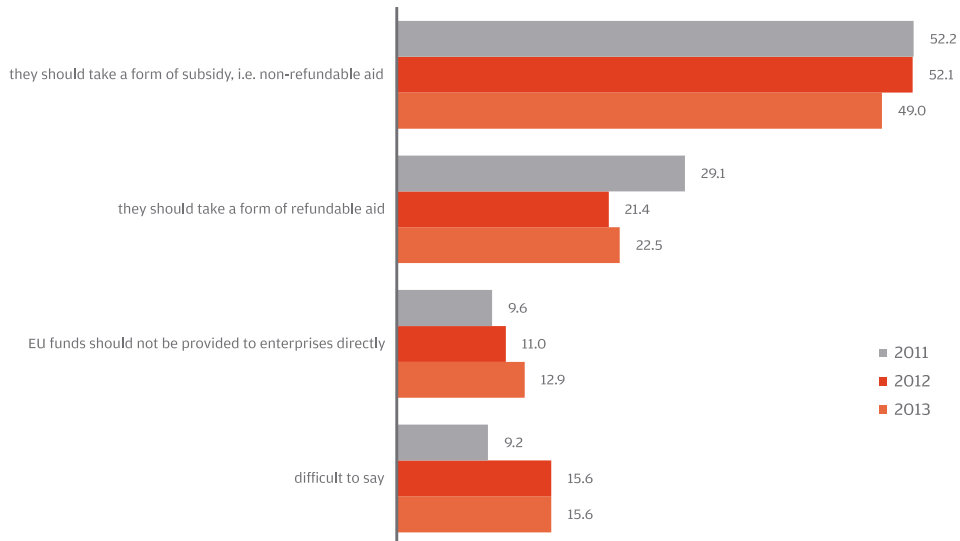
Graph 32. What results has the company achieved/intends to achieve as a result of using the EU funds acquired after 2006? (% SMEs according to size classes)



Considering the number of persons employed in the enterprise, it turns out that the need to increase employment refers mainly to micro companies (38.7%). In small and medium companies increase in sales is the most commonly expected effect resulting from investments incurred (respectively, 33.2% and 30.3%). More or less, plans of every fifth small and medium enterprise also include increasing of own innovativeness.

6.2.4. Preferences concerning the use of the EU funds

Graph 33. In your opinion, how should the EU funds allocated for enterprises be used? (% SMEs, 2011, 2012 and 2013)

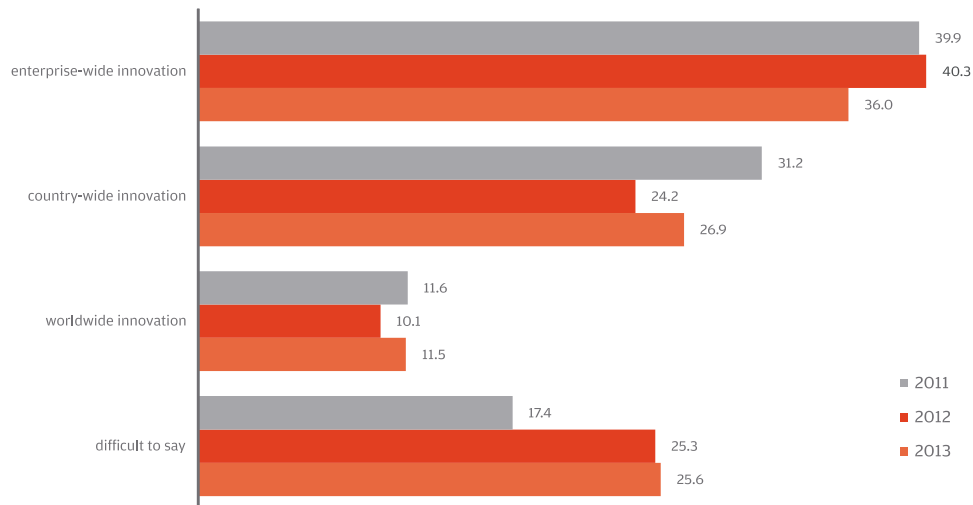


When asked about the form in which the EU funds should be awarded and used, 49% of enterprises respond that such funds should have a form of subsidy, i.e. non-refundable aid for implementation of their projects. It means that less companies could receive such an assistance but they would not be obliged to return the funds received.

22.5% of companies support the refundable form of the EU assistance, i.e. loans or guarantees based on which a company would be able to acquire a commercial credit in a bank. It means that more companies would be able to use aid based on UE funds for implementation of their projects since such funds would be returned, with a possibility to reuse them for granting subsequent loans and guarantees to next enterprises.

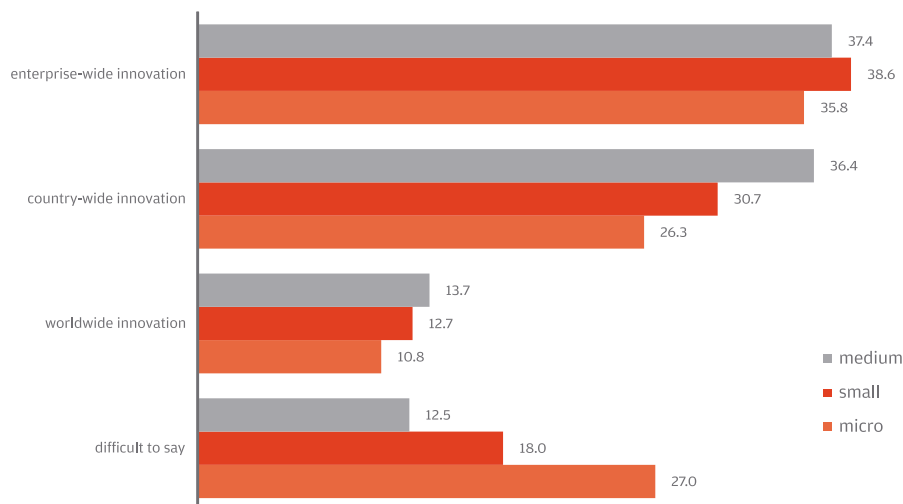
Still other opinion is presented by 12.9% SMEs claiming that the UE funds should not be provided directly to the enterprises, since they disrupt market competition (companies receiving subsidies for investments may compete with enterprises which implemented similar projects before, based on own capital).

Graph 34. In your opinion, what projects implemented by enterprises should be supported by EU funds?
(% SMEs, 2011, 2012 and 2013)



Discrepancy of opinions also appears in case of question about type of projects to be supported by EU funds. Permanently, since 2011 the biggest number of SMEs have claimed that the European Union funds should only be granted for enterprise-wide innovation (36.0% in 2013). 26.9% of companies declare that the EU funds should be allocated for country-wide innovation, and 11.5% mention worldwide innovations. Thus, the SMEs do not consider foreign expansion and focus on increasing their competitiveness among local competitors.

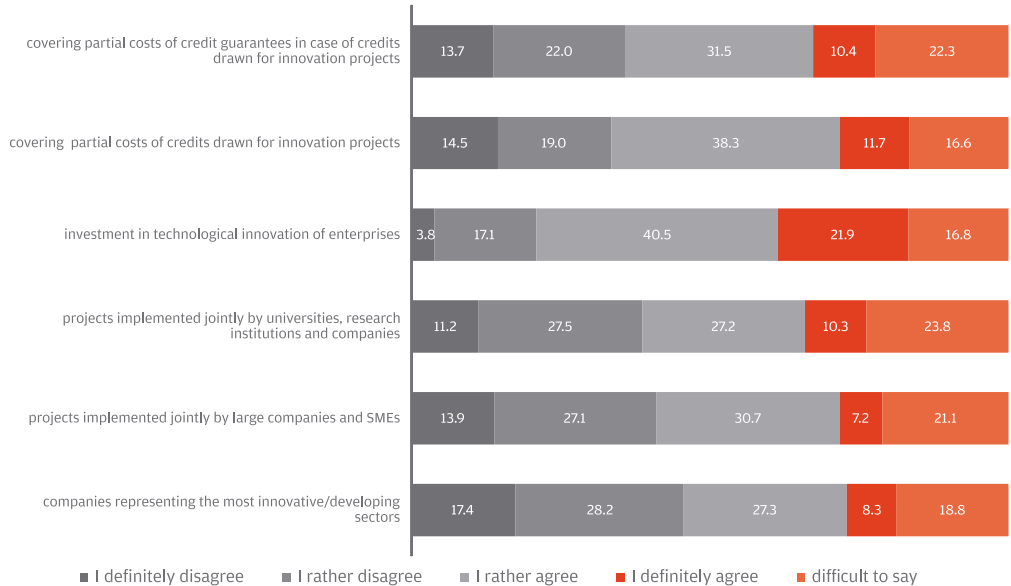
Graph 35. In your opinion, what projects implemented by enterprises should be supported by EU funds?
(% of SMEs, according to size classes)



Medium companies present the most open attitude, with the highest number of supporters of co-financing for country-wide projects (36.4%) and worldwide initiatives (13.7%). Micro and small companies mostly support financing of enterprise-wide projects, which shall lead to deeper penetration of local markets.

6.2.5. Criteria of distribution of the EU funds

Graph 36. What criteria should apply for distribution of financial resources allocated to enterprises? (% SME)



In terms of criteria which should be applicable while distributing the EU funds, allocated to enterprises, the majority of the companies agree that such funds should be granted for technological innovation (62.4%). Exactly 50% of SMEs also supports the proposal to allocate EU funds to cover partial costs of credits drawn for implementation of innovative projects.

Irrespective of potential benefits arising from financing of projects executed jointly by universities, research institutions and companies, this option definitely has less supporters. 37.5% of enterprises classify this idea as beneficial, whereas slightly more, i.e. 38.7% do not accept this proposal. Such data indicate aversion of companies towards cooperation with universities and research institutions, which significantly limits the possibilities to work on the development of new, implement solutions.

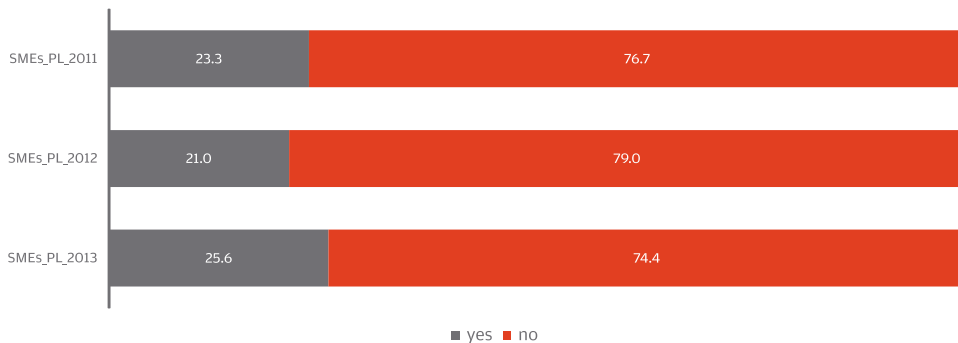
Other ideas which received unfavourable response include financing granted only to companies operating in the most innovative/developing sectors (35.6%) and financing of projects executed jointly by large companies and SMEs (37.9%).

6.3. Awareness of the Small Business Act and the JEREMI and JASMINE initiatives

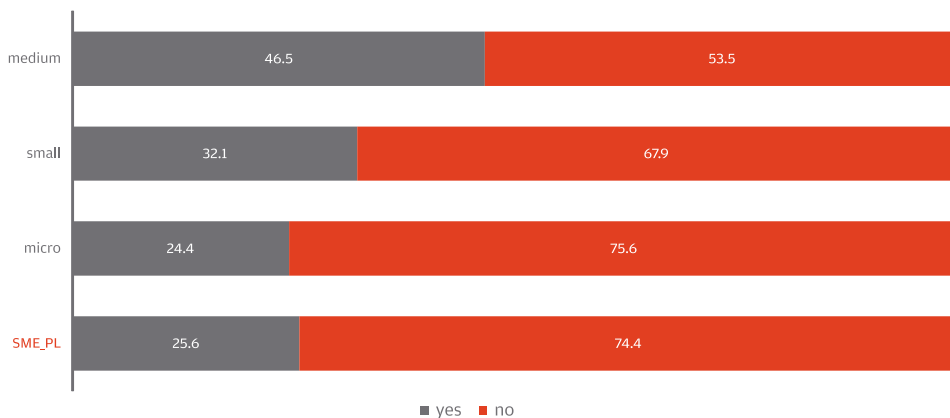
6.3.1. Small Business Act

In June 2008 the European Commission adopted the Small Business Act for Europe, containing proposals of new solutions fostering the development of the SME sector. In September 2008 this initiative was supported by the government of the Republic of Poland. Irrespective of the opportunities it offers, the majority of the SMEs (74.4%) are not aware of its existence.

Graph 37. Have you ever heard of Small Business Act? (% SMEs, 2011, 2012 and 2013)



Graph 38. Have you ever heard of Small Business Act? (% of SMEs according to size classes)

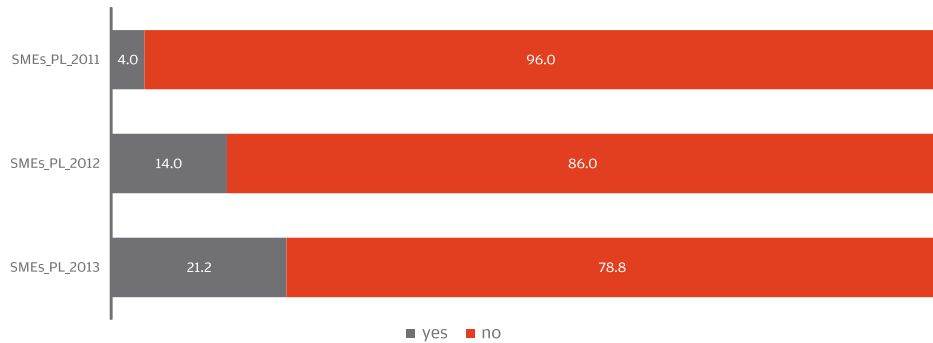


In terms of the analysed size classes of enterprises, it is visible that medium enterprises are the most aware – 46.5% of them have heard of Small Business Act. To compare, among micro companies, only 24.4% of the respondents answered positively.

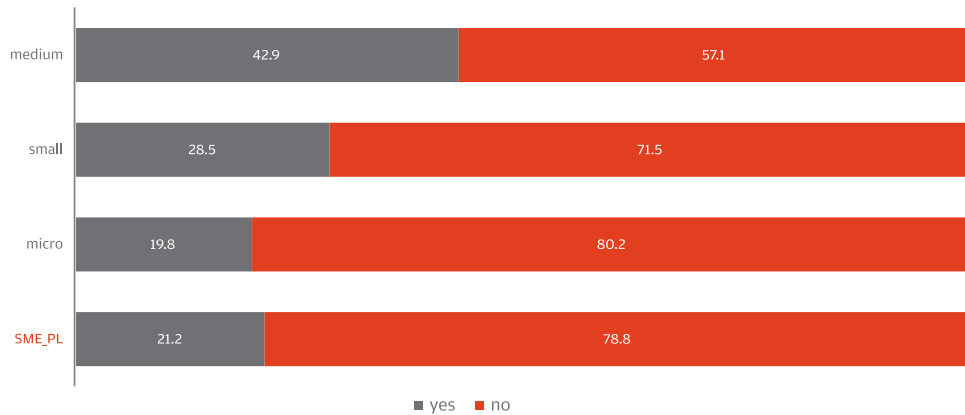
6.3.2. JEREMI

The JEREMI Programme (Joint European Resources for Micro to Medium Enterprises), is the programme of loans and guarantees for micro, small and medium enterprises. Although the knowledge of this programme is increasing among the Polish SMEs year by year, still only 21.2% of enterprises confirmed awareness of this initiative in the survey conducted in 2013.

Graph 39. Have you ever heard of JEREMI initiative, i.e. the Joint European Resources for Micro to Medium Enterprises, the programme of loans and guarantees for SMEs? (% SMEs, years 2011, 2012 and 2013)



Graph 40. Have you ever heard of JEREMI initiative, i.e. the Joint European Resources for Micro to Medium Enterprises, the programme of loans and guarantees for SMEs? (% of SMEs according to size classes)

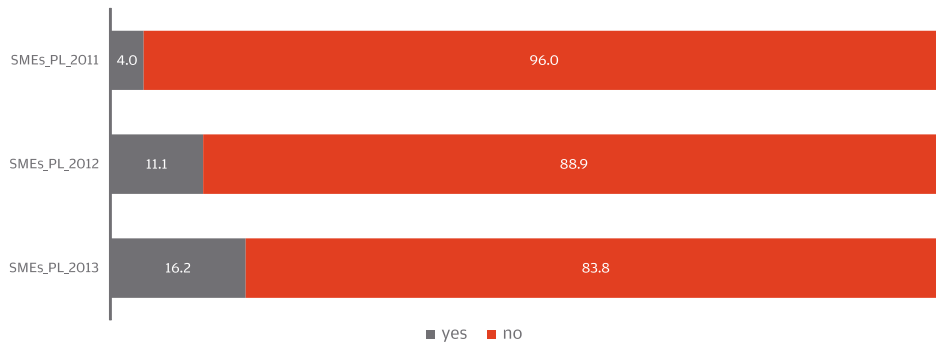


Similar to the Small Business Act initiative, also in this case, representatives of medium enterprises demonstrated the best knowledge (42.9%).

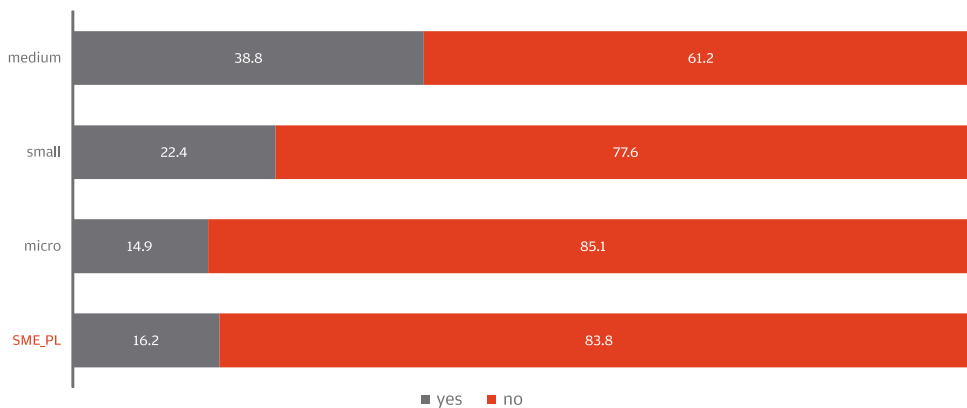
6.3.3. JASMINE

The level of knowledge of JASMINE initiative (Joint Action to Support Micro-finance institution in Europe), is the lowest among the programmes listed so far. In 2013, its knowledge was confirmed by 16.2%.

Graph 41. Have you ever heard of the JASMINE initiative, i.e. the Joint Action to Support Micro-finance institution in Europe? (% SMEs, 2011, 2012 and 2013)



Graph 42. Have you ever heard of the JASMINE initiative, i.e. the Joint Action to Support Micro-finance institution in Europe? (% of SMEs according to size classes)



Again, the best knowledge concerning JASMINE initiative is demonstrated by medium enterprises (38.8%). The above statistics related to three programmes associated with SME activity clearly show that alongside the size of the enterprise the level of its knowledge concerning opportunities for development and gaining external assistance increases.

7

RISKS IN SME ACTIVITY AND RISK MANAGEMENT

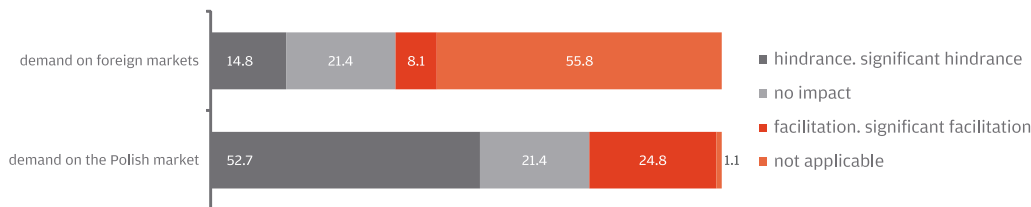
- 7.1. Market and financial risks in SME activity
 - 7.1.1. Market and financial risks in SME activity
 - 7.1.2. Competition on the market
 - 7.1.3. Factors building the market position of a company
 - 7.1.4. Macroeconomic factors
- 7.2. Operating risks in SME activity
 - 7.2.1. External operating risks in SME activity
 - 7.2.2. Internal operating risks in SME activity
 - 7.2.2.1. External relational capital
 - 7.2.2.2. Internal relational capital

7.1. Market and financial risks in SME activity

7.1.1. Market and financial risks in SME activity

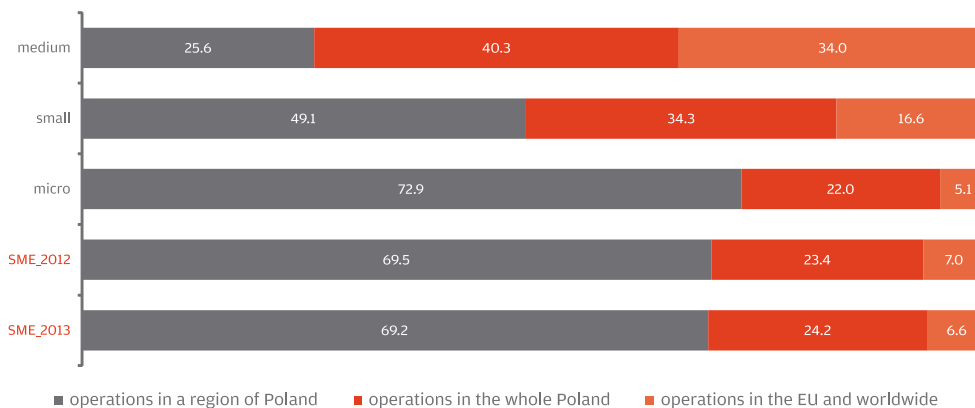
Micro, small and medium enterprises, assessing the situation in the economy and in their sector, indicate the decline of demand on the domestic market. Over a half of companies (52.7%) declare poor demand on the Polish market jeopardises the development opportunities of an enterprise and complicates its financial situation. In relation to 2012 the increase of this value by 8.2 percentage points (44.5% in 2012) is observed. For over 50% lower number of enterprises (24.8%), the size of the domestic demand facilitates business as usual and fosters the development opportunities.

Graph 43. How do the factors listed affect the development opportunities of your company and its economic and financial situation? (% SME)



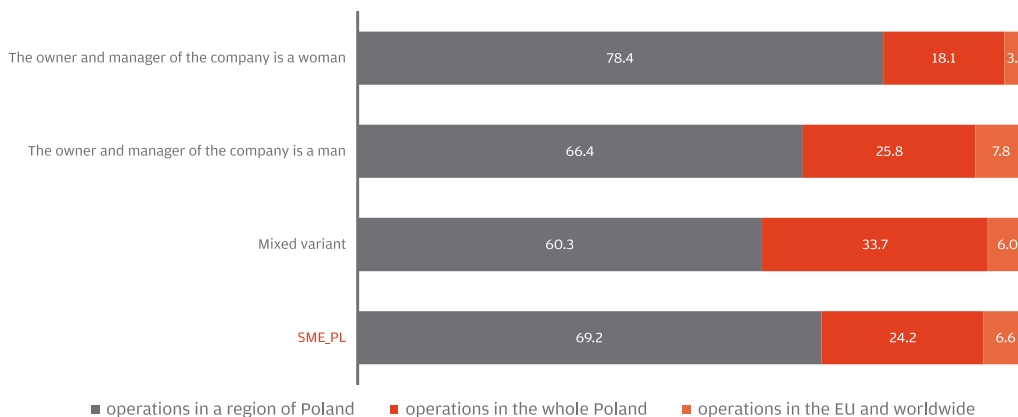
Analysing the value of demand on the foreign markets, only 8.1% of Polish companies think that this factor facilitates their development plans. The majority of the surveyed companies from the SME sector (77.2%) declare that the value of this variable, in their opinion, is insignificant. They believe that weaker demand on external markets does not affect their situation. This is the result of relatively low involvement of enterprises from the SME sector in exports. The majority of micro companies (72.9%) and almost a half of small enterprises (49.1%) operate and plan to operate only locally. Only 6.6% of SMEs consider sales outside the Polish market – to the European and non-European countries, including 5.1% of micro companies, 16.6% of small companies and 34% of medium enterprises. Therefore, the number of negative assessments of the impact of the decline in demand on the foreign markets on development opportunities and economic-financial situation of companies, is relatively low. This does not mean that enterprises do not perceive the risk of poor external demand. However, they believe that it is not a real threat for their economic and financial situation.

Graph 44. Business priorities of enterprises for the nearest two years (% SMEs according to size classes)



However, this situation does not refer to medium companies that are much more oriented to sales of products and services abroad than micro and small companies (over 1/3 declares such business plans for the nearest two years). Whereas micro companies are oriented towards local markets, for medium companies, demand on the foreign markets is also extremely important since its changes often affect directly their current situation.

Graph 45. Business priorities of enterprises for the nearest two years (% SMEs according to gender of owners and managers)



Considering the gender of owners and managers of the surveyed companies, mixed companies and those managed by men are most oriented towards geographical expansion. In the first group, a relatively high percentage of companies oriented towards activities in the whole Poland can be observed (33.7%), whereas the “male” companies show relatively highest interest in the European and world markets.

The assessment of impact of external demand on development opportunities and the financial situation of medium companies is definitely more positive than in case of smaller companies (irrespective of the economic slowdown related to main foreign business partners). It means that the position of medium enterprises cooperating with external markets is, in their opinion, so strong that they do not perceive high threats for their own situation. Such positive assessment may also arise from the higher business strength of medium companies, better knowledge of external markets and better understanding of processes occurring on the market.

Graph 46. Demand on Polish market (SME according to size class – average; scale from 1 – significant hindrance, to 5 – significant facilitation)

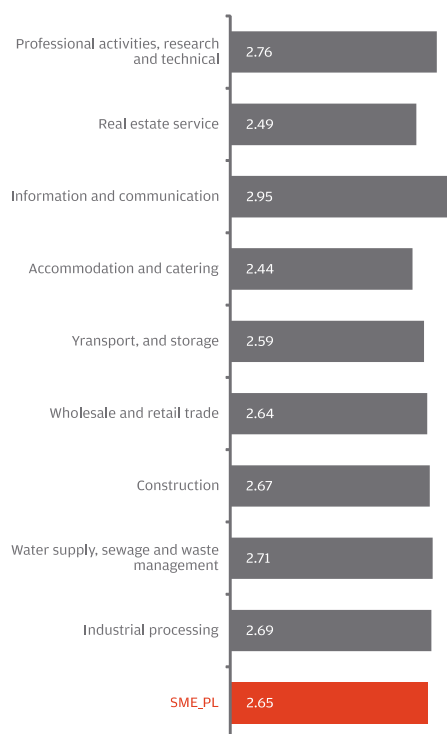


Graph 47. Demand on foreign markets (SME according to size class – average; scale from 1 – significant hindrance, to 5 – significant facilitation)

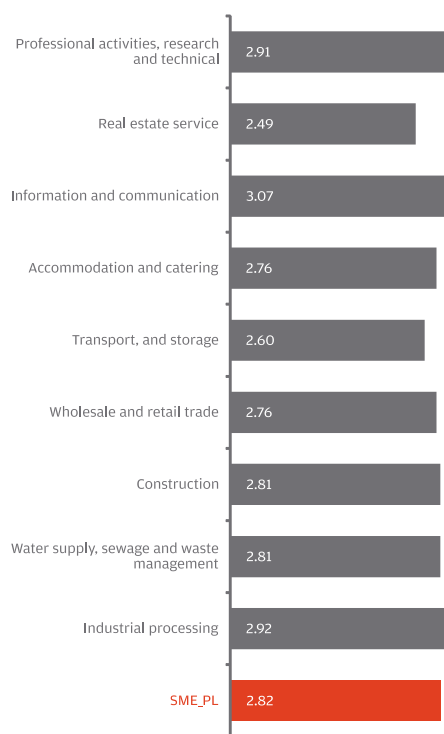


The analysis of the data related to assessment of the impact of demand on the domestic market and on the foreign markets according to sectors, allows for conclusion that the branches which are less afraid of the weaker demand on the Polish market would also be less afraid of the weaker demand on the external markets.

Graph 48. Demand on the Polish market (SME according to economic branch – average; scale from 1 – significant hindrance, to 5 – significant facilitation)



Graph 49. Demand on foreign markets (SME according to economic branch – average; scale from 1 – significant hindrance, to 5 – significant facilitation)

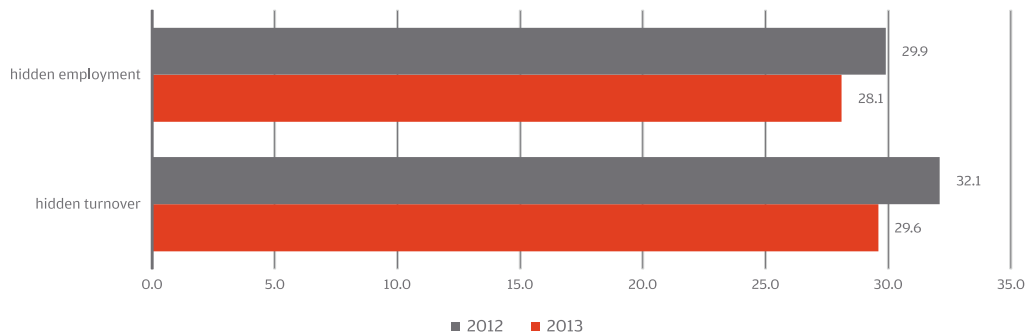


Entrepreneurs representing the information and communication sector and companies involved in professional, research and technical activities are the least afraid of changes in demand – both on the Polish market and on foreign markets. In the first group, the reason is probably the growing demand for their services alongside the development of new technologies. On the other hand, in case of professional services (tax advisory services, accounting and bookkeeping, legal and management advice), in the periods of economic slowdown the demand for their services may be even higher than in the times of economic boom.

7.1.2. Competition on the market

The consequence of the economic downturn is the increased level of market competition – the number of companies does not decrease but its net amount even grows (more companies register business than de-register), with simultaneous significant decline in dynamics of the consumption demand. Undoubtedly, for each company it would be much better to operate on the market with imperfect structure of the competition, within which the companies could have a much more significant impact on the market, at the same time having opportunities of higher profitability of sales and equity, and on the more effective management of financial liquidity.

Graph 50. In your opinion, what is the average percentage of employment and turnover hidden by companies operating in your sector against the tax office? (% SMEs, 2012 and 2013)

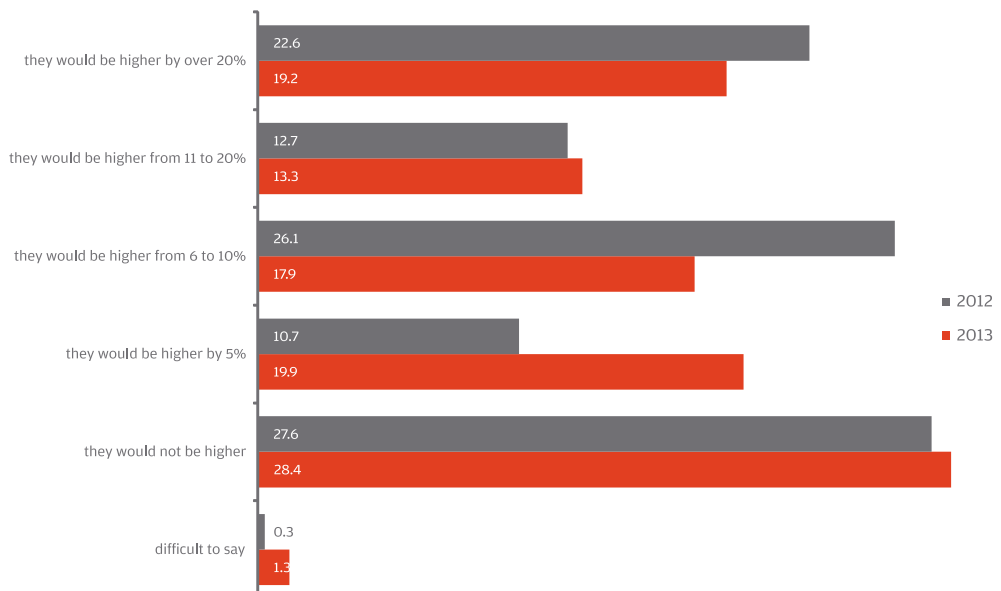


²⁶ Answering the question on the scale of the grey zone, 50.9% SMEs choose the response "difficult to say" in relation to turnover hidden against the tax offices, and 53.5% - in relation to hidden employment. Thus, the estimated scale is indicated by less than 50% of the population under survey. It is also worth adding that 14.1% SMEs state that in their sector there are no companies hiding turnover, and 12.8% - that there are no companies employing illegally.

A very important message is also conveyed by SMEs concerning the destabilising consequences of the existence of the "grey zone". Micro, small and medium enterprises clearly describe the hindrances arising from the need to compete with companies operating partially or totally in the "grey zone". They estimate²⁶ that about 30% of the total turnover generated in their sectors represents the activity hidden against the tax offices. It is accompanied by a slightly lower (28.1%) level of unregistered employment (work in the grey zone).

Assessing the impact of existence of the grey zone on the market, 19.2% of SMEs declare that if the activity hidden against tax offices did not exist in their sector, their revenue would be even higher by over 20%. 13.3% of companies estimate that their revenue would be higher by 11% to 20%, whereas 28.4% SMEs believe that the grey zone does not affect their activities.

Graph 51. How much higher would be the revenues of your company if the grey zone did not exist in your sector (if no hidden turnover and employment occurred)? (% SMEs, 2012 and 2013)



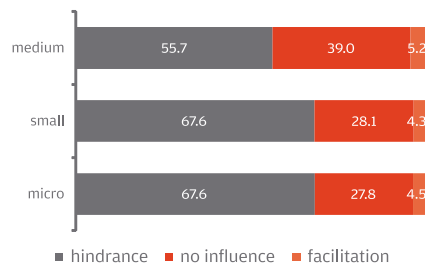
Such strong adverse impact of companies operating even partly in the grey zone on the market and on the competition often forces companies acting fully legally to resign from their legitimate and ethical approach to business. Reasons for such actions should be identified in the level of tax burden and para-tax burden, level of complexity of the related regulations as well as responsibility associated with employment. However, it is worth stressing that the scale of this phenomenon in the Polish economy indicates that the reasons do not only arise from a simple intention to increase profits.

The assessment of the impact of competition in the sector as well as impact of competition with the grey zone on the activities of micro, small and medium enterprises is varied. Micro enterprises more often recognise a standard market competition as a burden. Competition with the grey zone is mostly recognised as significant hindrance by micro and small companies. This shows the correlation between the fear arising from market competition which decreases proportionally to the growing size of an enterprise.

Graph 52. Competition in the sector (SME according to size class)

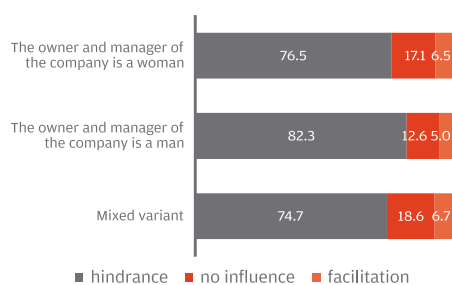


Graph 53. Competition with the grey zone (SME according to size class)

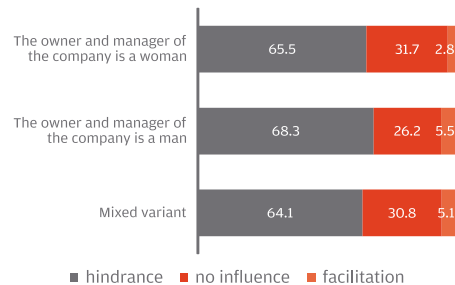


Such situation occurs independent of the status of the market competition and situation in the whole economy. The companies which developed confirmed that also under the conditions of strong competition they are able to manage the risks but also use the opportunities. It is also more difficult to affect them through illegal activities associated with employment without registering employees, or hiding turnover, owing to which companies operating in the grey zone have much lower costs. The reason is that medium companies usually have stronger relations with their business partners who support and stabilise their activities.

Graph 54. Competition in the sector (SME according to gender of owners and managers)



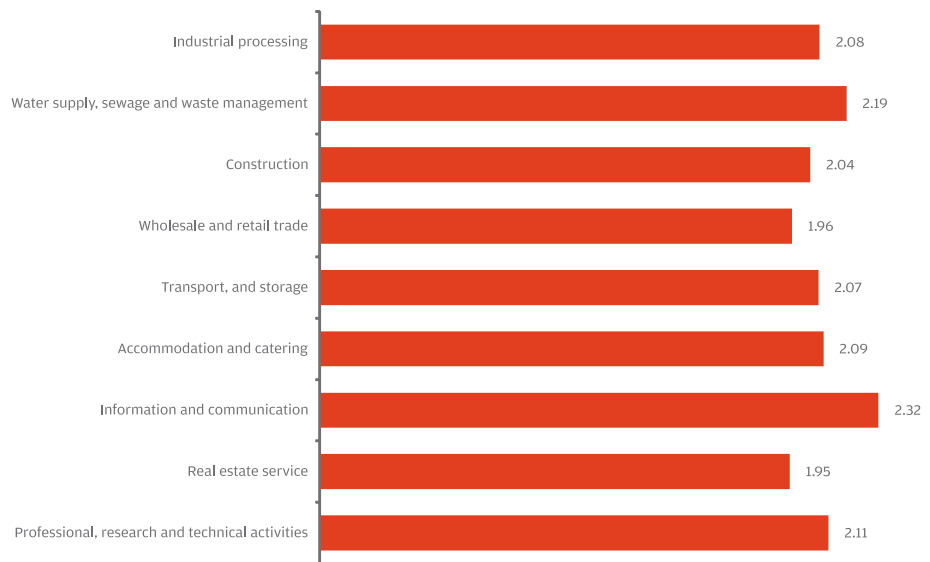
Graph 55. Competition with the grey zone (SME according to gender of and managers)



Companies managed by men consider competition in the sector as the most serious hindrance (82.3%). Companies with mixed management perceive the impact of competition in the sector to the lowest extent (18.6%), among which relatively highest group, 6.7%, considers competition in the sector as facilitation. Assessment of competition with the grey zone is similar – the “male” companies consider it as the highest hindrance (68.3%). On the other hand, companies managed by women feel the least affected by competition with the grey zone (31.7%).

Assessment of the impact of competition on development opportunities and the economic and financial situation of the SMEs, from the point of view of economic sectors, is also rather differentiated. The survey suggests that the strongest competition occurs in trade and real estate services. This situation results from the large number of companies operating in the sector and the limited level of individual consumption. Companies of the information and communication sector tackle competition in the best way.

Graph 56. Competition in sectors (SMEs according to economic branch - average; scale from 1 - significant hindrance, to 5 - significant facilitation)



7.1.3. Factors building the market position of a company

Building its market position, each of the companies defines factors which are most essential during this process. The number of companies building their position on the market through enhancing the quality of the products or services offered and the quality of customer service, systematically grows. According to the opinion of the majority of entrepreneurs, these two factors and price are crucial in the process of market position building. The next aspects listed by companies include, among others, the ability to adjust production/services to clients' requirements, narrow specialisation, professional knowledge and skills as well as location of the company and competent and well-motivated employees.

Table 27. Which of the factors listed below currently build the market position/competitiveness of your company?
(factors listed in positions 1, 2 and 3, in total, % SME)

Specification	2011	2012	2013
quality of products or services	65.7%	66.1%	69.8%
price of products or services	58.1%	61.8%	55.7%
quality of customer service, sustainable relations with a client	60.8%	57.3%	56.9%
ability to adjust production/services to client requirements	35.3%	33.8%	39.7%
location of the company	14.9%	16.6%	12.9%
narrow specialisation, professional knowledge and skills	20.5%	15.6%	18.5%
competent and well-motivated employees	15.4%	13.8%	14.8%
company image	10.0%	10.6%	9.0%
launching new, innovative products/services on the market	7.7%	8.0%	10.4%
new/innovative distribution channels of products/services	3.3%	3.9%	5.3%
using production technologies more modern than competition	2.7%	3.5%	2.7%
cooperation with research and development centres	0.4%	1.1%	0.8%

NOTICE: three responses were indicated, therefore the total exceeds 100%.

7.1.4. Macroeconomic factors

All enterprises operate in the same macroeconomic environment. This environment changes in a similar way for all of them, irrespective of the size of the company, sector they operate in, or region where they are active. Inflation, interest rates, Polish zloty exchange rate against other currencies and their fluctuations, are the same. It turns out that these macroeconomic factors are perceived by a large number of micro, small and medium companies as a hindrance in their economic activities, generating risks which are difficult to manage, since these are external risks the companies have no influence on.

Graph 57. How do the factors listed affect development opportunities of your company and its economic and financial situation? (SME - average; scale from 1 - significant hindrance, to 5 - significant facilitation; years 2012 and 2013)



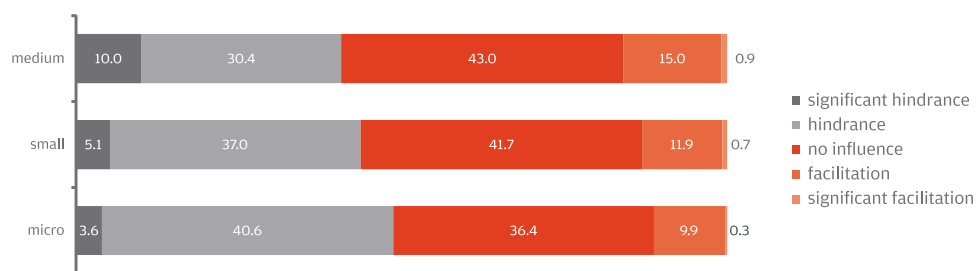
A positive fact is that SMEs evaluated both the fluctuations of PLN/EUR exchange rate and the current level of interest rates and inflation as factors more favourable than in 2012. One should not disregard the fact that following the decision of the Monetary Policy Council, in 2013 the interest

rates reached the lowest level in history (reference rate at a level of 2.5%²⁷). The enthusiasm of enterprises should not surprise. In case of medium enterprises, for 22.7% credits constitute from 5% to 10% in relation to the value of the company sales, and for 17.7% credits correspond to even 11-20% in relation to the value of sales. However, micro and small companies use credits to a much lesser extent. As many as 63.2% micro companies and 42.5% small enterprises declare that they do not use any credits or loans. This affects the differentiated assessment of significance of the current level of interest rates. However, it is striking that medium enterprises are the ones to assess the current level of interest rates as significant hindrance in their business as usual.

Table 28. What is the average percentage share of credits (long-and short-term) in the value of sales in your company? (% of SMEs according to size classes)

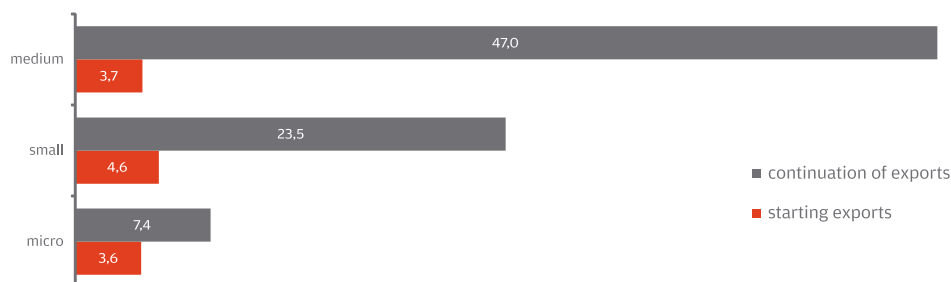
SME	The company does not use any credits/loans	Credits constitute less than 5% of sales value	Credits constitute 5-10% of sales value	Credits constitute 11-20% of sales value	Credits constitute 21-30% of sales value	Credits constitute 31-50% of sales value	Credits constitute more than 50% of sales value
micro	63.2	8.0	14.6	7.4	2.7	2.5	1.6
small	42.5	15.8	23.2	9.0	3.9	2.6	3.0
medium	30.0	15.0	22.7	17.7	8.6	2.5	3.5

Graph 58. How does the current level of interest rates affect the development opportunities of your company and its economic and financial situation? (% of SMEs according to size classes)

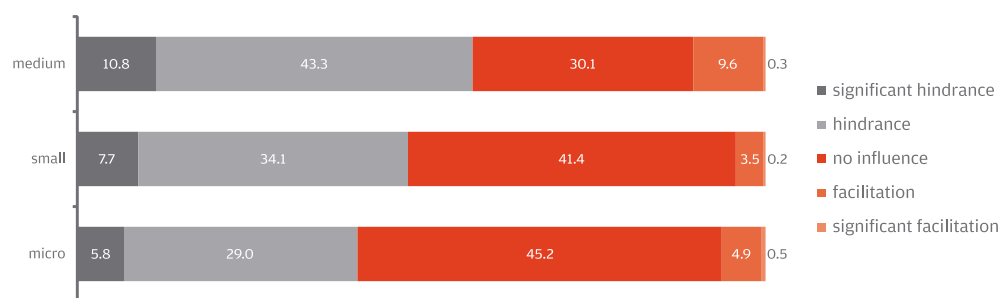


The assessments concerning the impact of volatility of currency exchange rate on SME activities, perceived from the point of view of economic sectors, are varied. This factor is definitely more significant for medium companies than for micro companies, which is obvious in view of the involvement of both groups in international exchange.

Graph 59. Does your company intend to start or continue export sales in the years 2013-2014? (% of SMEs according to size classes)



Graph 60. How does the volatility of PLN/EUR exchange rate affect the development opportunities of your company and its economic and financial situation? (% of SMEs according to size classes)



Almost 50% of the surveyed companies are exporters. In the group of micro companies, export sales is conducted by only 7.4% of companies. Considering such a considerable variety of share in international exchange, the assessed impact of exchange rate volatility of company activities is not high. It could be explained by using financial instruments hedging against the currency risk by medium companies – the exporters. However, no data is available to confirm this assumption. Another explanation could be that at least some medium companies simultaneously act as importers and exporters, which means that the currency risk in such companies is partly neutralised.

The macroeconomic conditions – inflation, interest rates, exchange rate – are perceived by SMEs as factors generating high risks for activities of the enterprises, their development opportunities and their economic and financial situation. The entrepreneurs place them among the top ten hindrances for development (following taxes and para-taxes, administrative barriers, competition in the sector and competition with the grey zone). Therefore, effective and stabilising impact of competent state institutions on these conditions is very important.

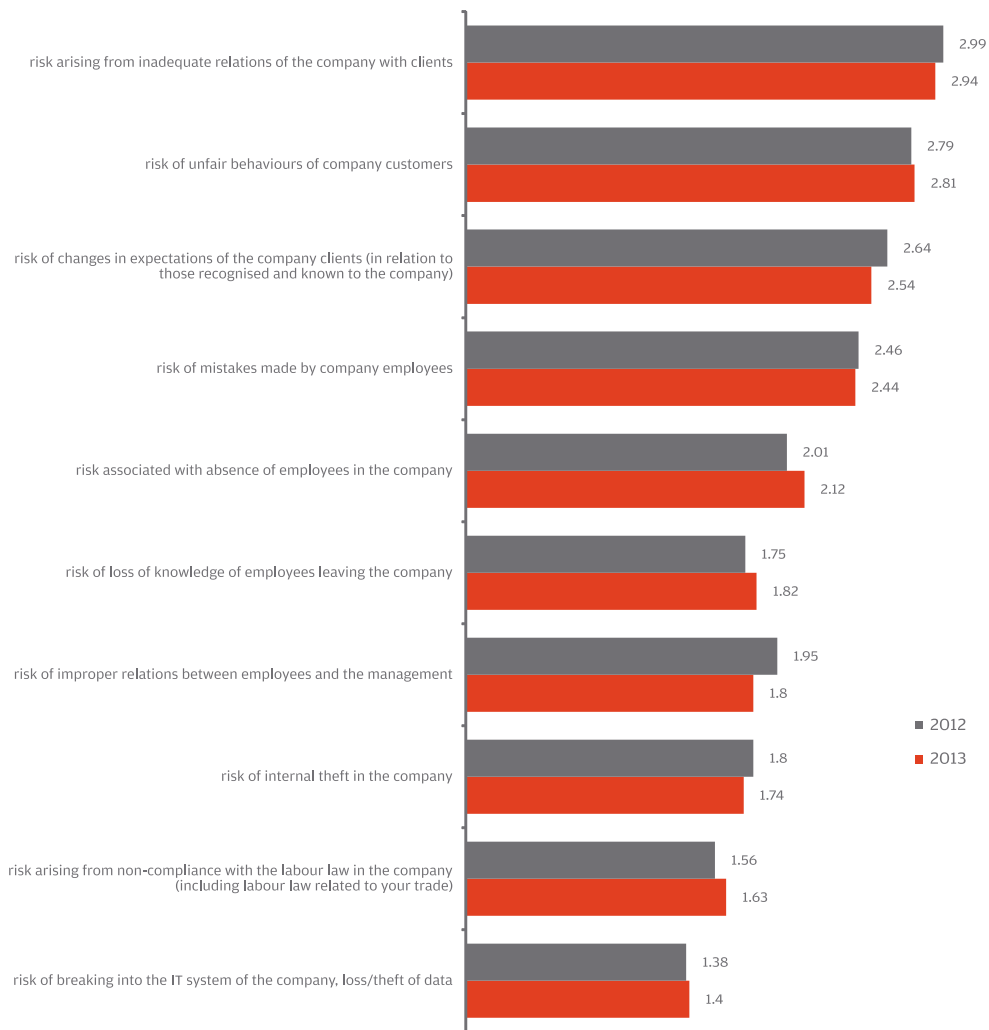
7.2. Operating risks in SME activity

Irrespective of the situation in the economy, activity of enterprises, especially the SMEs, is exposed to many risks arising from the current operating activities. Some risks emerge within relations with business partners and clients, others result from imperfections of the technologies applied or from their improper use, including, in particular, the IT systems, still others – from inadequate company management skills and resources used to manage the company.

7.2.1. External operating risks in SME activity

Micro, small and medium companies perceive the highest risk in their relations with clients. They mean changes of clients' expectations. It is a problem which smaller companies often are not able to handle. Micro, small and medium companies are still unable to manage customer relations professionally, they do not conduct market research and they usually do not communicate with clients. Another significant risk mentioned by the SMEs is their cooperation with business partners – this risk is revealed in potential unfair behaviours of customers. These behaviours mainly include failure to fulfil financial liabilities within the term agreed, having adverse effect on the company liquidity, untimely deliveries of the products or services ordered as well as their quality incompatible with the agreement.

Graph 61. What kind of operational risks occur in the activities of your company? (SME - average; scale from 0 - no risk, to 5 - very high risk; years 2012 and 2013)



7.2.2. Internal operating risks in SME activity

Micro, small and medium companies are often managed in the way which generates additional operational risks for their activity. Business models which are often implemented by the SMEs are not up-to-date, they do not allow for using the opportunities, and also for managing the threats. They also often prevent the effective and efficient mitigation of weaknesses in the company activities.

7.2.2.1. External relational capital

SMEs have mostly problems with building the external relational capital (with clients) and the internal relational capital (with employees).

Graph 62. Risk arising from improper relations of the company with clients (SMEs according to size classes – average; scale from 1 – no risk, to 5 – very high risk)



A significant part of SMEs indicates that they are unable to build proper relations with their clients. Consequently, they generate the risk of losing their clients and do not have the ability to maintain them. At the same time, assuming the standard activity, and lack of acceptance for activities in the grey zone, the cost of acquisition and maintaining of a new client is higher than the cost of maintaining of client already held. Therefore, it is worth caring for these relations. It does not mean that a company should not search and fight for new clients. However, it should be able to build sustainable relations with existing clients. The risk arising from improper relations with clients is higher in micro and small companies. Medium companies are able to manage these relations better, however, they also recognise the deficiencies and the risks.

Graph 63. Risk arising from improper relations of the company with clients (SMEs according to gender of owners and managers – average; scale from 1 – no risk, to 5 – very high risk)



Considering the gender of owners and managers, the assessment of risk arising from improper relations of the company with clients is very similar. Enterprises representing mixed variant consider this risk as the highest (3.01), whereas enterprises managed by women perceive such risks as the least significant (2.90).

Risk arising from improper relations of the company with its clients is closely associated with the sector in which the company operates. Service providers (transport and storage management, professional, research and technical activity, real estate service) perceive this risk as much more significant than production companies do.

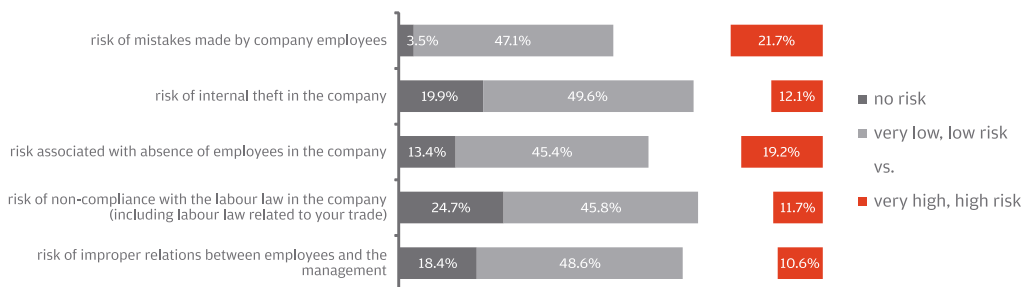
7.2.2.2. Internal relational capital

Not all SMEs are able to build and manage the internal relational capital, based on relations with employees. If 21.7% of SMEs think that a risk of mistakes made by employees exists in the company, it means that the system of human resources management is not perfect. Obviously, it is not possible to avoid any mistakes made by employees since mistakes are inherent to business as usual.

However, if the company mentions the risk in the context of mistakes made by employees, it means that such company has a problem with such preparation of its employees to perform the work as to mitigate this risk.

If 19.2% of the SMEs identify the risk associated with absence of employees in the company, it means that about 1/5 of companies face the problem of limiting, or even interruption of business, for example in a flu season. Not to mention the absenteeism problem often mentioned by employers, arising from excessive and even illegitimate use of sick leave by employees (for example in harvesting period).

Graph 64. What kind of operational risks occur in the activities of your company? - internal risks (% SMEs)



SMEs also perceive risks associated with the improper relations of employees and the company management, risks arising from non-compliance with the labour law in the company and risk of theft inside the company. High risks associated with these problems do not refer to many companies, however, they are identified in the majority of SMEs.

Graph 65. Risk arising from improper relations between employees and the management of the company (SMEs according to size classes - average; scale from 1 - no risk, to 5 - very high risk)



The survey indicates that the risk associated with disturbance of internal relations in the company increases with the size of the company (higher level in small and medium companies as compared to micro enterprises). Differences in risk assessment between companies are not big, however, they are worth recording. They probably arise from the fact that in micro enterprises, where the formal employment is not higher than 9 persons, the risk of lack of internal relational capital is lower. It is difficult to accept improper relations between employees and the company management because they would immediately lead to the necessary changes of employees or a manager (if this role is not fulfilled by the owner). These relations also mean arrangement of working conditions and rules based on the Labour Code, especially if the owner is also an “employee”, which happens in many micro enterprises.

CONCLUSION

The relatively difficult economic situation in Poland in the middle of 2013 caused that the SME survey generated ambiguous results. Some results show that Polish entrepreneurs demonstrate a pro-development approach, others confirm a conservative attitude.

In 2013 SMEs were mainly focused on surviving on the market and expected more expansive activities in a longer-term perspective. This may explain the decline of optimism concerning the development perspectives of the sectors they operate in and temporary decrease of the willingness of entrepreneurs to invest. SMEs still use external financing sources to a limited extent, with preference of own funds, however, the tendency of reaching for funds from alternative sources, e.g. leasing, is slowly increasing.

The favourable change in entrepreneurs' attitude observed during the survey is their growing awareness that innovativeness is an essential element to build the competitive position of the companies, although the level of this awareness is still relatively low. The symptom of strive for improvement of competitiveness is, among others, growing share of the European Union funds used for purchase of new technologies, patents and for covering the costs of proprietary rights to own inventions. On the other hand, the common belief of entrepreneurs is alarming that they operate in sectors which do not need innovation and that small enterprises should not implement innovations.

SMEs increase or maintain their involvement in introducing product, marketing and organisational innovations, being less interested in process innovations.

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