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MANAGING SMALL BUSINESS – OPPORTUNITIES AND BARRIERS IN POLAND

Introductory remarks

The existence of small business on the Polish market is an economic and social fact. European funds and the entrepreneurship of the owners of small companies constituted additional impulses for their development from the initial idea to the development stage. In many cases, the alternative to the decision whether to start individual economic activity or set up a mini-company was unemployment and the necessity to take advantage of the state's social care. That is why the number of decisions to start a company reached its peak in 2010-2013 i.e. in the period of the economic crisis and the increase in unemployment that amounted to 11-13%.

At present, the sector of small business is one of the main pillars of Polish economy that generates 60-70% of the GDP on the average and provides approximately 70% of new job places¹. However, the majority of small business owners follow an intuitive and common-sense attitude to the management of their companies. Their main strategic target is to have temporary profits and to decrease the costs. They may introduce some marketing activities to acquire new customers but they have no basic knowledge on management, marketing, economic analyses, the development of long-term strategy or the parameterization of the market, not to mention modern management systems including process or network solutions. As a result of the intuitive approach without the support of adequate knowledge, approximately an average of 70% of small business goes bankrupt in the first or second year of operation. At the same time the same number of new companies are set up so their total number on the market does not change significantly.

The author does not underestimate the role of intuition in running a business. However, the aim of the article is to indicate to businesspeople and entrepreneurs that a further long-term

¹ *Strategia na rzecz odpowiedzialnego rozwoju projekt do konsultacji społecznych*, Ministerstwo Rozwoju. Warszawa 2016 s. 76.

development of economic activity depends on their knowledge on company management systems. SWOT methodology was applied to assess both the opportunities and barriers related to running and developing one's own business. The analysis used information obtained from 40 business people running micro-businesses in trade, construction, transport, craft, IT and tourism that were located in the city of Krakow.

1. Specific features of managing a small business

Small business was defined in the Act of 2 July 2004 on freedom of economic activity. In the European dimension small business is regulated by the provisions of 2006. The main criteria are based on quantitative indexes that define companies from the SME sector which include micro-, small and medium-sized enterprises.

Micro-enterprises are economic units that employ fewer than 10 workers and have annual net turnover from the sales of goods, services and products that does not exceed the equivalent of EUR 2 million.

Small enterprises employ between 10 and 49 people and their annual sales turnover does not exceed EUR 10 million.

The analysis will concern microenterprises whose number in Poland amounts to approx. 1700 000. Their main area of operation is the service sector which includes trade (30.3%), construction (13.5%), industry (11%) and craft. The business people that were the object of research represent a similar profile of activities: they deal in trade (15), run construction companies (12), own craft and industrial enterprises, transport companies (3) run tourist and IT businesses. The average employment ranges between 4-6 people. The companies from the SME sector have a crucial significance to economy. It is assumed that they should promptly react to the needs of the market, reduce the unemployment, promote new technological solutions - including mainly information and communication technologies and should be flexible to the changing economic conditions as regards competition and innovations. Internationalization related to the economic cooperation with EU business is also an important element.

Numerous articles and monographies deal with the issues concerning the SME sector and they particularly pay attention to the role of small companies in free market economies as well as their opportunities to develop and the reasons of their bankruptcies. One of the most important articles in the literature on the subject is I.Gardawski's paper on the research on the owners of SME companies that was conducted in 2010-2011 and which emphasized the significance and role of business people in the economic system and classified them with the

consideration of their personalities². The monography of S.Lachiewicz and M.Matejuna is devoted to various issues related to company management in the SME sector and it presents different management models as well as the possibilities to implement competitive strategies that support further development of companies³. The implementation of the communication and information technology in the SME sector is discussed in the monography by A. Drab-Kurowska and A.Sokół where the authors indicate the role of network management systems and present the conditions for the development of e-commerce⁴. The issues of knowledge management by – among other things – a system of employee training in small and medium-sized business is discussed in detail by U.Pauli in his monography⁵. When considering the European comparative analyses on the development of small and medium-sized companies, one should mention the collective work of P.Dominiak, J.Wasilczuk and N.Daszkiewicz in which the authors give examples of various forms of activities that are applied by companies in Italy, France, Poland and the Czech Republic. With reference to particular examples of small companies, the authors discuss historical traditions, economic conditions as well as the increasing integration, internationalization and globalization processes⁶. A report assessing the modernization program of Polish companies is of significant diagnostic and prognostic value as regards the role of innovations in the development of Polish SME companies. The investigation of 251 companies that was conducted in 2015 included: the expenditure on innovations in the company, the barriers in implementing the innovations, their structure and effectiveness, the progress in increasing employee qualifications, the factors of economic success in the view of business people, etc.⁷ The above presentation is highly subjective as due to an extremely significant number of publications in this field it would be impossible to discuss them all or even mention them. The above publications were selected due to the fact that they analyzed, both in the theoretical and practical dimension, the specific features of the systems of small enterprise management.

² Cf. I. Gardawski; *Rzemieślnicy i biznesmeni. Właściciele małych i średnich przedsiębiorstw prywatnych*. Scholar, Warszawa 2013, *Właściciele firm sektora MSP i ich przedsiębiorstwa* (in:) W. Morawski (ed.) *Wobec wyzwań jutra. Co myślą Polacy i jak działają*. Wolters Kluwer, Warszawa 2016.

³ S. Lachiewicz, M. Matejun, *Zarządzanie rozwojem małych i średnich przedsiębiorstw*, Wolters Kluwer, Warszawa, 2011.

⁴ A. Drab-Kurowska, A. Sokół; *Małe i średnie przedsiębiorstwa wobec wyzwań rozwoju technologii XXI wieku*, Wydawnictwo Fachowe, Warszawa, 2010.

⁵ U. Pauli, *Rola szkoleń pracowników w rozwoju małych i średnich przedsiębiorstw*, Kraków, 2014.

⁶ P. Dominiak, J. Wasilczuk, N. Daszkiewicz; *Małe i średnie przedsiębiorstwa w obliczu internacjonalizacji i integracji gospodarek europejskich. Przykłady Włoch, Francji, Polski i Czech*; Gdańsk, 2005.

⁷ *Innowacje w MSP pod lupą. Europejski Program Modernizacji Polskich Firm*, Warszawa, 2015.

There is a typical stereotype among future and current business people that “the smaller the company the lower skills and competencies are required to manage it” . With reference to the business people under investigation one could notice a fairly common conviction about the role of intuition and the skill to follow successful entrepreneurs as the main factors in company management. They expressed their conviction that high professional qualifications related to company profile, e.g. a transport company – drivers, construction company – construction license, gastronomy – culinary certificate, and the whole range of engineering qualifications, are a crucial parameter of management. On the whole - in the opinion of business owners - business intuition, professional qualifications and their skillful use in the analysis of the market demand functions should be completely sufficient for a micro-company management to be successful. None of them had completed any management studies, trainings or courses. It is obvious that the owner’s intuition - the capacity to sense business opportunities- is an important competitive factor but one should bear in mind that on the long term such an approach may wrongly affect the development trend of the company, for example towards a medium-sized or big enterprise, or may result in bankruptcy. Thus, the knowledge in the field of management seems particularly important in the case of a micro-company. One can assume that the management of a small company may frequently be much more difficult than managing a big enterprise as regards the hierarchy system, the range of decisions made and managerial competencies. This is a specific feature of a small company, which is very often underestimated by future and also current business people.

The hierarchy system is the characteristic feature of every organization/company. Among other factors, it defines⁸:

- the level and range of power and responsibility
- the type and range of decisions to be made
- the rights and duties of the employer and employee
- the channels of information transfer
- the opportunities for promotion and development
- organizational capacities of company development

In big companies, the hierarchy most frequently includes three levels of power: management – the higher management level, department managers – medium management

⁸ L. H. Haber; *The role of formal and informal structures in shaping the corporation’s relational capital* [w:] *Management* vol.18 no 1, 2014 p. 148.

lever, and the lower management level, i.e. direct supervisors, team managers, first-line managers. Particular types of decisions are assigned to each of the management levels:

- The management makes strategic decisions that most frequently are related to the long-term company development – new investments, market expansion, strategic alliances, etc,
- The medium management level – heads of departments, etc. – makes tactical decisions that result from the general company targets that defined on the higher level and concern the methods and techniques that are implemented to complete the tasks on the basis of the available resources,
- The lower management level makes current operational decisions that usually concern the type and structure of work, the organization of the working day, standard indexes, remuneration forms. There is a direct dependency between managers and employees.

It should be emphasized that in the case of micro- and small business all three types of decisions are made by one individual – the business person, i.e. the owner. The efficiency and effectiveness of the decisions will depend on the competencies and professional skills of managers. In the case of big companies particular skills are spread according to the hierarchy level⁹:

- The higher management level requires conceptual skills which are indispensable for forecasting and programming long-term strategic operations concerning company development, its connections with global, regional and local environments. Such skills are visible in the course of the creation of social networks among the employees and the development of transparent and clear CSR principles. Particularly important are skills related to knowledge management, intellectual capital and entrepreneurial capacity.
- The medium management level requires administrative and practical skills that are necessary when making tactical decisions. Typical activities that require administrative skills include: the coordination of long-term planning together with the preparation of short-term budgets, monitoring the stocks, resource levelling, constant market monitoring, checking debtors, following the procedures and the development of periodic reports. Practical skills on this management level enable the selection of adequate optimal methods and techniques to accomplish the tasks and to operate

⁹ L. H. Haber, *Projektowanie systemów zarządzania organizacjami* [w:] L. H. Haber (red.) *Komunikowanie i zarządzanie w społeczeństwie informacyjnym*, NOMOS, Kraków 2011, s. 214-220.

particular workstands both for the office and floor workers. Here, the knowledge of the working process, operations and technologies is indispensable.

- The lower management level involves practical skills and the ability to cooperate with the staff. Practical skills were mentioned above and some comment should be made as regards the cooperation with the staff and the ability to develop company's relational capital. The relationships with the staff decide whether the cooperation is creative and gives satisfaction to the employees, which results in the increase in work effectiveness, or it is confrontational, which leads to the decrease of staff activity. The atmosphere in the working team depends mainly on the manager's style and personality, the way the manager gives orders, the type and frequency of criticism, the methods of work supervision and whether penalties and rewards are justified.

It should be pointed out that in big global companies particular skills are assigned to three management levels and to specialists with adequate skills while in micro- and small companies all four skills should be possessed by company owners. In other words, the management system of a big global company is spread onto several hierarchy levels with teams of specialists who have skills and competencies adequate to the decisions they have to make. There is only one hierarchy level in micro- and small business where the owner is supposed to make strategic, tactical and operational decisions. Moreover, the owner should have appropriate skills regarding conceptual, administrative and technical areas as well as the ability to cooperate with other people.

In conclusion, the owner of a micro- or small company should dispose of a far greater knowledge on company management, decision making processes and a wider range of skills than his/her counterpart in a big company. However, the truth is that according to small business owners the management of small companies involves "the simplification of the management process", the lack of necessary skills and of the knowledge in the fields of such issues as the development of hierarchy and of decision-making processes. The most common reason for company bankruptcies in the first two years of operation is the reliance on intuition and the simplified vision of management. One should stress the fact that such kind of a management system is a dominating one in the selected group of business people who run micro-companies.

2. Development potential of small business

In 2010-2015 there was a steady increasing trend in the area of the city of Kraków as regards the number of the registered micro-companies and the employment up to 9 workers.



Table 1 is based on the data for 2010-2015 obtained from the Statistical Office and the Statistical Bulletin for Krakow and it presents mutual dependencies between the number of companies and the level of employment.

Table 1. Growth dynamics of the number of micro-companies and the related employment in the city of Krakow in 2010-2015

Year	2010	2011	2012	2013	2014	2015
No. of companies	93 815	93 987	97 988	100 992	102 605	105 886
Employment	107 196	107 737	112 961	116 339	118 062	121 657

Source; The City of Krakow Statistical Bulletin - 2010-2015.

When analyzing the period of 2010-2015, one can notice a steady growth of the number of micro-companies from 93 815 in 2010 to 105 886 in 2015. They accounted for 95.4% of the total number of the SME sector companies. Between the beginning of 2015 and March 2016 6906 new companies were registered in Krakow. Moreover, there was a steady increase in employment from 107 196 in 2010 to 121 657 in 2015. As the data referring to the SME sector and particularly to the micro-companies present, there was a dynamic growth in the number of companies and the level of employment. The sector of micro-companies in Poland accounts for approx. 70% of jobs. Small companies offer more workplaces due to lower costs and less time they need to generate them. Their potential includes the influence on the local labor market, the development of products and services, the cooperation with the sector of big companies, the development of positive examples of entrepreneurship, the increase of the region's competitiveness as well as several social and political functions in the region, etc.¹⁰.

It should be emphasized that business people, together with their staff, play a crucial role in the development of company's potentials. The following factors are significant here: the knowledge of management, the reasons to start business activities, the accepted management examples and styles, the level of creativity in promoting innovativeness as well as the ability to react to critical situations that may emerge when managing a company.

The knowledge of management enables the diagnoses and forecasts concerning company's market operations as well as the choice of a management system that may be dominated either by functional, process or network solutions. It is important to define the main objectives of the company that regard customer orientation, competitiveness, product innovativeness, internationalization through strategic alliances with European companies, cooperation with local communities, etc. That involves the ability to constantly monitor and balance company's resources: the traditional ones such as human, financial and material

¹⁰ A. Adamik, *Współpraca małych i średnich przedsiębiorstw w regionie*, Difin S.A., Warszawa, 2012, p. 37



capitals, and the development ones such as information, relational and intellectual resources. The use of management functions requires a sound theoretical background in the field of management. In top companies, apart from such internal functions as planning, organizing, managing, employing, motivating and checking, there are external functions that are related to company's environment and to the business person's role of a network mobile leader who plays marketing roles to acquire new permanent stakeholders/customers. This is particularly visible in the operations that concern business networking, fundraising or presumption. To achieve the targets and to increase company's competitiveness on the local market, the business person uses the whole potential of the micro-company.

It is also the personality of the business person - who is the creator of the social atmosphere among the staff - that has some impact on the use of the company's development potential. A crucial role is played by business motivation, leadership models and interpersonal relationships with the personnel.

Business motivations are often the result of the personal qualities of company owners who have unconventional methods of the acquisition of resources and whose companies have a low formalization of operational structure and of personal relationships that are most commonly of the "face-to-face" type. There are frequent cases of excessive risk taken when competing with other companies. As a rule, the owners have a multilevel personality where hubristic motivations are supported by transgressive behavior that results in breaking the barriers and the existing stereotypes in various fields of economic activities. Their style is different from that of their competitors and is characterized by innovativeness; its typical feature is the speed and the introduction of changes to company management by means – for example – the use of benchmarking, reengineering or change management. The speed of changes constitutes the development potential of micro-companies. However, it should be noted that new solutions in company management may not necessarily result in a success and in the case of a wrong analysis of the resources or the lack of the personnel's acceptance, they may lead to a failure.

In the group of the business people under investigation the majority (32 companies) apply simple functional solutions; transport, construction and trade are based mainly on professional specialization. 5 companies apply process solutions; that refers to manufacturing, car service, which involves professional flexibility of the staff (multi-specialization). 3 companies (tourism, real estate market, IT) use networking in their management, exchange of information and cooperation. The companies in question have no medium- or long-term

development strategy. The decisions that are made are most commonly operational and ad hoc in character and concern the estimated profit, cutting costs, schedule of operations or work discipline issues, etc. That is the case for almost all micro-companies that operate in Poland. According to J.Gardawski “expansive targets, including the search for new markets, were at a far end among companies’ strategic goals. They were limited to meeting the demand of current customers and reducing the costs”¹¹. Some symptoms of innovativeness could be observed among business people who applied networking solutions in management. That concerned mainly the enlargement of the network by new entities, the development of on-line expansion onto foreign markets and the cooperation with European partners. Tele-working is also taken into consideration.

It should be emphasized that the majority of the companies in question have been operating for three years and they have a stable position on the market as regards the earnings and customer demand segments. On the whole, their potential is maintained and it is not being developed towards a medium-sized or big company.

3. Barriers and threats to the development of small business

Krakow takes the third place after Warsaw and Wrocław as regards the number of company bankruptcies. According to the Krakow Statistical Office there has been a slowly decreasing trend in the number of bankrupting companies since 2013: in 2013 the number of companies which went bankrupt amounted to 888, and 807 and 750 in 2014 and 2015, respectively. About 60% of companies go bankrupt in the second and third year of their operation, while – which is an interesting fact - approx. 30% go bankrupt in the fifth year, i.e. when one might think that several years of the activity on the market was positively evaluated and the company generated a sound basis for further development.

The business people under investigation claimed that the most frequent reason for bankruptcies in the first three years of operation are “the delays in the payments for trading transaction and difficulties in the execution of debts from debtors. The owners – in order to save their company, take new credits which results in a debt spiral. Consequently, there are delays in the payment of staff remuneration which – in the long run – may lead to problems concerning the payment of company’s basic obligations as well as redundancies. The loss of contractors and employees leads quickly to company bankruptcy. The other problem of

¹¹ J. Gardawski, „Właściciele firm sektora MSP i ich przedsiębiorstwa (in:) W. Morawski (ed.) *Wobec wyzwań jutra. Co myślą Polacy i jak działają*, Wolters Kluwer, Warszawa, 2016 p. 501

business people is the necessity to transfer a significant amount of the profit to the state budget, which hampers investment. A high rate of the income tax is a significant burden to the weak capital of micro-companies” (similar statements of 35 business people)

With reference to the previous statements of the business people under investigation, one should admit that intuitive approach to management may be helpful at the initial stage of company operations but in the long run it may result in bankruptcy. Strange enough, many of them emphasized the significance of intuition. Moreover, imitating management methods of other companies that were successful even on German, French or Italian markets does not guarantee the achievement of the position of a market leader “as the differences even between regions in one country are often so extreme that the transfer of experience from one to the other may be risky and frequently unjustified”¹².

After the analysis of the situation and background of the bankruptcies of micro-companies, four groups of factors can be distinguished:

- Factors that are objective and related to the globalization of economy and the resulting state policy;
- Subjective factors that concern personality qualities and the behavior of businesspeople and company staff which generate a background for critical situations;
- External factors related to company environment, including regional and local policies, as well as the demand and supply conditions on the market;
- Internal factors related to the functioning of the company itself, the management systems, the use of resources, the development of qualifications, the implementation of innovations, motivating the creativity, etc.

As regards the objective factors that constitute a threat to company operations, one should mention the periodicity of global crises and the policy of the state towards the business on various levels, the SME sector including. With the consideration of the fact that there are numerous aspects of crises which may result either from exogenous or endogenic factors, it is justified to assume that the SME sector companies are subject to permanent crisis situations and consequently their cycle will range from the crisis to its solution and then again to another crisis and the solution. The reason behind that may be related to business cycles, both global and local

¹² Dominiak P., Wasilczuk J., Daszkiewicz W., *Małe i średnie przedsiębiorstwa – w obliczu internacjonalizacji i integracji gospodarek europejskich. Przykłady Włoch, Francji, Polski i Czech*, Gdańsk, 2005, p.235.

in character, economic transformations or the initiation of various ill-conceived economic reforms. The assessment of the role of the state is also significant here as the assumption was that the state should level off opportunities for the development all companies while in fact it brought benefits to big companies and bankruptcies to the small ones. The businesspeople in question have a very negative opinion about the state and say that it is oppressive, based on penalties and exploits the business by a steady increase of all kinds of burdens – taxes for the sake of the state. According to them the most harmful activities and excessive zeal are on the part of such entities as Sanepid (sanitary-epidemiological office), PIP (the National Labour Inspectorate), labour courts, waste regulations and market regulations concerning excise duties and product registrations whose main aim is to improve the condition of the state budget at the cost of micro-companies. The businesspeople distinguished four crucial factors that depend on the state. They are:

- high business costs, e.g. personal income tax, tax on labour facilities (e.g. transport), VAT, high labour costs (advance payments against PIT, old-age pensions, expenses related to work safety regulations, etc.);
- continuous changes in legal regulations included in the acts on taxes as well as tax exemptions which change with different interpretation of the same provisions;
- ambiguous tax provisions, excessive amount of labour documents and the complexity of law that forces businesspeople to employ external companies, which results in the increase in costs;
- the lack of access to long-term capital that is necessary for companies to develop in the initial period of operation.

The subjective factors that may lead to company bankruptcy are usually connected with unfavourable interpersonal relationships between the employer and the staff. They concern such behavioral elements as reactions, conduct, emotions and value systems of the owner and the employees. The literature on the subject gives several examples of negative management styles. There are two model examples of the attitude of businesspeople that have negative impact on company development and its employees. They are the parasitic or emotional and “frustrated” businesspeople. The first ones “take significant risks to be successful at all costs by purposeful violation of legal or moral rules in order to achieve material benefits. This is done by exploitation, fraud, corruption and informal connections with the authorities. Such conduct includes founding fictitious businesses, failing to pay remuneration to workers or inadequate

labour conditions that do not guarantee the safety to the employees”¹³. The “frustrated” businesspeople usually have an insufficient knowledge on management systems, they follow their intuition and emotions, they are authoritarian and reluctant to take risks. They feel constant threat and they do not trust their employees and external contractors. They do not take measures to develop company’s relational capital. They are afraid of competition but do not undertake any innovative actions. They are on the skids: their company will go bankrupt and they are going to turn from employers to employees ¹⁴. All measures taken by the above mentioned businesspeople have an impact on their relationships with the staff which generate conflicts resulting from the evasion or even violation of legal, ethical or human rights. The conflicts are usually hidden as the employees are afraid of dismissals. However, when out of work, they frequently express their negative opinions on the owner and his/her company. The presented negative management models and the conflict-generating interpersonal relationships frequently constitute a barrier to further company development and consequently lead to its bankruptcy.

External factors concern the relations with company’s environment, its cooperation and the existing threats. One should list here both its network relationships with other companies as well as business contacts with customers, suppliers, contractors or competitors that are all based on supply and demand principles. One should not ignore the important skill to develop relational capital through the acquisition of permanent partners in market operations. In recent years there has been a strong trend in company management systems to promote social and electronic network solutions which increase company’s value added. The opinions on this type of management are usually positive. However, the experience of numerous companies that in the meantime were involved in network relationships shows that apart from advantages there are some disadvantages that may lead to the bankruptcy of companies participating in networks. One of the negative aspects of network management is first of all the acceptance of the target that is not in line with the needs of the closest environment – the lack of customers, receivers, etc. Another drawback is the development of coincidental network structures that are not secured by the resources of companies/participants, which reduces the development opportunities on a competitive market. Moreover, the selection of the network and internetwork team members may be wrong and the team may have members who wish to dominate and compete. There may also appear excessive trust or mistrust to the partners, which results in the

¹³ Haber L.H., (ed.) *Komunikowanie i zarządzanie w społeczeństwie informacyjnym*. Nomos, Kraków, 2011, p.237.

¹⁴ Morawski W (ed.) *Wobec wyzwań jutra. Co myślą Polacy i jak działają*. Wolters Kluwer, Warszawa, 2016, p.519.

reduction of the flow of information, knowledge and innovation and consequently to the decrease of company's competitiveness. There is also the problem of intellectual exploitation of network workers, which is reflected by the use of their innovativeness and creativity without the opportunities to be promoted or receive financial remuneration. It should not be forgotten that a correct system of network management can result in synergy and may strengthen company's market position but it may also be "a critical moment for a company resulting in significant financial loss and bankruptcy"¹⁵. The businesspeople who were surveyed and who did not participate in network solutions were very critical about mini-companies that operated in networks. The main argument against them was that an uncontrolled development of a network poses a threat to individual companies which often go bankrupt. As a result, the businesspeople insisted that the creation of networks should be limited to selected services and a chance should be given to companies that want to keep their individual market identity. The lack of earlier market analyses of company's environment may be another external factor of company bankruptcy and this concerns both the demand and supply issues¹⁶.

The demand barrier of a company may be related to the low financial resources of its customers (their impoverishment), numerous competitors, dumping prices, a limited customer segment, etc. Supply barriers include problems with bad debts, limited access to credits, the shortage or low quality of raw materials, the lack of qualified workforce, specialists, etc. When presenting the background of external determinants of micro-business bankruptcies, only the most significant reasons were given,

The internal factors result from company operations with regard to its structural and functional aspects. That refers to both the knowledge and practice of company management and includes the determination of strategy, decision-making processes, a full use of resources, the increase of qualifications, the application of modern information and communication technologies, constant monitoring of company's attractiveness on the market, etc. In many cases – as it was mentioned before – the internal factors are the result of the lack of knowledge and skills on the part of micro-company owners. The research showed a lack of the knowledge of languages among businesspeople, which results in limited contacts with foreign companies¹⁷. Moreover, there is a substantial group of companies that do not run any trainings to improve

¹⁵ S. Gudkowa, *Rozwój małych przedsiębiorstw. Wiedza sieci osobistych powiązań, proces uczenia się*. Warszawa, 2008, p.173.

¹⁶ Drab-Kurowska A., Sokół A., *Małe i Średnie Przedsiębiorstwa Wobec Wyzwań Rozwoju Technologii XXI Wieku*. Wydawnictwa Fachowe, Warszawa, 2010, p.109

¹⁷ Dominiak P., Wasilczuk J., Daszkiewicz W., *Małe i średnie przedsiębiorstwa – w obliczu internacjonalizacji i integracji gospodarek europejskich. Przykłady Włoch, Francji, Polski i Czech*, Gdańsk, 2005, p.226.

their staff professional qualifications¹⁸. In the group under investigation only three micro-company owners claimed that their employees participated in courses in programming and computer graphics. In 2015 an audit was conducted to assess the use of European funds by the Polish business in the SME sector and it showed that no innovative solutions were implemented in 251 companies (60%). The reason given to explain such attitude was that regulations changed too often and were not friendly to innovative companies¹⁹. There are also frequent cases that micro-companies waste their resources, which has a direct impact on the increase in the costs of company operations. It is a well-known fact that some operations that are performed too quickly or too late in relation to the accepted schedule affect negatively the rhythmicity of work and result in production stoppages. Moreover, the use of an excessive number of subcomponents in relation to the number that was ordered leads to the redundancy of resources, it freezes current assets and eventually results in company financial losses²⁰. Sooner or later a permanent reoccurrence of the above negative elements causes company bankruptcy.

Conclusions

Small companies, particularly micro-companies, have become a constant and stable element of Polish economy. The period of 2010-2015 shows a steady growth in this respect and in the opinion of many researchers of this subject they have a positive impact. Their further development depends on their flexible reaction to the market demand signals, the absorption of unemployment, the creation of the tradition based on family companies, the promotion of innovativeness, skillful search for market niches and the expansion on foreign markets with the application of information and communication technology, etc.

There is a widespread stereotype among future businesspeople and current company owners that intuition and imitation of other successful companies are enough to run micro-businesses. However, as it was proved by numerous investigations, the management of micro-companies does not only involve intuition but also the knowledge on management systems. The social reality shows that it is much more difficult to run a micro-company than a big one. This is due to the fact that a big company has a hierarchical system where adequate types of decisions and the related skills are assigned to particular levels, while the owner of a micro-company is the only level where strategic, tactical and operational decisions are made and,

¹⁸ Pauli U., *Rola szkoleń pracowników w rozwoju małych i średnich przedsiębiorstw*, Kraków, 2011, p. 150.

¹⁹ *Innowacje MSP pod lupą. Europejski Program Modernizacji Polskich Firm*, Warszawa, 2015, p. 45.

²⁰ S. Lachiewicz, M. Matejun, ...op.cit. pp.365-366

consequently, such a person should possess conceptual, administrative and technical skills as well as the abilities to cooperate with the staff. A frequent lack of knowledge in these areas is the reason of bankruptcy in the second and third year of operation.

Another barrier to the development of micro-companies is created by the oppressive and exploitative role of the state which on purpose – by ambiguous rules and regulations that are applied retroactively (e.g. tax regulations) as well as by variable interpretations - leads numerous companies to bankruptcy. Despite different political options of the authorities in 1990-2016 (both of the leftist, liberal and rightist governments) their policies to the SME sector remained the same and they lacked initiatives for the sake of prompt development of the companies in the SME sector, micro-companies including.

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Abstract

The aim of the article is to list both the development opportunities and the barriers that may lead to the bankruptcy of the SME sector companies, micro-companies including. Attention has been paid to the specific features of managing micro-companies which is significantly more difficult than managing big companies. However, the owners of micro-companies most frequently do not possess the adequate knowledge on management and their operations are based mainly on intuition and imitation of other companies, which results in the bankruptcy of numerous micro-companies. The article discusses the most common causes of bankruptcy\ies with the presentation of the factors: the objective and subjective ones, the external and internal ones.