

## Development of Individual Entrepreneurship in Poland Under Crisis Conditions

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### Abstract

*In article presented an attempt to analysis and estimation of the crises process on polish enterprises, especially among small and medium enterprise, between 2007-2016 years. Researcher analyzed different side of their activities and financial results. Crisis period had a distinct effect on the deterioration of financial outcomes of enterprises from the private sector, which employ less than 9 people. Small and medium enterprises are doing well with the recession and economic crises. In difficult situations, individual entrepreneurship back to their own reserves quickly start working in other areas of activity, and move easily to new production. In Poland was introduced packet of various activities supporting entrepreneurship, undertaken on both the government, institutional and also European Union levels. External capital from EU found had significant meaning.*

**Key words:** development, crisis, small and medium enterprises.

**J.E.L. Classification:** F 360, F 340, G 020

### 1. Introduction

Entrepreneurship is the result of the combination of many different factors, both internal predispositions of people who undertake business as well as external conditions determining the pace of enterprise development. Each enterprise is an open system. It remains in mutual relationships with the environment. External conditions such as the global financial crisis have a significant impact on the survival and development of the company. The entrepreneur must constantly monitor the environment and search the resources to gain new opportunities and find new solutions ( Smallbone, 2011. pp.251).Moreover, it is forced to recognize the risks that may adversely affect the business. In the European economy, small businesses are an important subject of researches (Filip at all,2010p.23; Burca,2014,p.134)

Processes of enterprises' activity in the SME sector in Poland date back from1990. It is a result of the fact that in the last two decades conditions of managing economic activities on an international scale has changed, especially for smaller enterprises. Small and dynamic companies more often exploit possibilities of their expansion as a lift to rapid development. New occurrences and tendencies, which have their roots in the globalization process, favor this approach. They are the ability to acquire information; ability to initiate cooperation, creating partnerships, strategic alliances, cooperation and license agreements etc., which favors restocking deficient resources. A small company often doesn't have at its disposal knowledge and experience, as well as an infrastructure required to conduct international operations, therefore building an own network is of crucial importance. The reviewed changes in conditions of managing economic activities, especially the small ones in the internationalization aspect, have been imposed by new occurrences in the second half of 2008. Worldwide economic crisis began to exert negative influence also on the real sphere of Poland's economy. It is depicted by many macroeconomic indicators, including the GDP factor rise which was lower than the results from the previous years. However it should be noted, that at the same time it was one of the best results among countries of the European Union.

## **2. Methodology**

In the study it was assumed that the term "crisis" would refer to the processes occurring in the global economy since August 2008, that is since the time of a sudden plunge of resource prices, credibility breakdown of a number of financial institutions of global significance, large fall of real estate prices, strong decline of indexes on primary global stock markets, increased unemployment indicators on primary markets and, as a consequence, drop of demand as well as a decrease of trade exchange value (Audretsch, 2009, p.178). In the face of world economy instability a question about the place and the role of entrepreneurship in overcoming the crisis result arises. May the crisis be the „chance" for entrepreneurship and what conditionings stimulate creation of new firms and development of already existing ones. An attempt to answer the above questions is analysis and estimation of the crises process on Polish enterprises, especially among small and medium enterprise, between 2007-2016 years. Main purposes of this paper were analyses financial conditions, financial results, their activities and development in this period.

The study in its intent focuses on research concerning business development issues, signs of which are small and medium-sized enterprises, which play a significant role in the economy of Poland and other European Union countries. The results of the analysis may also form the basis for inference about the role of the sector of individual entrepreneurship during the economic downturn.

## **3. Analysis of changes in the Polish enterprise-results of research**

According to representative researches conducted in first years of crises in Poland, small enterprises are characterized by an important factor – during the global finance market crisis and the weakening of world economic conjuncture – their owners are optimists. The research indicates that small and medium enterprises had, in first time after crises has large plans regarding their activities in future years. Almost 75% of SME's had planned an increase of incomes; over expected an increase of profits, a third of them thought that their share of the market would increase (Leviathan, 2009, p.120). Over half planned investments and releasing new products and services on the market. Small and medium companies planned an increase of expenditures to purchase new technologies. They expected limitation of the gray zone. They estimated that access to credits would improve, and the contractors would pay their obligations in time. They also had large expectations regarding access to the European Union funds (Stec at all, 2014, p. 508).

This optimism was confirmed in their activities in 2009-2016 year. The crisis period had a distinct effect mainly on the deterioration of financial outcomes of enterprises from the private sector, which employ more than 9 people. Despite worsening of the conditions of the economic conjuncture the number of newly created enterprises displayed ascending tendencies. The largest amount of entities came into being in the group of small enterprises, employing from 10 to 20 people (28 284 in 2007 against 29 671 in 2012 – a change of 4,9%. In 2016 number of new companies increase than below period 10.2%

Financial data of enterprises from the private sector against a background of change of their numbers in years 2007-2016 shown important changes (table 1). To eliminate the seasonality of selected parameters were examined every five years.

Table no 1. Financial data of enterprises from the private sector against a background of change of their numbers in years 2007-2016.)

<b>Financial indicator</b>	<b>2007</b>	<b>2012</b>	<b>2016</b>
Gross financial outcome (billion zł.)	112,1	118,3	176,4
Net financial outcome (billion zł.)	93,3	90,6	115,8
Rate of gross profit (%)	6,3	6,4	8,4
Rate of net profit (%)	5,2	4,5	6,8
Rate of profitability of actives (%)	7,4	4,9	8,5
Participation of profitable units (%)	72,4	78,1	85,4
Financial result netto on 1 employer (thousand zł) (firm with over 9 employers)	21,8	25,8	33,7
Dynamics of change of the number of enterprises (previous year=100)	101,4	118,3	130,6

Source: Own research on the basis of: financial report based on GUS F-and F-01 from year 2007-2016 and date Ministry of Economy, Warsaw 2016, p. 127-131

Gross financial outcome in this period systematically increased. On the other side net financial outcome had the same position between 2007-2012 and later pic up. Rate of gross profit and rate of net profit (%) showed the same trends. Polish small enterprise growing up after 2012 Rate of profitability of actives was the best in 2016, with level 8.5% Participation of profitable units after 10 years of crisis was set up 85,4% Dynamics of change of the number of enterprises confirm their development. Though one should be aware, that the global crisis exerts a significant influence on the changes of the markets' conditions. Researches indicates that the number of enterprise collapses in the first quarter of 2008 increased by 11% in comparison with the analogous period after five years were observe process of increasing. Only elasticity in activity and quick adjustment to new conditions on the market can helped polish small and medium enterprises survive the economic slowdown period (Grzebyk, 2013, p.21) Those entrepreneurs who treated this time as a challenge to induce a diversity of changes within the company might outdistance the competition in the future and strengthen the company's position on the market (Zoltan, 2009, p.1165).

In Poland, like in other European Union countries, steps have been undertaken to make managing a business easier, on both the state and institutional level (Filip, 2014, p.181) The Polish Entrepreneurship Development Agency (PARP) stepped forth to meet the demands by, in compliance with it's competencies, joining the Ministry of Economy's actions on behalf of stability and development among SMEs . Tasks of this institution focused on making functioning in the conditions of an economic slowdown easier for small and medium enterprises (SME's). PARP's support for the SME's was realized mainly through advice, promoting and finance instruments. The agency's another field of activity, in accordance with the prepared packet was providing SME's with easier access to exterior financing sources. PARP takes part in compiling and implementing functioning standards of loan and guarantee funds, and also works to make them widely. Available asses to finance are important during crises( Kobus, 2013, p.75; Filip, 2013, p.51) Among the sources of financing Polish enterprises for years an important place occupies a traditional bank loan. Very popular is the use of leasing and after the entry into the structure of the EU public funds.

A large opportunity of innovativeness development is created in Poland by structural funds.

Table no 2. Plan of Distribution European Union funds in the 2014-2020

Country	Value of co-financing (mld Euro)	Country	Value of co-financing (mld Euro)
Austria	1,24	Lithuania	6,82
Belgium	2,28	Luxembourg	0,059
Bulgaria	7,59	Latvia	4,51
Croatia	8,61	Malta	0,725
Cyprus	0,735	Germany	19,23
Czech Republic	21,98	<b>Poland</b>	<b>82,5</b>
Denmark	0,553	Portugal	21,47
Estonia	3,59	Romania	22,99
Finland	1,47	Slovakia	12,99
France	15,85	Slovenia	3,07
Greece	15,52	Sweden	2,11
Spain	28,56	Hungary	21,91
Netherlands	1,4	Great Britain	11,84
Ireland	1,19	Italy	32,82

Source: own elaboration on the basis of <https://www.funduszeuropejskie.gov.pl>, Government Policy Guidelines for Small and Medium Enterprises until 2020, p.110

The European Union intends to invest around € 960 billion in 2014-2020 years. Of this amount, more than € 351 billion will go to the member states for regional policy Allocation of funds with the EU in the Euro currency at current prices shown in the following table 3. Poland received the most money from all 28 member states UE-28, is around € 82.5 billion, Italy's second position - € 32.82 billion. In third place was Spain - 28.56 billion Euros. In the new programming period 2014-2020 Poland is undoubtedly the biggest beneficiary of EU funds( Observatory of European SMEs, 2017,p.215)

Polish government was responsible for preparing and implementing a “second chance” policy for entrepreneurs who are bankrupting, or in danger of bankrupting. Activities regarding this policy were be aiming to reduce the number of bankrupting enterprises and also increasing the number of entrepreneurs who are beginning economic activity for the second time. Under the economic slowdown conditions, activities aiming to reduce law, administrative and procedural barriers became more significant. That’s many organization takes part in activities of a group for enterprises functioning in the framework of a team for simplifying the system of implementing EU funds and undertakes interior perfecting activities in the range of operations realized by the different agency regarding implementing operating programs.

#### 4. Support for the internationalization of business activities and results.

In open economy, process of globalization and impact crises on this process formulated rules for instruments internationalizing entrepreneurs activities . For enterprises were important information on available instruments for assisting entrepreneurs and institutions which support them (Curran, 2012,p.210) The meaning of securing appropriate conditions for internationalizing activities by entrepreneurs during the globalization era is acknowledged. This fact is fundamental for the economic development of Poland. Assisting the activities internationalization will be conducted by means of supporting export, cooperation with foreign partners, and also by Polish foreign investments.

Table no 3. Indicators of export activity among the group of small, medium, and large enterprises in Poland between 2002 and 2008

Enterprises	2008	2009	2010	2011	2012	2013	2014	2015	2016
<i>Part of export sales in netto income (%)</i>									
<b>10-49 (small)</b>	7,0	7,0	7,3	8,1	8,0	8,0	7,8	8,6	8,4
<b>50-249 (medium)</b>	12,0	12,0	11,2	11,8	12,4	12,6	10,8	11,2	13,0
<b>over 249 (large)</b>	23,0	22,0	18,6	19,6	21,0	17,5	18,8	21,7	23,0
<i>Dynamics of incomes from the entirety of activity(%)</i>									
<b>10-49 (small)</b>	112,0	112,6	115,8	116,1	116,7	119,1	115,3	116,6	119,3
<b>50-249 (medium)</b>	113,7	110,8	108,4	113,4	118,0	101,8	105,6	113,8	111,5
<b>over 249 (large)</b>	115,1	111,2	116,4	116,4	115,6	115,9	118,2	121,1	115,1
<i>Dynamics of export sales (%)</i>									
<b>10-49 (small)</b>	105,9	108,4	107,2	106,8	107,8	112,0	118,3	118,7	115,7
<b>50-249 (medium)</b>	115,0	104,2	109,3	108,1	110,2	103,6	111,5	101,4	110,4
<b>over 249 (large)</b>	114,3	101,0	109,7	111,3	130,2	107,0	127,3	119,4	121,2

Source: Own elaboration based on F-02 (2002) and GUS F-01 (2008-2016) - GUS statistical materials, Poland, Warsaw, from 2008-2016 years.

Analyzing the indicators of export activity among the group of small, medium, and large enterprises in Poland between 2007 and 2016, it must be concluded that small enterprises which employ 10 – 49 people are relatively in the best situation (in dynamics of export sales and dynamics of incomes from the entirety of activity). In the face of the global crisis they recorded an increase of export sales dynamics by 4-5 percent points, as well as incomes from the entirety of activity by 0,5 percent point. Moreover the judgment of investment activity in case of small companies singles them out among other groups, because a 20% increase of investment expenditure was achieved, with an average increase of expenditures by 6% in all enterprises in general. High investment dynamics proves that companies perceived their own condition as relatively good (despite a meaningful rise of finance costs), which translated into an investment tendency. At the same time thanks to an increase (although not large) of finance surplus, it was easier for companies to apply for a loan

By analyzing the role of small and medium enterprises in the economy and looking mainly at the effects that can be achieved, one can distinguish (Safin, 2009,p.50)

- the effect of technical progress -innovation is a condition for the survival and development of the SME sector-small companies have difficulties because they do not carry out research and development and do not have such capital.

- employment effect-small and medium-sized businesses creating jobs provide greater assurance of job security. In addition, in times of crisis, employment in smaller companies is increasing, while in larger ones it is mostly decreasing.

- ecological effect- Smaller businesses have less impact on the environment. Their harmful effects on the environment, such as pollutant emissions, are unmatched in comparison to large enterprises.

- macroeconomic effect-Small and medium enterprises are suppliers of semi-finished products and parts of machines and equipment. In addition, they have a huge share in GDP, new jobs, innovation and productivity.

- stabilization effect- businesses are coping well with the recession, economic crises and poor business conditions. In difficult situations, they go back to their own reserves, quickly start working in other areas of activity, and move easily to new production.

- the effect of regional decentralization- small and medium enterprises do not need special infrastructural conditions to operate. So they can be located anywhere, also where it would not be good for big companies. SMEs limit monopoly tendencies in the economy.

- the effect of mobilizing capital- SMEs most often use their own savings and family, which would be consumed or left on so-called.

- transformation effect- small and medium-sized enterprises have a positive impact on the economy during economic transition. They alleviate the negative effects of reform, support new values and new behavioral strategies in the market. They reduce the unemployment rate by creating new jobs

To be competitive in the global economy, Polish enterprises must be innovative. In order to support this process, new conditions and instruments are created which make implementing new technologies and developing enterprises on the basis of innovative ideas easier. It is of utmost importance that in the near future Poland becomes one of creators of changes, not only it's beneficent. These aspirations should justify Poland's position in the innovativeness ranking of European Union's nations.

Despite many beneficial changes, which were carried out during the previous years, institutional surrounding doesn't entirely support enterprise development. One of the main activity barriers is still the excessively expanded law, and constant regulation changes. The crisis period had a distinct effect on the deterioration of financial outcomes of enterprises from the private sector, which employ more than 9 people Economic regulations which currently are obligatory, generate numerous administrative burdens, regarding for example informative duties.

## 5. Conclusions

To sum up, the undertaken analysis of the impact the global crisis has on the development of polish entrepreneurship shows it's partly positive results. However searching for a solution to this situation is a more important matter. The key is to aspire for a rise of innovative and creative potential on sources side, which constitutes a basis for entrepreneurial behaviors and competitiveness of the economy. In Poland was introduce packet of various activities supporting entrepreneurship, undertaken on both the government, institutional (also UE institutions), and also European Union levels indicates their relevance, even in fact of Polish experiences. However, in long-term perspective, an improvement of Poland's position in the worldwide innovativeness ranking by means of initiating entrepreneurship may only induce a development of the country's intellectual capital and extending financial capital. This challenge is addressed mainly to the Polish government , which should support proper competencies, such as creativity, ability to analyze problems, or teamwork, which are necessary in the process of creating value added in small and medium enterprises.

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