

THE FUNCTIONING OF THE MICRO- ENTERPRISE SECTOR AND BUSINESS ENVIRONMENT INSTITUTIONS (BEIs) IN GDANSK POMERANIA VOIVODESHIP

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Abstract

In this study the interpretation of selected results of the author's own research was carried out regarding conditions for the development of the micro-enterprise sector in Gdansk Pomerania Voivodeship from the point of view of support from existing Business Environment Institutions (BEIs) here. These are namely, obstacles and opportunities regarding cooperation between micro-enterprises and BEIs.

Key words: Business Environment Institutions, small business, micro-enterprise

1. Introduction

Gdansk Pomerania Voivodeship is dominated by micro and small enterprises, which comprise 93.1% of companies in general, according to the Provincial Statistical Annual. Predominantly the only creator of the economic reality in these entities is the Owner-Manager (OM) while the structure of such companies is uncomplicated and the number employees very low. The research conducted by the author of this study²⁾ shows that the average OM of a micro or small enterprise may be characterised by the following:

- insufficient qualifications,
- low awareness and knowledge of market operations,
- low quality of his/her own market operations.

OMs often fulfil all the management roles simultaneously in their companies (i.e. financial analyst, marketing specialist, salesperson). However, in the author's opinion, due to the requirements of competitiveness they should use the widely un-

¹⁾ Stowarzyszenie „Wolna Przedsiębiorczość” w Gdańsku/“Free Enterprise” Association, in Gdańsk.

²⁾ A description of the author's own research is presented in the first section this article.

derstood support of Business Environment Institutions (BEIs). Such support and available tools for OMs increase the chances for survival or development. The necessity of using BEI services also results from rapid changes which are currently taking place in the economy of the region. The above-mentioned selected arguments determine the necessity to engage a whole range of tools which will help enterprises to adapt to changes. A separate issue is deciding to what extent OMs possess an awareness of the need to use BEI services, the need for creating such an awareness, as well as to what extent this awareness will be forced upon them by the market. It is also an open question whether these institutions are prepared to a sufficient degree to take actions on a large scale within the framework of rapidly changing market demands. The lack of a unified system of services of sufficient quality, as well as inadequate communication is the cause of them not being sufficiently visible and recognisable by the potential beneficiaries of these services namely, the micro, small and medium enterprise sector (MSMEs).

The aim of this study is to show cooperation between BEIs and micro-enterprises in Gdansk Pomerania Voivodeship through the prism of obstacles affecting this cooperation, as well as through factors thanks to which this cooperation is conducted. This article is firstly a presentation of the author's own research methods. Following this, the problem of cooperation between BEIs and small companies in Gdansk Pomerania is described on the basis of the available literature and the author's own research.³⁾ Finally, there is a conclusion which draws these considerations together.

2. The state of development of Business Environment Institutions in Gdansk Pomerania Voivodeship

Current terms such as Business Environment Institutions, the environment of business surroundings, support for enterprises or MSME sector support network, have replaced the term "Third Sector" which was very popular during the initial years following the political and economic transformation in Poland after 1989. Nowadays, this term is more often applied to non-profit organisations which operate in the social sector regarding socially-sensitive activities whose main characteristic is not economic calculations, profit, profitability or strictly material development of the vulnerable, needy, as well as poorly-adjusted people and communities (Herbst, Przewłocka, 2011, p. 17–20). The most important task for highly-qualified BEIs is mediation in business and the communication of information at the meeting point of two groups namely, Research and Development (R&D) and also MSMEs. Although the co-operation of these two worlds, with their respective jargons, is more than

³⁾ The terms "small business", "micro-company" and "micro-enterprise" are used interchangeably in this article.

desirable during a time of innovation and competitiveness, it often remains elusive. Moreover, it leads to opportunities for the region not being utilised.

A business environment unit in Gdansk Pomerania employs seven people on average.⁴⁾ Although 93.8% of companies in Gdansk Pomerania are micro-enterprises, up to 30% of them have no other employees than the OM while the remainder employ one to three people (Dominiak i inni, 2013, p. 50). This results in such companies being forced to employ external specialists on temporary contracts for carrying out part of their support services. An example of this is the conducting of training sessions, advertising campaigns or financial projects from structural funds. MSMEs also use the aid and services of legal, accounting and broking offices. The creation of partnerships and project consortiums results, therefore, from the need to optimise processes and costs. In some BEIs, specialists, advisors and trainers account for 100% of the personnel.⁵⁾ Such people display inter-changeability and a certain type of versatility.

BEIs also operate, in many cases, by creating networks, i.e. the “Free Enterprise” Association in Gdansk runs a network a companies which support the foundation and development MSMEs in Gdansk Pomerania Voivodeship (Stasiński, 2013, p. 3–4). Statistically, the typical unit supporting MSMEs is in an urban location with a population of more than 40,000 people.⁶⁾ According to data from GUS and PARP, as well as the author’s own experience, the structure of a typical support unit results from the needs which the recipients of these services, namely MSMEs, display in a given environment (Raport o stanie, 2011). As the example of the “Free Enterprise” Association in Gdansk shows, the organisation often naturally transforms into a network in order be very near the main service recipient. In this way, local business centres are founded “on the ground.”⁷⁾

3. The Author’s Own Research Methodology

The aim of the research conducted by the author, in which selected results concerning the accepted goal of this thesis are presented later, was, among other things, to describe the state and condition of BEIs in Gdansk Pomerania, as well as the gathering and structuring of knowledge about these institutions and the better understanding of their role in supporting MSMEs. The subject of research also included micro-enterprises, and thus OMs. The author conducted an attempt to assess their expectations concerning BEIs in order to get to know views regarding problems in cooperation, and the means of conquering them, between the above-mentioned par-

⁴⁾ Own work based reports from SWP (Stowarzyszenie “Wolna Przedsiębiorczość” Gdańsk), ARP Gdansk, PARP Warsaw, 2010–2012.

⁵⁾ Own work based reports from SWP (Stowarzyszenie “Wolna Przedsiębiorczość” Gdansk), ARP Gdansk, PARP Warsaw, 2010–2013.

⁶⁾ Own work based reports from SWP Gdansk, ARP Gdansk, PARP Warsaw, 2010–2013.

⁷⁾ Own work based reports from SWP Gdansk, ARP Gdansk, GUS, PARP Warsaw, 2010–2013.

- ticipants in the market. In this research the author has asked the following questions:
- What obstacles are there concerning cooperation between micro-enterprises and BEIs in Gdansk Pomerania Voivodeship?
 - What factors are conducive for cooperation between BEIs and micro-enterprises in Gdansk Pomerania Voivodeship?

The research was conducted on the basis of data gathered from training and advice activities, including those as part of the National Services System and the European Information Network in Pomerania. The main source regarding considerations on the topic presented in this article was research conducted employing the technique of using an interview questionnaire. The research was carried out on an appropriately designed research form which included deliberately a certain number of companies namely, 100 enterprises (Apanowicz, 2002, p. 37–41). Interviews were conducted directly between the author and the enterprise consultants from a network of business support institutions in Kartuzy, Malbork, Starogard, Wejherowo, Słupsk, Lębork, Puck, Gdansk, Gdynia, Dzierżgoń, Bytów, Słupsk and Sopot. The research was conducted between 2010 and 2012.

The author's own conducting units of the National Service System for many years was also supplementary to the research employing the diagnostic poll method. The diagnostic poll covered 750 micro and small companies during the period from 2004 to 2012. The selection of micro-enterprises was based on the accessibility of the companies being researched. The most frequently employed research technique in this case was an interview questionnaire, as well as using the method of analyzing documents (Apanowicz, 2005, p. 21–28).

4. Business Environment Institutions and Micro-Enterprises in Gdansk Pomerania – the results of research

The author's research analysis allows one to state that threats and obstacles exist regarding the operations of support institutions concerning MSMEs in Gdansk Pomerania Voivodeship.⁸⁾ Taking into account the range of services conducted by BEIs and their basic profile of operations, these entities fulfil three main functions in creating business in the region. It is in fact these functions which confirm that BEIs can be an important link in the development of the MSME sector. These functions are as follows; mediation-connecting, changing-transforming, as well as analytical-diagnostic (Lis, Zieliński, 2013). According to the author's analysis, confirmed by similar research, the main function of BEIs is the creation of a peculiar bridge between all the participants of the market process, especially between knowledge and business (Lis, Zieliński, 2013). This bridge constitutes the necessity for "explanation" and organising of the flow of information, mediation and/or creating projects. By playing the part of transformer, BEIs help enterprises to implement advanced

⁸⁾ A description of research and results is presented in a subsequent section of this study.

methods, technologies and systems, as well as adapt existing resources or solutions for the individual needs of clients. The role of diagnostics comprises providing services connected with the analysis of the market potential of a particular entity. On the basis of conducted technological audits, BEIs can evaluate difficulties in carrying out certain market ventures, as well as feasibility studies of projects.

Experts dealing with the issue of BEIs have indicated that the support system is affected by obstacles which hinder these entities in fulfilling a supporting role in the development of SMEs, obstacles which include as follows:⁹⁾

- excessive bureaucracy;
- difficulties in financing BEI activities;
- difficulties in communicating with provincial and local government;
- a lack of sufficiently clearly designed procedures for BEI operations;
- inconsistent organisational-legal forms of BEIs;
- an insufficient number of BEIs in the direct surroundings of the MSME sector.

On the other hand, the field of support services for entrepreneurship has significant development potential. As shown by the analysis of reports of the Central Information Point of City Hall, Gdansk (GPI UM); the “Free Enterprise” Association in Gdansk (SWP); the Pomeranian Development Agency (ARP) and the Pomerania Entrepreneurs’ Council (PRP), interest in enterprises is growing (Stasiński, 2013). The causes of this phenomenon may be seen in the need for Owner-Managers to improve their material status which, along with competition, forces the streamlining of processes and also forces one to introduce technological innovations. Therefore, enterprises often turn to supporting units to solve their problems. Entrepreneurship in the MSME sector, despite existing obstacles, has become a permanent part of the economic picture of our region. An analysis of documents, manuscripts and reports, including quarterly and annual reports of the “Free Enterprise” Association, the Pomeranian Development Agency (ARP), the Pomeranian Network of European and Subject Information Points (PSPIET) and leading Business Environment Institutions in the Voivodeship of Gdansk Pomerania, indicate that supporting institutions play a crucial role in the development of the micro-enterprise sector. Nevertheless, it is worth remembering that the sufficient support for micro-enterprises also depends on overcoming the above-mentioned obstacles to the functioning of BEIs.

Most studies and research on this topic include the entire above-mentioned sector. On the one hand, there is research conducted by B. Nogalski, J. Karpacz, A. Wójcik-Karpacz (Nogalski, Karpacz, Wójcik-Karpacz, 2004) and on the other hand, that by P. Dominiak (Dominiak, 2005) and G. Sobczyk (Sobczyk, 2006) assessing the situation of companies employing from 1 to 249 people. There are, however, very few studies describing only micro-enterprises (up to 9 employees). There is also a particularly obvious gap in outlining BEIs in the context of support services for micro-enterprises. A group of micro-enterprises in Gdansk Pomerania

⁹⁾ The justification for these obstacles is presented in an appendix at the end of this article.

has been researched and described as part of the reports of the Pomeranian Economic Observatory under the direction of P. Dominiak, including “*Raport 2013. Sektor MSP na Pomorzu w warunkach spowolnienia tempa wzrostu gospodarczego*” (Report 2013. The SME Sector in Pomerania under Conditions of Economic Slowdown), which was based on research conducted among the micro-enterprise sector in Kościerzyna County (Dominiak et al., 2013), “*Raport 2010. Sektor MSP na Pomorzu w warunkach pogorszenia koniunktury*” (Report 2010. The SME Sector in Pomerania in a Downturn in Economic Conditions) (Dominiak et al., 2010).

Regarding the above, the presentation of basic economic principles concerning micro-enterprises in Gdansk Pomerania is justified. These parameters are presented in the following table:

Table 1. Selected parameters describing micro-enterprises in Gdansk Pomerania in the period 2008–2012:

Parameter	2008	2009	2010	2011	2012
Average number of employees in micro-enterprises	2.1	2.1	2.1	2.0	2.0
Average gross monthly salary in PLN	1,500	1,600	1,800	1,900	2,000
Average annual income of micro-enterprises in thousands of PLN	380	400	440	440	460

Source: worked out on the basis of the author’s own research: 1) among companies employing up to 9 people and 2) literature research, including: Dominiak “Observatory”, in during the period 2008–2012

As the above table shows, the average Pomeranian micro-enterprise employed two people during the 2008–2012 period. Salaries for those workers during the 2008–2012 period rose by a third, from 1,500 PLN in 2008 to 2,000 PLN in 2012. The value of the average income earned by micro-enterprises also visibly rose during the examined period from 380,000 PLN to 460,000 PLN which, interestingly, also comprises a growth rate of over 33%.

Regarding the scale of cooperation between micro-enterprises and BEIs in Gdansk Pomerania Voivodeship, this issue is described in the following table:

Table 2. The scope of cooperation between micro-enterprises and BEIs in Gdansk Pomerania in the period 2008–2012.

Question	Percentage of answers
Have you used BEI services during the last three years?	54
Do you cooperate with scientific and research centres?	4
Do you intend to cooperate with BEI services or other forms of business advice and support in the future?	72

Source: worked out on the basis of the author's own research, (see section 3. The Author's Own Research Methodology, for a sample of 100 firms)

On the basis of Table 2 it is relatively easy to state that during the last three years of the examined period, namely 2009–2012, 54% of Pomeranian micro-enterprises used BEI services. This would seem to be an unsatisfactory figure, even more so when one considers that only 4% of the smallest firms have conducted cooperation with scientific and research centres. A certain amount of optimism can be derived from the fact that 72% of the companies researched declared their willingness to cooperate with BEIs in the future or also use other forms of business support.

The most important obstacles which discourage micro-enterprises from using BEI services are presented in the following table:

Table 3. The most important obstacles preventing access to BEI services for micro-enterprises.

Obstacle	Percentage of answers
Complexity and lack of comprehension of regulations	66
Lack of funds	44
Lack of time	23
Fear of settlements and repayment of resources improperly spent	18
Lack of knowledge of the support possibilities and accredited professionals	15

Source: worked out on the basis of the author's own research (methodology and micro-entrepreneurs surveyed as given in Table No. 2)

It is clear that the most serious obstacle for small businesses in cooperating with BEIs is the complexity and a lack of comprehension of regulations for 66% of

respondents. An important obstacle is a lack of funds, an answer chosen by 44% of respondents, while the remaining problems seem to have a lesser significance.¹⁰⁾

The next table presents the most important factors which have encouraged the companies researched to use BEI services:

Table 4. The most important factors encouraging micro-enterprises to use BEI services

Factor	Percentage of answers
Preferential financing of services	78
Availability and location of services for the client	54
Professionalism and experience of BEI employees	52
Possibility of gaining contacts and references	47
Simplification of bureaucratic procedures	34

Source: The author's own research (methodology and micro entrepreneurs surveyed as given in Table No. 2)

Based on the information in Table 4, it is very easy to discern that the factor which most encourages micro-enterprises from Gdansk Pomerania to use BEI services is preferential financing of the services of these institutions, a factor which 78% of respondents identified. The next two factors possess a very similar significance namely, access to BEI services in the context of their location and the professionalism and experience of BEI employees, factors which comprised 54% and 52% of respondents respectively. It is interesting that the entrepreneurs questioned also quite frequently stressed the possibility of gaining contacts and references in regard to cooperation with BEIs. However, the simplification of bureaucratic procedures was a factor of lesser importance.¹¹⁾ On the basis of the research conducted, it is possible to present several other conclusions regarding the topic of cooperation between micro-enterprises and BEIs in Gdansk Pomerania. For instance, those entrepreneurs questioned gave BEIs an average score of 5 (on a scale of 1 to 10) regarding the level of services used. Although such a score may be considered very mediocre, it results from the inflated expectations of entrepreneurs people due to information in the media and benefits gained after using such services. Another conclusion drawn is that entrepreneurs who do not use BEI services often see no such need to do so. This

¹⁰⁾ The figures in Table 3 do not add up to 100% as the respondents could choose more than one obstacle.

¹¹⁾ As in Table 3, the figures in Table 4 do not add up to 100% as the respondents could choose more than one factor.

is particularly visible regarding cooperation with scientific and research institutions. Relatively frequently, micro-entrepreneurs feel alone and lost when analysing BEIs offers, which discourages them from availing of aid. One may also notice that there exists a clear correlation between the age of the entrepreneur and their inclination to use BEI services. This correlation is based on the fact that the younger the entrepreneur, the greater their inclination to avail of BEI services. In addition, practically all BEIs in Gdansk Pomerania Voivodeship are located in the Tri-City of Gdansk, Gdynia and Sopot, or in Słupsk, which causes that access to BEIs for entrepreneurs based far from these centres is hindered. This factor discourages owners of companies to use the support offered to them.

4. Conclusion

On the basis of the analysis carried out in this article, it is possible to put forward several key conclusions concerning cooperation between micro-enterprises and BEIs in Gdansk Pomerania Voivodeship. Firstly, 54% of the companies researched had used BEI services at least once during a three-year period. Although this result seems mediocre, it is encouraging that significantly more of those questioned namely, 72% declared a willingness to use IOB services in the future. Secondly, based both on the author's own research and his professional experience, he has reached the conclusion that the most serious obstacles hindering access to BEI services are the complexity and a lack of comprehension of regulations, as well as a lack of funds. Thirdly, the factor which most encourages those questioned to use BEI services is preferential financing for BEI services. No less important is access to BEIs outside the main urban centres, as well as the ability and experience of the employees of such institutions.

Therefore, one may pose a question asking how the scope and quality of cooperation between micro-enterprises and BEIs in Gdansk Pomerania may be improved. It seems that most effective way would be to conduct activities connected with the financing of services offered by BEIs, at least at a rate of 60% of the value of such services. This is because the value of such financing increases interest in the services offered by the above-mentioned entities in a discernible way, as the respondents indicated. Another activity which should be conducted is increasing the state of awareness of small entrepreneurs in Gdansk Pomerania through appropriate advertising promotions. Here the most suitable type, it seems, would be an internet advertising campaign, as well as activities conducted as part of so-called word-of-mouth marketing campaign. It is also essential to conduct activities which will be connected with a kind of "BEI outreach" to small business in order to facilitate access to such institutions.

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Appendix

Table 5. Obstacles to the functioning of BEIs in Poland

Obstacle	Description
Excessive bureaucracy	This results from the significant involvement of various entities. It is justified in this case as the majority of supporting institutions are to a large degree financed by subsidies or various grants and structural funds. This results in the necessity of fulfilling strict procedures, precise calculations and complex applications which, in effect, creates a system which is very labour-intensive and bureaucratic. This problem affects every structural level – initially from the centre in Brussels through government and regional levels. Interestingly, it also affects tax offices whose “difficulty in interpretation” causes enormous confusion and stress to the personnel of the above-mentioned entities.

continued table 5

Obstacle	Description
Financial Issues	The lack of stable income of a BEI unit, mainly due to functioning on the basis “from project to project”, or insufficient funds for operations. The economic, social and political situation in the region also has a large significance.
Difficulties in Communicating with Provincial and Local Government	To a significant degree, local government is unaware of the issue of public aid in general, and subsidy procedures in particular. A lack of appropriate knowledge, both regarding the functioning of businesses and BEIs, as well as socio-economic issues, is noticeable. This all the more acute in that the advising and training personnel etc. require perfect preparation of factual knowledge, information, as well as the “tools” necessary to conduct frequently varied and complicated services.
A Lack of Clear and Easily Understood Procedures	Institutions should produce forms, information leaflets and applications which are simplified to a maximum degree but not only ones in which it is necessary to mark or fill in company details.
Psychological-Attitudinal Obstacles	Entrepreneurs outside large urban conurbations for fear of competitors and their unethical behaviour frequently do not allow access to their internal source documentation and operational details. This hinders communication within the MSME community, as well as between enterprises and other entities and also slows down (or prevents) the process of learning from those more experienced.
Problems within the MSME Sector Itself	For example, the lack of clear rules regarding the functioning and development of enterprises, low budgets and a lack of direct financial support (for equipment in particular). This causes that institutions are unable to offer sufficient support, i.e. for beginner entrepreneurs. Strict organisational frameworks and requirements imposed by the organisers of the supporting institutions are also often a difficult obstacle to overcome.
Various Inconsistent Organisational-Legal Forms of BEIs	BEIs are represented by associations, foundations, limited companies and institutes of education.
Insufficient Number of Suitable Supporting Institutions in the Direct Surroundings of the MSME Sector	Companies located on the periphery are frequently forced to overcome access obstacles whose magnitude are based on wasting a whole day in various kinds of institutions and on travelling to them. Up to now supporting institutions have functioned mainly in academic institutions or in large urban conurbations which created difficulties for entrepreneurs in accessing and benefiting from the services they offered. The threat to the MSME support system is connected with the threats to the sector itself. One of these is the fact that the idea of an entrepreneur may become unattractive regarding the role of the employee, as well as his expectations in this regard. This is a broad problem, dependent not only on current economic policy but the mentality of society and deeply-rooted socio-cultural patterns of recognising and “civilising” reality.

Source: Own work based on reports of ARP, SWP, PARP-KSU, 2010–2012, as well as (Dominiak et al., 2013; Paczowski, 2007)