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STRUCTURE OF ENTERPRISES SECTOR IN POLAND

Key words: resources, decision-making entities, economical choices, enterprise, entrepreneurship, SME, entrepreneurship institutional support

Introduction

Analysis of entrepreneurship sector in Poland was the main target of the herewith study. The study is both theoretical and empirical. Sources used in the analysis consist of existing theoretical material included in the literature concerning discussed issue. Widely available statistical data defining enterprise sector were selected and their analysis is presented in the empirical part. The time horizon of the research is 1994 – 2006. In some of the cases for particular measures data for the whole period were not available, for these measures data for shorter, but possibly the longest periods were specified.

Economical choices of decision-making agents

Specific individual and common actions as well as specific resources are required in order to satisfy needs of different kinds. Needs, known as human activity motivation factor, become internal element of the whole business activity. Human activity, understood as generation of different resources (assets) essential in order to satisfy human needs, is defined as production, and resources (assets) being the result of such human activity are called the products. Production is possible thanks to making the use of production factors (resources). They are converted by enterprises in products via production processes.

Production always takes place in objectively limited conditions – resources of manufacturing factors and time, no matter what the level of social and economical development is. On the other hand human needs are unlimited – as some of them are fulfilled

new arise. In such situation one should be aware of the phenomenon of rarity. Rarity is a result of relation between human demand for needs (potential demand) and their limited production capacity. Newer and better production technologies are developer in time, resources get greater which result in higher production capacity of goods. However at the same time the number of people grows as well as their needs which had to be satisfied. Thereby the problem of rarity never disappears.

Limited resources of manufacturing factors as well as unlimited needs that can be satisfied by the means of service and goods produced in a certain time of certain resources are the main reason of necessity to implement rational management. It also requires management entities to make constantly alternative choices (Kamińska, Kubska-Maciejewicz, Laudańska-Trynka, 1999, p. 13) related with allocation of available resources as well as to strive for these choices optimization. In order to make these choice possible, different competitive (alternative) solutions or particular decisions variants must take place. The choices optimization means that the decision maker chooses the best option and rejects worse variants by application of defined estimation criteria. An appropriate estimation criterion is very important because in the economical point of view some decisions can less or more beneficial as far as social or political aspects are concerned (Begg, Fisher, Dornbusch, 2007, p. 30-38).

Three groups of decision – making entities available on the market are distinguished in the classical classification:

- households,
- enterprises,
- state authorities

Households:

- make rational decisions,
- strive for utility maximisation (choices criteria),
- represent entities that make the use of production factors in production processes (demand on the manufacturing factors market),
- provide the market with goods and services (supply on the products market).

Enterprises:

- make rational decisions,
- strive for profit maximisation (choices criteria),
- represent entities that make a use of production factors in production processes (demand on production factors market),

- provide goods and services to the market (supply on production factors market).

State authorities serve control and regulation functions on the market (which is defined as state interventionism) (Kopycińska, 2005, p. 36-37).

Market decisions of households and enterprises can be presented as a closed circulation illustrating circular processes of economy, chart 1.

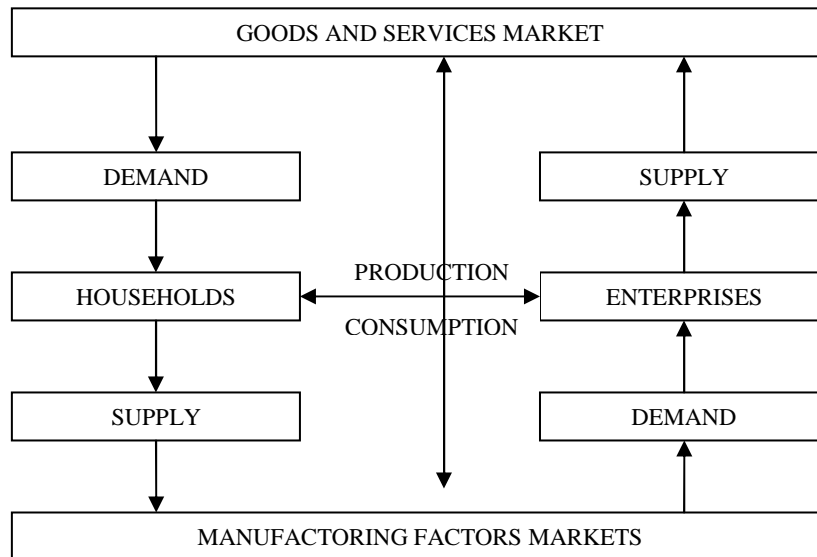


Chart 1: Circuit diagram of economy

Source: own compilation

Many (more or less aggregated) methods regarding distinguishing decision-making entities can be met in the literature on the subject. An example specification distinguishes 6 of such groups (Sułkowski, 2007):

- **Enterprises sector:**

- legal entities,
- organization units without the status of legal entity,
- natural person running business activity with more than 9 employees, with the exception of privately owned farm.

- **Financial institutions and insurances sector:**

- financial agencies (banks, financial leasing agencies, savings and loan associations),
- entities dealing with financial support activities (stock exchange markets, brokers, currency exchange bureaus, investment funds, pension funds),

- insurance agents.
- **State and local government institutions sector:**
 - public finance units (state budgetary units, budgetary institution, auxiliary farmstead),
 - budget financed units (public education, public health care, government agencies).
- **Households sector:**
 - natural persons running privately owned farm,
 - natural persons running own business with less than 9 employees (micro enterprises),
 - natural persons being gainful employees or having non-gainful income.
- **Non-commercial institutions sector** (III sektor) – it includes social organization, political parties, trade unions, associations, foundations, religious organization units.
- **Foreign sector**, formed by economical units owned by foreign entities.

Enterprise on the market

The study is focused on one particular group of decision making entities, which are the enterprises. The term of “enterprise” is used in economics, law as well as in the theory of management. In economics this term is understood as organization managed by one board, independent economically, organizationally and legally, aimed at profitable business activity due to sale of own products and services.

Being economically independent means that enterprise is an object that takes independent decisions of how to use owned resources, and its expenses are covered by incomes from sale of self-produced goods and services. Being independent organizationally means that certain unit forms an autonomous body and all the employees are supervised by the same management. Legal independence gives an entity subjective nature – it is capable to take legal actions emerging from running business activity (Kopycińska, 2005, p. 118-119).

Having the above definition in mind it is possible to have a wide look on the enterprises sector. Such approach is also implemented by GUS (Central Statistical Office in Poland). Following GUS’s methodology it is assumed that the enterprises sector is formed by units of national economy registered in REGON (National Economy Register). In this perspective enterprises sector includes hospitals, schools, political parties, etc. GUS calcification covers 46 categories of entities (GUS, 2007, p.8)

Enterprises can be classified due to criterion of identity (Kopycińska, 2005, p. 121):

- ownership form,
- legal forms of organization,

- size,
- market position,
- technological development,
- business activity subject,
- company's system integration,
- geographical range of activity.

Further in the study the enterprises' population structure is presented, taking into consideration the first three criterion of identity.

Structure of enterprises sector in Poland

Chart 1 presents the size of the enterprise population registered in REGON system in years 1994-2006. Numerical data regarding the total number of enterprises is also presented in table 4.

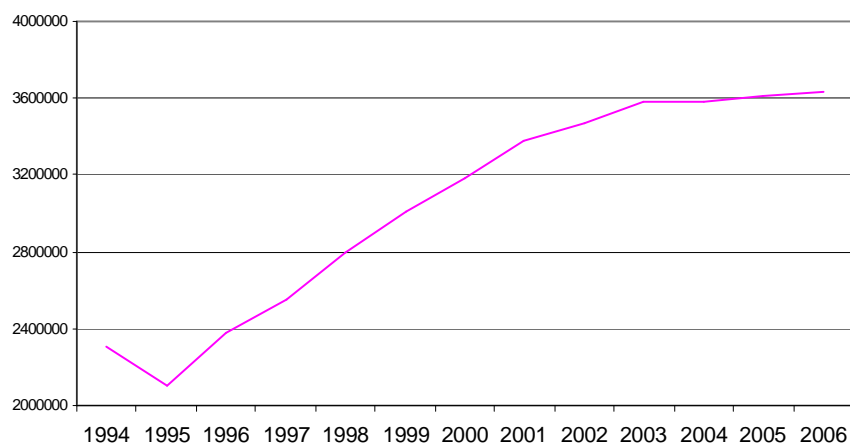


Chart 1. Total number of enterprises in years 1994-2006

Source: own compilation based on data presented on <http://parp.gov.pl/>.

The number of enterprises registered in REGON system in years 1994-2006 increased by 57,9% from 23 01 972 do 36 36 039. Two sub periods can be distinguished in this period. Until 2003 changes in the number of enterprises were characteristic of great dynamics (dynamics indicator reached even 113,4%). Lately (together with stabilization of the economic system in Poland) the number of enterprises stabilized at the level of approx. 3,6 mln with light growth tendency.

Classification of enterprises from the perspective of ownership form the following can be distinguished (Kopycińska, 2005, p.120)::

- private sector units,
- public sector units.

Taking into consideration data presented in table 1 it can be stated that most of units (which is 96,9%) operated in private sector (which should be recognized as typical situation for market economy). At the end of 2006 there were almost 3,5 mln entities, the rest, almost 139 thousands – represented public sector. The attention should be drawn at greater dynamics of changes in public sector. The number of units rose almost three times, when the dynamics indicator in private sector was established at the level of 168,8%, however those disproportions can be explained by base effect.

Table 1 Organizational forms of enterprises (years 1994-2006)

form of enterprises	1994	2006	dynamics indicator	median of indicators of structure
enterprises classified by sector				
private sector	2071,7	3497,2	168,8	396,9 %
public sector	49,5	138,8	280,4	3,1 %
enterprises classified by form				
companies owned by natural persons	1719,2	2765,3	160,8	78,5 %
civil partnerships	205,8	278,3	135,2	9,2 %
other forms	71,1	337,1	474,1	6,2 %
commercial partnerships	95	234,3	246,6	5 %
cooperatives	23,5	18,2	77,4	0,6 %
state enterprises	5	0,9	18	0,1 %
other partnerships	1	1,9	190	0,05 %
municipal undertakings	0,6	0	0	0 %

Source: own compilation based on (Ministry of Economy, 2007, p. 31).

Table 1 presents also the size of chosen groups of enterprises selected by organization form. The comparison includes mainly the most numerous forms. 78,5% of enterprises (on average) belong to natural persons, 9,2% is formed by civil partnerships, and 5% belong

commercial partnerships. Also the dynamics analysis was applied. It reveals that in years 1994 – 2006 the number municipal undertakings, state enterprises and cooperatives decreased. The most dynamic changes in-plus were observed in case of commercial partnerships (dynamics indicator 246,6). Also noticeable changes can be observed in the group of other partnerships (dynamics indicator 474,1). It signifies that the interest in new or untypical legal forms of entrepreneurship organization solutions keeps rising, which is conformed by the data included in other tables.

Detailed analysis was conducted for these kinds of companies that seek for the most popular organization forms. All of enterprises are divided into the following, according to two the most often applied criteria (Kopycińska, 2005, p. 122):

- private and commercial companies (acting under other legal settlements),
- personal and incorporated companies (depending on the method and the range of the owner influence on internal processes in company).

Table 2 presents the number of enterprises in years 2002-2006 and table 3 – internal structure of the groups of units in this sector (according to data up to the end of 2006).

Table 2. Number of enterprises in years 2002-2006

Legal form	2002	2003	2004	2005	2006
incorporated, including	177631	186021	195064	203636	214172
public limited	8609	8641	8633	8607	8614
limited liability	169022	177380	186431	195029	205558
personal, including	299597	301940	301995	304374	307503
private	280547	279208	276897	277422	278337
partnership	418	581	730	849	971
general partnership	17978	21370	23381	24847	26429
limited partnership	645	763	964	1213	1657
public limited partnership	9	18	23	43	109

Source: own compilation based on data from (GUS, 2007)

Table 3. Enterprises in 2006 – legal forms structure

Legal form of company	%
division by groups	
private	53,4
commercial	46,6
incorporated	41,1
personal	58,9
Division by forms	
private	53,4
limited liability	39,4
general partnership	5,1
public limited	1,7
limited partnership	0,3
partnership	0,2
public limited	0
partnership	

Source: own compilation based on data from (GUS, 2007)

The data confirm the above conclusion that increased interest of untypical legal forms of entrepreneurship organization exists. In years 2002-2006 the number of partnership, general partnership and limited partnership companies increased significantly (even a few times in some of the cases), on the other hand the sector of private and public limited companies stabilized (the number of private companies even dropped slightly).

As far as the most popular legal forms are concerned private companies dominate, they represent 53,4% of the total number of companies. Limited liability companies are the definitely lead in the group of commercial companies – they constitute 39,4% of the total number of companies. General partnership companies form 5,1% of entities in the analyzed sector. The share of other forms is less than 1%. Dividing the population of companies into personal and incorporated companies it should be stated that companies from the first group constitute 58,9% of the total, and from the second – 41,1%.

Also an internal structure of the enterprises sector was analyzed taking into account the criterion of identity, which is the size of the entity. The following criteria were taken into

consideration while classifying enterprises into particular groups (Mendel, 2002, p. 83); (Hejduk, Podawczyk, 2002, p. 38):

- **Micro-enterprise** is defined as a small unit that employs up to 9 employees and its net sale income is less than 2 millions EUR or their balance sheet total is less than 2 millions EUR.
- **Small enterprise** is defined as a unit that employs less than 50 employees and its net sale income is less than 7 millions EUR or their balance sheet total is less than 5 millions EUR.
- **Medium enterprise** is defined as a unit that employs less than 250 employees and its net sale income is less than 40 millions EUR or their balance sheet total is less than 27 millions EUR,
- Other enterprises form the group of **large companies**

Where does the interest of the small and average enterprises sector come from? The literature on the subject present many arguments showing its role in the economical growth and development – small and medium enterprises:

- are the source of certain incomes for the state and local budgets;
- give many new and cheaper working places, in SME the employment growth is systematic and constant on contrary to typical big enterprises – short-term fluctuations (related with good or bad market state);
- start the process of development into big companies;
- play very important part in strengthening the competitiveness – as a group of units they are a counterbalance for big enterprises in other words they counterpoise the influence of big companies;
- play an important part in the innovations popularization process and it is believed that they can become a driving force for technological development;
- make the consumers lives easier because of flexible reactions to changes in needs and requirements of consumers;
- are involved on all sectors of economy, at the same time they revive rural economy where big enterprises are unwilling to invest;
- eliminate the scope of economic fluctuation (employment, prices), because they quickly adopt themselves in the period of weak market state, in that case they can influence the stabilization of political, economic and social structures – more (Czaja, Żur, 2002, p. 9); (Hryń, Kmiołek, Piecuch, 2002, p. 54); (Jankiewicz, 2003, p. 120); (Czaja, 2003, p. 48).

The number of the enterprises sector due to the presented division by the criterion of size is presented in table 4.

Table 4. Number of the enterprises sector in years 1994-2006

Year	Total	SME's	including			large	the dynamics of the number of		% share of SME
			micro	small	medium		SME	large ent.	
1994	2301972	2294665	2109589	160602	24474	7307	100	100	99,68
1995	2099577	2093148	1921151	148779	23218	6429	91,2	88	99,69
1996	2379949	2373484	2191892	157530	24062	6465	113,4	100,6	99,73
1997	2552649	2546405	2359624	162178	24603	6244	107,3	96,6	99,76
1998	2792697	2786462	2591499	169511	25452	6235	109,4	99,9	99,78
1999	3013876	3007444	2865517	113057	28870	6432	107,9	103,2	99,79
2000	3182577	3176161	3029859	117200	29102	6416	105,6	99,8	99,8
2001	3374956	3368366	3206452	131106	30809	6589	106,1	102,7	99,8
2002	3468218	3462775	3302411	131480	28884	5443	102,8	82,6	99,84
2003	3581593	3576536	3410233	137974	28329	5057	103,3	92,9	99,86
2004	3576830	3571958	3402150	141499	28309	4872	99,9	96,3	99,86
2005	3615621	3610929	3436841	145745	28343	4692	101,1	96,3	99,87
2006	3636039	3631364	3455565	147393	28406	4675	100,6	99,6	99,87

Source: own compilation based on data presented on <http://parp.gov.pl/>

Small and medium units constituted vast majority in the enterprises sector. Their share was established between 99,68% in 1994 and 99,87% in 2006 (the constant growth of this indicator was observed). In 1994 there were 2 294 665 entities registered in REGON system in this sector, and in 2006 there were 3 631 364. In the researched period the number of large enterprises decreased (with general growth tendency regarding the number of enterprises) by 36% from 7 307 in 1994 to 4 675 in 2006.

Also the internal structure of the groups of enterprises recognized by the size criterion was analyzed. The average value of the structure indicators for the several categories in the researched period was established.

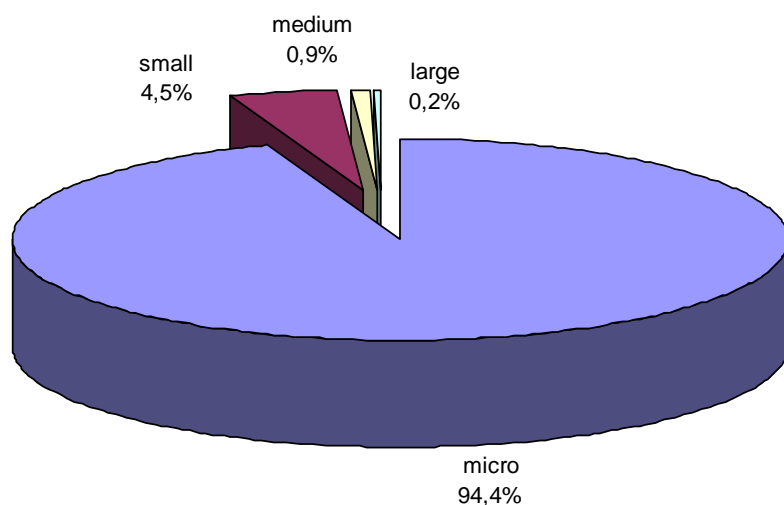


Chart 2. Structure of enterprises sector by size criterion (based on the structure coefficient median in years 1994-2006)

Source: Own compilation based on data presented on <http://parp.gov.pl/>.

Having analyzed the data presented in chart 2 it can be concluded that micro-enterprises constituted west majority of the researched population (94,4%). There were 4,5% of small enterprises and 0,9% of medium ones. The share of large enterprises in the total population only amounted to 0,2%. Herewith proportions were kept at relatively the same level during the whole researching period.

The condition and significance of the particular groups of enterprises can be examined by making an analysis of their share in the following key macro-economic variables:

- GDP,
- number of employed
- investment expenditures,
- export
- import

Table 5 presents detailed data in this scope for small business (SME) sector as well as micro, small, medium and large enterprises.

Table 5 Average share of the particular groups of enterprises in GDP, number of employment in the state economy, investment expenditures, export and import in years 1994-2005.

share in	micro	small	medium	large
GPD	30,7	8,3	9,1	21,9
no.of empl.	25,7	19	22,2	35,2
invest.exp.	13,4	11,6	19,6	56
export	10,6	12	21,7	55,7
import	16,5	20,4	22,6	40,3

Source: own compilation based on (PARP, 2007); (Ministerstwo Gospodarki, 2007); (Ratajczak, Wołoszyn, 2006, s. 159).

Large enterprises due to the scale of business activity and despite the fact that their share in the population structure is minimal:

- generate 21,9% of GDP,
- employ 35,2% of the total number of employment
- their share in investments amounts to 56%
- generate 55,7% of export and 40,3% of import

However it should be noticed that it is small business (SME) sector that generate almost half of the GDP and gives employment to 65% of all employees.

Institutional support system of entrepreneurship

Due to the role of enterprises sector in economic growth and development as well as the necessity of many barriers elimination that entrepreneurs have to overcome every day states organize institutional support and development stimulation systems of enterprises that offer instruments at the:

- international level,
- national level
- regional (local) level.

At the international level small and medium enterprises can Take the advantage of

supportive instruments offered by European Union and World Bank. At the national level the institutional support of development depends on the activity of government organs as well as the Polish Agency for Enterprises Development. At the regional and local level local governments play crucial roles. At this level entrepreneurship development support systems are the part of the solutions offered within:

- Regional Financing Institutions,
- Consultations Centers,
- National SME Services Network (KUS)

Entrepreneurship development support is also related with existence of the following:

- business incubators,
- technological centers,
- technological, scientific and industrial parks,
- guarantee loan funds,
- business support centers,
- organizations that associate and represent entrepreneurs – more (Bojewska, 2002, p. 25); (Dobrodziej, 2003, p. 215-216); (Zeman-Miszewska, 2004, p. 279).

Conducted researches (Marciszewska, 2004, p. 403); (Zaleska, Owczarz, 2005, p. 142) revealed that institutional activities in the sphere of entrepreneurship development were given negative opinion by entrepreneurs. What is more the survey carried out by the Microeconomic Department of University of Szczecin among the group of full time students (Kunasz, 2008a, s. 65-86); (Kunasz 2008b, s. 27-29) confirms negative opinions of the governmental, state and other institutions activity in the context of entrepreneurship development (chart 3).

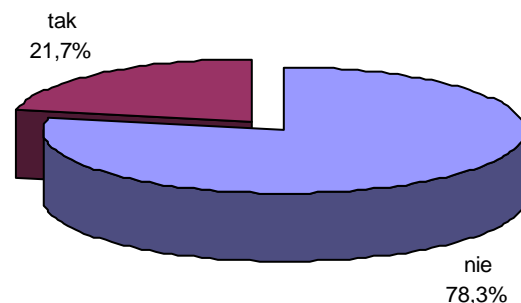


Chart 3. Structure of responses given to the question: "Are the activities of local governments, state and other institutions favorable entrepreneurship?"

Source: Own compilation based on survey results.

Institutions activities were positively opinioned only by 21,7% of respondents. The respondents opinions don't vary considerably in this aspect among the selected groups of surveyed. Statistically significant difference were recorded for the following criteria: course of study, parents' business experience (only 11,9% of students whose parents are experienced in business, even though aren't active at the moment, were willing to opinion the institutional activities positively – bad business experiences of their parents were noticeable there, for example in contacts with machinery of state).

Respondents were also asked to answer the question: Does the education system positively influence the entrepreneurial attitudes among youth and students? The chart below presents the structure of responses:

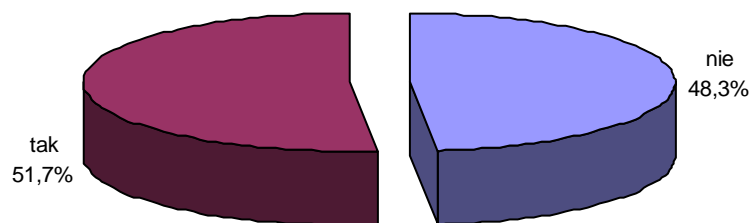


Chart 4. Structure of responses to the question: Does in your opinion the education system positively influence the entrepreneurial attitudes among youth / students?

Source: own compilation based on the survey results

51,7% of respondents gave positive opinion to such question, not much less share (48,3% of cases) was formed by those respondents who gave negative opinion in this aspect. Data analysis among the selected groups of respondents reveals that the opinion depends mainly on the type, course and level of studies.

Comprehension check

Once you have become aquatint with the study try to answer the following questions:

1. Point out the most import personal traits as well as traits of character that should define entrepreneur – in your point of view. According to your list can you characterize yourself an entrepreneur in this context?
2. Analyze disadvantages and advantages of particular legal forms of entrepreneurship organization. If you were about to start own business which form of running would you choose? Why?

3. List the most important – in your opinion – barriers of running own business in Poland.
4. Are indeed the units from small business (SME) sector a „fly wheel” for market economy, may be large enterprises are more important in the economic system and their development should be supported by the state? Substantiate your response.
5. How do you assess entrepreneurship development system in Poland? Do you consider yourself a beneficiary of this kind of actions after the studies? If not – point out what would be the main reason of rejection institutional support of the entrepreneurship development?
6. Once again Poland got lower place at the yearly Doing Business ranking of entrepreneurship. The result of other similar rankings is not any better, in comparison with countries accessing EU at the same time. How do you think, what is the reason of such situation? What kind of remedies would you apply in order to stop these negative tendencies, if you were decision maker for example in government?

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