

**Robert Stanislawski**  
**Department of European Integration and International Marketing**  
**Lodz**  
**kieimm@p.lodz.pl; robestan@p.lodz.pl**

## **THE INFLUENCE OF EXTERNAL FACTORS ON THE INCREASING THE COMPETITIVENESS OF POLISH SMALL AND MEDIUM ENTERPRISES WITHIN THE CONTEXT OF THE COMMON EUROPEAN MARKET**

### **Abstract**

The year 2004 brought a breakthrough for Poland. Following many years of efforts Poland became a member of the European Union. As a result, new economic and political opportunities were offered for the country. With the new possibilities, new challenges to face also occurred. Today, the most significant problem is twofold - to reduce the still high unemployment rate and to increase the competitiveness of the Polish economy. This factor is essential particularly in relation to the opening of our country to the influence of other European economies and it results from the functioning of Poland within the European Market. To increase the competitiveness of Poland is an important challenge especially for the SME sector (99,9 % operating companies in Poland – GUS<sup>1</sup>, 2005) due to its particular significance for the economy. It is also compatible with the foundations of the Lisbon Strategy with the underlying concept of increasing the competitiveness of the whole European economy. The attributing factors will be the advance of technology and progress in the field of modern technical solutions through supporting the R&D sector.

The main aim of this article is an analysis of selected determinants and their effect, and significance level, on the competitiveness of Polish enterprises on the European arena. The article attempts to provide a development forecast for the Polish economy, including innovativeness and its attributing factors, such as direct investments and structural funds.

**Key words:** (F02) Economic Integration and Globalisation, (O32) Innovation and Invention

### **Introduction**

The Common European Market is a huge opportunity for the development of entrepreneurship. It stems from the four freedoms included in the principles of the common market, the existence of which is essential for further deepening of economic and integration processes, including the macroeconomic as well as microeconomic aspects. From the macroeconomic perspective, it results in an increase in direct foreign investments and the obtainment of higher volume in international exchange (export mainly). In the long run, these factors can favourably influence the economic expansion of individual European countries within the internal market. It mainly pertains to the newly admitted countries (e.g. Poland) which in many respects lag far behind the old EU countries. The visible effects of this process can be decreasing the unemployment rate and increasing employment resulting from economic revival.

From the microeconomic perspective, the implementation of the four freedoms provides

---

<sup>1</sup> GUS – Central Statistical Office

favourable conditions for companies to flourish, particularly in the SME sector. Their significance for the European economies needs not be proven as it has been widely discussed in professional literature. The issue of effective support for the development of this sector has already been noticed and addressed by almost all European member countries (including Poland) by designing suitable tools facilitating their development in the long run. An example of such initiatives are European subsidies in the form of structural funds. The necessity to support entrepreneurship in this sector results from many hazards hindering its functioning, both in legal (e.g. lack of cohesive legal regulations), as and economic respect. The latter includes the growing competition on the part of large enterprises which are in position to effectively hinder the development and innovativeness of small enterprises by denying access to latest technologies. The main hindrance for small companies in comparison to large ones is insufficient financial resources. Thus, the necessity of seeking new sources of funding is a prerequisite for stable development of the SME sector. Direct investments as well as modern IT solutions also play an important role for the sector (e.g. CRM systems).

What is the significance of these factors in the process of supporting the SME sector in Poland, then? The answer to this question can be very important for the further functioning of this sector. What should be emphasised is that the influence of these factors should start playing a far bigger role in the process of stimulating the development of Polish firms (SME) on the EU internal market. The deepening of this process results from the permanent necessity to increase the competitiveness of this sector in the intrabranche meaning, as well as in relation to the surrounding environment (on the internal market and on markets outside the EU). It is compatible with the foundations of "The Lisbon Strategy" which states that the EU's economy should become the most competitive economy in the world by the year 2010. This is obviously the global, macroeconomic perspective. In reference to the macroeconomic scale, it stands for an increase in the efficiency of individual organisations in the economic system of the EU member states, manifested by their bigger competitiveness. The significance of the external determinants mentioned above should be underlined here. As much as it relates to the present, it does to the future even more so. The structural funds and direct investments provide funding which is of uttermost importance from the perspective of innovativeness of companies and condition the implementation of new technical and technological solutions in Polish companies.

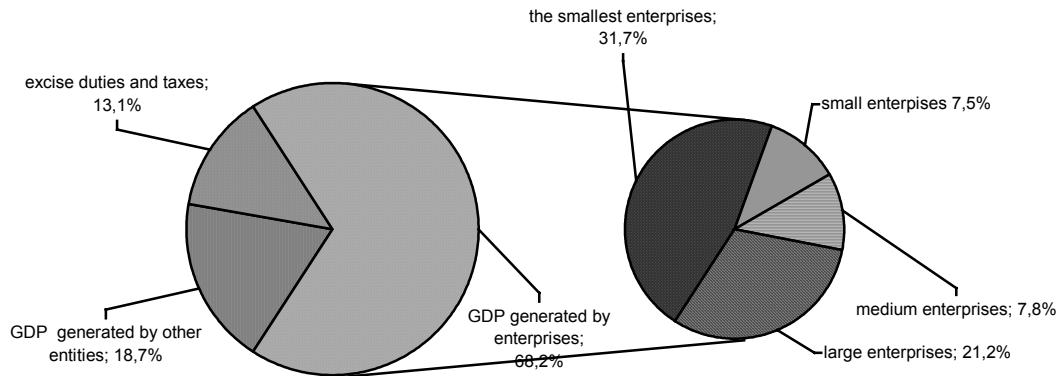
The main purpose of this article is to conduct an effect analysis of the three factors (mentioned above) increasing the competitiveness of Polish enterprises in the context of the Common European Market. On one hand, Europe is the determinant of the development of the SME sector in Poland (it actually compels this development), and on the other hand, Europe enables organisations to undertake investment activities through, among others, fund sourcing e.g. in the form of structural funds or direct investments (undertaken within the framework of free capital flows) or by ensuring easier access to latest technologies. However, the entrepreneurial spirit and the willingness to invest among the business community, which might but does not have to be proportional to the accessibility to these funds, is a separate matter.

### **Short analysis of the economic role of the Polish SME sector**

The significant economic role of the SME sector in Poland and in Europe results from a number of factors. The most important ones include: the number of organizations operating within the sector, the generated GDP, the volume of export, and the employment rate. In 2005 the number of registered companies reached 3,6 million (it is supposed that 1,7 conducted business activities). The majority (99,9 %) form the SME sector (95,1 % of the established firms are micro). The large enterprises constitute only 0,1 % of the total number. The micro

companies provide employment for 20% of the Polish society (The Ministry of Regional Development, 2006). The significance of the sector might also stem from the generated GDP /Chart 1/.

Chart 1. Structure of GDP in Poland in 2003



Source: *Raport o stanie sektora MŚP w Polsce w latach 2003-2004*, Ministry of Economy, Department of Enterprise, Warsaw 2005.

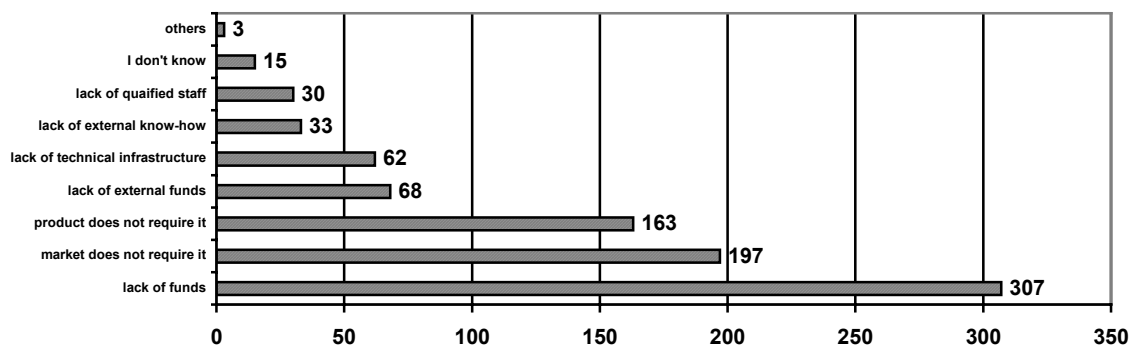
The SME sector generates over 45% of GDP. At the turn of the year 2002 and 2003 the significance of small and micro enterprises decreased to the advantage of medium and large enterprises (approx. 0,5 - 1,3 %). However, it was a temporary trend in economy, resulting mainly from a weaker economic situation. An important attribute of this sector is also its share in export to the Common European Market. In 2002 it constituted 44,5 % of export and in the following year it remained at the level of 44,3 %. Import of the sector generated, respectively, 60,7% and 60,3 % of the total volume of "foreign purchases". The data clearly indicates the significance of this sector for the Polish economy and its further consolidation in the future should be expected. The importance of the SME sector should be noticed by the Polish government if a stable development of the country is to be ensured.

### **Influence of investments on the development of Polish entrepreneurship**

One significant factor conditioning the development of entrepreneurship and the growth of its significance on the international arena is **the investment activity** in Poland. It can be understood twofold. **Firstly**, it stands for expenditure on part of the enterprises on: purchasing new technologies, computer systems, modern appliances and machines, increasing qualification of employees, and improving the quality of products or services. What should now be underlined is the willingness or its lack on the part of potential investors to actually make such investments in their own or different companies. However, some organizations, despite their sufficient financial resources, do not decide to do it. The common reason is the lack of such a need (because the market does not require it) or in many cases, insufficient awareness of this issue among businesspeople; and this reason pertains in particular to those investments which are aimed at the improvement of innovativeness in Polish firms, both on the domestic and Common European market. The main factors hindering the growth of innovativeness of Polish companies include: insufficient co-operation between business and scientific communities, a small number of new technology implementations and a small number of enterprises established basing on latest technologies. At present, it is estimated that only 1% of companies understand the necessity to develop innovativeness and perceive it as the source of increasing their competitiveness on the domestic and European market

(Starczewska - Krzysztosek, Warszawa 2006). Research done by the Polish Agency for Development of Enterprise in 2005 indicates that the main hindrances to the development of Polish innovativeness are the lack of accessibility to external funding and the Polish-specific characteristics of the domestic market / Chart 2 /.

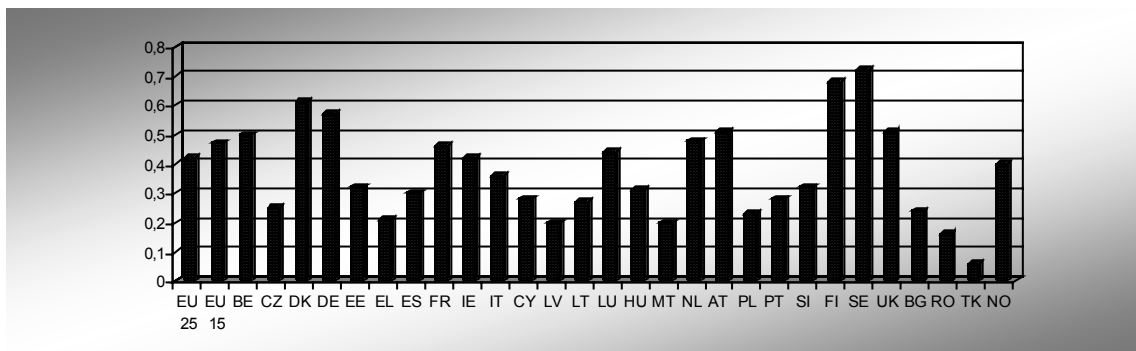
Chart 2. Most frequently mentioned causes of lack of innovation implementation in Polish enterprises ( the N = 878).



Source: *Wyniki badań innowacyjności polskich małych i średniej wielkości przedsiębiorstw*, PARP, Warsaw 2005.

The above mentioned adverse factors definitely hinder the development of Polish innovativeness. In 2004 a drop in the significance of innovative enterprises was noted by approximately 0,3% to 39% (the average level in the UE-25 was 51%). In a broader picture, the innovativeness index for Poland reached 23% in 2005 and it was considerably below the EU average. In this regard, Poland ranks 25<sup>th</sup> in Europe / Chart 3 /.

Chart 3. Index of innovativeness in Poland in comparison to selected European countries.

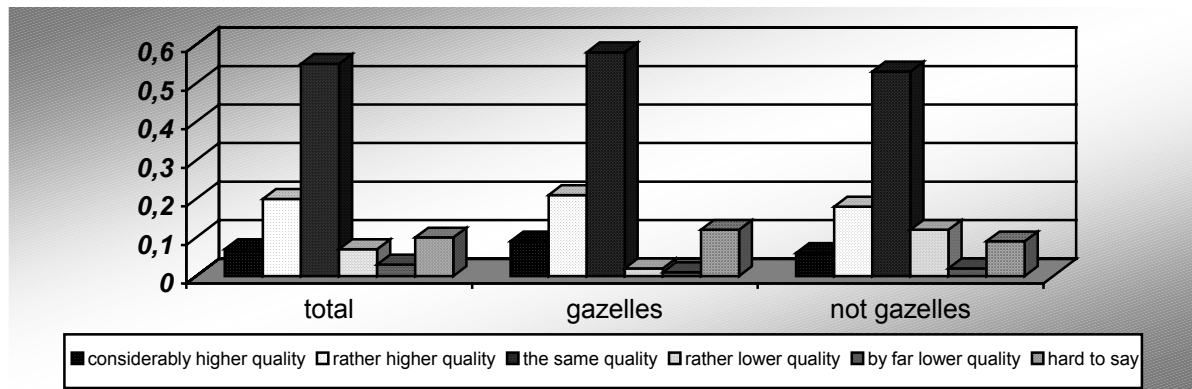


Source: diagram based on: European Innovation Scoreboard 2005. European Commission, Luxemburg 2005.

Research conducted by 2004 provides answers to a number of important questions. **Firstly, the amount of funds designated for investments.** The majority of sums spent on investment ranges from 25 to 100 000 PLN or from 100 to 500 000 PLN. Investments above 500 000 PLN constitute a comparatively small percentage (23,5 %). **Secondly, the profile of companies which invest most frequently.** They are mainly manufacturing companies (36,4 %), employing over 50 personnel (medium enterprises) and funding their investments by increasing their short and long term obligations (Przybyciński, 2005). **Thirdly, investment in new technologies was researched.** 70% of companies participating in the research stated that

they have never made such an investment. Within the group of enterprises which do spend on innovation there are companies which are leaders in their areas (the so-called "gazelles"-45%). The following Drawing 4 presents the conviction of businessmen about the high level of services provided by them and at the same time the belief that there is no necessity to innovate the technical equipment of their firms.

Chart 4. Assessment of quality of Polish products in comparison to the EU products



Source: Polish Agency of Development of Enterprise, *Raport o stanie sektora MŚP w Polsce w latach 2003-2004*, Warsaw 2004 r.

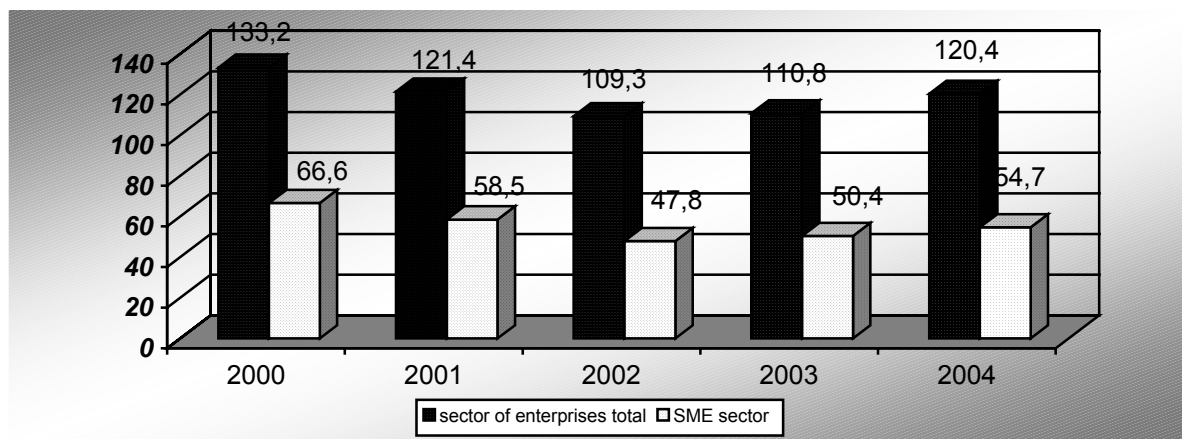
This situation clearly indicates that organizations must finally realize the necessity of changing their attitude to innovativeness, before it is the market that forces them to take steps. One day it might turn out that it is too late and some of the SME companies will lose their position on the market due to decreased competitiveness.

**Secondly**, from the macroeconomic perspective, investments mean funds which have been pumped into a definite economic sector, including the influence on national economy seen as a whole. They usually come from different sources such as: direct investments, venture capital, private equity (VC / PE), or the most frequently used structural funds. Research shows that funding between 0,1 and 10 million PLN is the most difficult to obtain. The reason being that the bottom of the range sums are usually funded from a company's own resources, whereas for sums above the top of the range the possibility of using VC or PE is increased. Obviously, the role of all supporting programs as well as structural funds for the SME sector is significant. From an investor's perspective, when assessing the macroeconomic aspects, the essential factor is the risk level resulting from the general economic situation of a country. The correlation between economic risk and market conditions and their influence on the number of investments made becomes obvious after examining recent data thoroughly. /Chart 5/.

Due to the economic weakening in Poland in the years 2001-2002, the level of investment decreased significantly. Finally, the year 2004 brought a breakthrough. The level of investment in this period rose almost to the level of 2001. The dynamic trends in the SME sector proceed in a very similar way; it actually is proportional to the total level of investment. Preliminary analyses of the year 2005 are, in this regard, quite optimistic (there is a small downward tendency) and indicate a small increase in investors' interest. What should be stressed here is that the main cause of investment slowdown in the enterprise sector in the years 2000-2003 was lack of stability of the economic situation of the country as well as creation of obstacles for the development of enterprises. The interrelations between the

general conditions of the country and investment tendencies seem quite obvious. Data shows that the deteriorating economic situation was discouraging for foreign investors. / Table 1 /.

Chart 5. Investment expenditure in the sector of enterprises and SME in 2000-2004  
(in billion PLN, current prices)



Source: *Raport o stanie sektora MŚP w Polsce w latach 2003-2004*. PARP, Warsaw 2006.

Table 1. Inflow of direct investments (DI) to Poland in 2000- 2004.

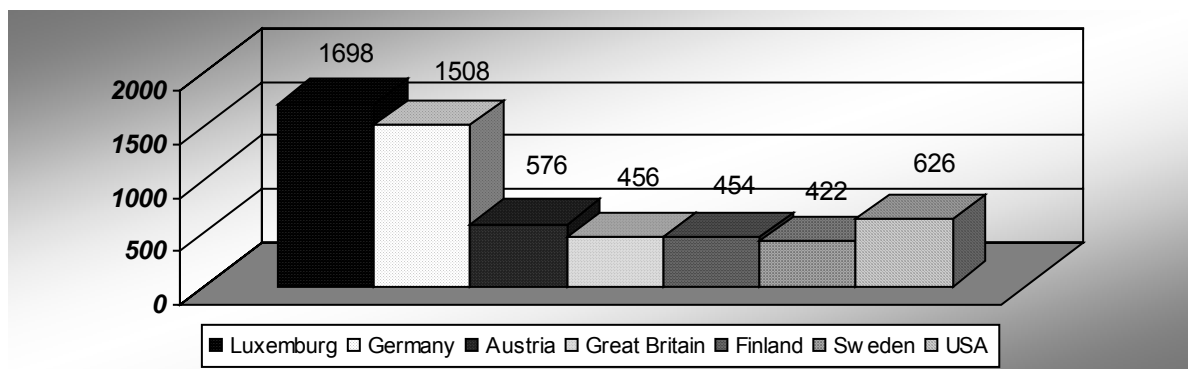
The level of investment	2000	2001	2002	2003	2004	2005
DI (in million USD)	9341	5713	4131	4123	6159	-
DI (in million EURO)	10334	6372	4371	4313	9983	7668
DI (in million PLN)	40600	23388	16852	16034	22036	29729

Source: *Raport-Polska-Bilans płatniczy na bazie transakcji*, the National Bank of Poland, Warsaw 2005.

The biggest drop in DI was noted in the years 2000 - 2003 (over 60% in PLN). A significant breakthrough happened in 2004, though according to the latest data a weakening of foreign capital inflow also occurred in 2005. Companies from the EU countries play an essential role for Poland (81% of total DI value) and the top-ranking countries are: Luxemburg, Germany, Austria, Great Britain, Finland and Sweden / Chart 6/.

The largest inflow of direct investment capital occurred in manufacturing companies (2132mln EUR), financial services (2527 million EUR), trade and repairs (2061 million EUR). In the field of transportation, logistics and communications deinvestment was noted (355 million EUR) (Report of National Bank of Poland, 2006).

Chart 6. Inflow of direct investments to Poland in 2005 (in million Euros)



Source: Raport– Zagraniczne inwestycje Bezpośrednie, the National Bank of Poland, Warsaw 2006.

### The influence of structural funds on the development of Polish enterprise

Structural funds are, similarly to direct investments, a significant source of financial funding in order to increase the competitiveness of enterprises. For particular activities, support within the framework of the Operating Program - the Growth of Competitiveness of Enterprises (OP GCE) is available. The program is mainly addressed the SME sector. The basic aim of the program is to improve competitiveness of Polish companies operating within the context of the Common European Market. The program comprises two types of actions: direct support and the development of entrepreneurship and innovativeness through co-operation of pro-business institutions. Apart from the program, there are other programs aimed at the same goal, such as the Integrated Program of Regional Development (IPRD), or the Operating Program – the Development of Human Resources etc. However, their influence is more indirect than direct.

The role of structural funds results from the amount of available funds for individual programs and the number of fund applications by Polish enterprises. The intended structural funds for Poland in the years 2004-2006 amount to 14891,5 million EUR, with 11368,6 million coming from the EU (calculated according to prices in 1999). By the end of March 2006, the programs providing direct support received 32,979 applications, 21,898 of which were pertained to activity 2.3 / Table 2/.

The most "popular" activities among businesses are activities 2.2 and 2.3 probably because they provide direct support, thus enabling companies to fund the activities aimed at increasing competitiveness. In this case the demand for funds from these programs considerably exceeded supply. In practice it meant a considerably larger interest (even several times) than the actual financial capabilities available for particular programs. By the end of February 2006 the value of applications made reached over 15 million PLN (twice more than the funds). On the other hand, the low level of absorption of these funds is very alarming. Even in the most significant programs, from the point of view of enterprises, implementation does not exceed 65% and there might be plenty of reasons for that.

Table 2. Allocation of financial funds within structural funds and the value of structural funds granted for particular programs

OP	Number of activity	Allocation (PLN)	Value of requested funds	Value of application made (%)	Value of signed contracts (PLN)	Value of signed contracts (%)
OP GCE	2.1	88895196	42518820	<b>47,8</b>	19665825	<b>22,1</b>
	2.2	972445612	3531063257	<b>363,1</b>	440170365	<b>45,3</b>
	2.3	964222776	4050410342	<b>420,1</b>	612260849	<b>63,5</b>
	2.4	596066577	665304839	<b>111,6</b>	72773636	<b>12,2</b>
IPRD	3.4	216741755	285742223	<b>131,8</b>	128351350	<b>59,2</b>

Source: data of the Ministry of Regional Development

According to the Lodz Agency of Regional Development the main hindrances to the implementation of the EU funds are: too complicated application procedures, too frequent changes in the legal system, lack of cohesion in legal acts and program documentation, and the institutional system (P. Żuromski, 2005). One should bear in mind that the deadline for programs for the years 2004 - 2006 is approaching and with this low absorption (in some programs totalling only 12%), the loss of allowed financial funds seems inevitable. In this situation it seems necessary to work out a mechanism which will prevent Polish companies from losing funds in the future.

The support addressed to pro-business institutions helping enterprises increase innovativeness seems to be much more effective. It pertains to these institutions which aim to stimulate innovative activities, facilitate access to external sources of funding, prepare modern infrastructure for businesses, initiate co-operation between research institutions and businesses, including transfer of technology and increasing the level of innovativeness achieved through application of IT solutions (building databases and data transfer). The examples of such institutions are: the research centres, technology and industrial parks, technological incubators, the technology transfer centres and financial trusts.

This type of fund sourcing was every popular among organizations and it is reflected in the number of applications made. Out of 937 applications 355 were accepted, which together with standby lists amounted to 2,7 billion PLN in contracts. However, there is still room for improvement as far as industrial parks and academic entrepreneurship as concerned /Table 3/.

Table 3. Support for pro-business institutions, 2004-2006 (in million EUR)

Support type	Allocation 2004-2006	Value of approved projects in contracts
Strengthening pro-business institutions	36,4	40,6
Improvement of accessibility to external funding	218,9	187,5
Support for industrial, research, technology parks - and academic entrepreneurship	169,1	60,3
Strengthening the link between R&D sector and the economy (support of entrepreneurship and innovation)	138,2	150,3

Source: Raport- Uzupełnienie SPO-WKP and Informacja miesięczna nt. stanu realizacji SPO-WKP, stan na dzień 30.03.2006.



Activities which increase the level of innovativeness and entrepreneurship and strengthening the pro-business institutions play the most significant role for enterprises. Therefore, in response to expectations in this area, the Polish government issued a document titled the National Strategic Reference Framework (NSRF), which is a requirement of the new EU Regulations for the Structural and Cohesion Funds in 2007 -2013 in Poland for the Operating Program - Innovative Economy (OP IE). The input requirements of this program follow the guidelines of the Lisbon Strategy (LS) and "The Community Strategic Guidelines", which forms the newer version of LS. According to this document the main goals of the Community are to transform Europe into the most attractive place to work and invest as well as develop expertise and innovativeness in order to stimulate economic growth and decrease the unemployment rate by creating a big number of long-lasting jobs (COM (2005)0299, Brussels 2005). Innovativeness contributing to the increase in competitiveness and at the same time preparing Poland for active participation in European integration and world-wide globalisation shall be an incentive for the improvements in the Polish economy. Increasing the number of jobs is feasible only through the application of latest technology, creating new services for the manufacturing sector and the development of information society, i.e. a society compatible with the latest technical solutions and able to co-operate no matter where demand occurs. Appropriate information management, increasing its speed of transfer and information quality improvement are also supposed to serve these aims.

The two main horizontal aims included in the OP IE are:

- increasing the competitiveness of Polish enterprises, particularly the sector of services,
- creating conditions for maintaining long-lasting and high pace of economic growth.

The above mentioned aims will be realized within the framework of five separate aims (activities): increasing the innovativeness, increasing the competitiveness of Polish science, increasing the role of science in economic development, increasing the share of Polish innovative products on the international markets and creating long-lasting and better jobs. The implementation of individual activities was based on the following assumptions, among others:

- Support encompasses both manufacturing, service and organizational activities;
- The activities contribute to increasing the innovativeness of enterprises in direct or indirect ways, and in national, regional and international perspective;
- A large proportion of the funds will be transferred to promote and develop the R&D sector, especially to business-related research;
- Support will encompass those projects which can bring about the relatively biggest economic growth, highly innovative or creating a big number of new and long-lasting jobs;
- Support will be provided without regard to sector or industry and will be compatible with other programs and structural funds;
- The aims will be reached in compliance with the requirements of the European Community policies regarding environmental protection, social inclusion and creating information society.

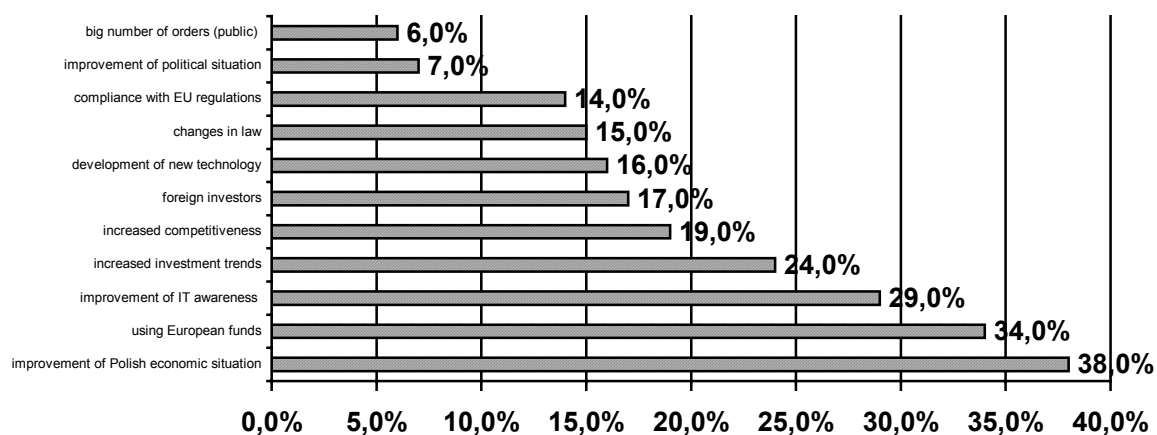
The role of the structural policy for Poland in the coming years stems from the necessity of increasing the competitiveness of economy through innovativeness and related public funds designated to reach this objective. It is assumed that within the framework of OP IE the amount of structural funds will total approximately 8 241 million EUR, out of which 7004,9 million EUR will come from the EU budget. The remaining funds will be obtained from domestic resources (approx. 1236,2 million EUR). The European Regional Development Fund (ERDF) is going to be the source of funding, and the total financial support allowed for Poland will reach 11, 7% out of all funds for the years 2007-2013. The above mentioned data does not include private sources of funding which are indispensable in

any economy.

### The application of IT solutions as the prerequisite for increasing the competitiveness of the Polish economy

Despite reluctance among businesses to implement modern IT and communication technology in some economic sectors, the market of modern IT technologies in Poland is in good economical condition. The reluctance to innovate could be explained in two ways. **Firstly**, it is the lack of a strong incentive on the part of the market (an example might be the CMR applications sector which is still in its infancy) which would force businesses to implement IT solutions extensively. **Secondly**, it is the result of underinvestment in Polish companies. Some improvement might be expected in relation to the change of priorities for the EU funds, creating a more business-friendly environment especially for foreign investors as well as the development of venture capital. The latest research conducted by PMR indicates that the dynamics of the Polish IT market will be determined by the macroeconomic situation of the country, in particularly the growth of GDP / Drawing 7/. The report forecasts an increase of GDP to 4,5 % in the years 2006-2008 which should contribute to increasing investment expenditure to the level of 9%. Obviously basing on the premise that the business environment conditions shall improve. In 2005 the value of the IT market rose to 17,8 billion PLN (by 14,1 % compared to the previous year). According to the forecast in 2007 the value of investment should reach 22,3 billion PLN.

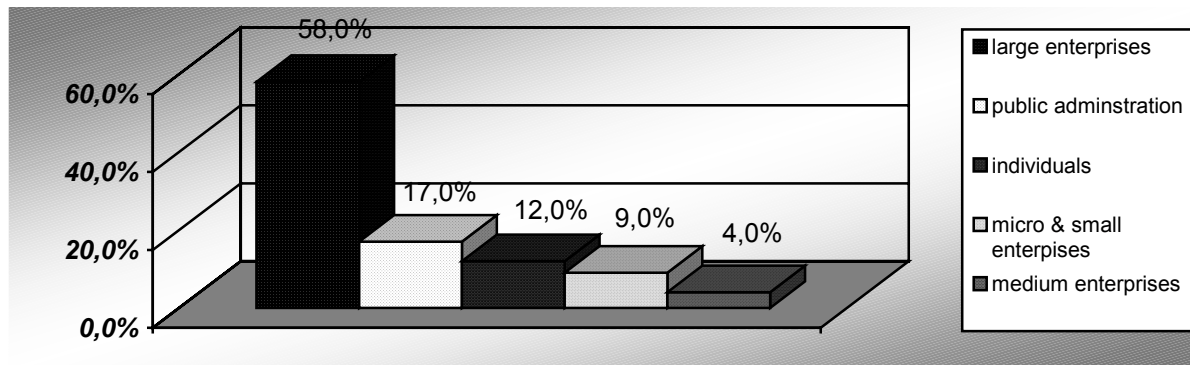
Chart 7. Assessment of significance of the main factors influencing the development of the Polish IT market in 2005.



Source: Raport IT w Polsce 2006-2008, PMR, Warsaw 2005.

The conducted research demonstrates that the biggest number of investments is made by large companies employing over 250 personnel /Drawing 8/. It proves the difficulty in accessing the funds especially for the small companies.

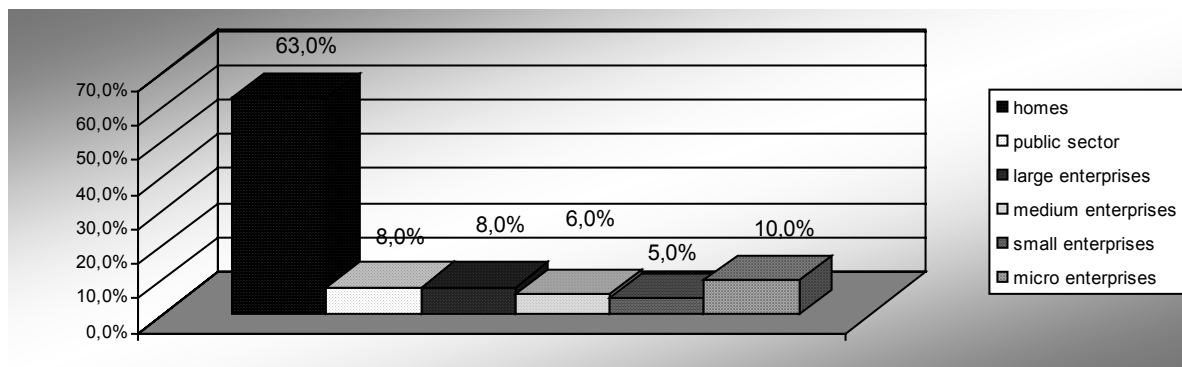
Chart 8. Investments made in particular sectors



Source: Raport IT w Polsce 2006-2008, PMR, Warsaw 2005.

Out of the 4000 businesses participating in the research, the majority of companies investing in IT are outside the SME sector. This trend has remained stable for a number of years and seems unlikely to change. Last year large enterprises invested approx. 10,3 billion PLN in IT. On the other hand, investment share of the SME sector in Poland reached only 12,5 % of all funds intended for this purpose. One might conclude that the needs of the sector are big, and if appropriate requirements are met the demand should increase. How much remains to be done in this respect is demonstrated by data regarding the investment in IT and communication solutions: Poland obtained 100 points whereas other countries scored much higher, e.g. the Czech Republic - 238, Hungary - 189, and the old Europe - 732, which means that Poland ranked 32<sup>nd</sup> out of 65 countries (*Raport IT w Polsce*, 2005). The following diagram demonstrates the necessity to implement IT solutions in businesses /Chart 9/.

Chart 9. Number of computers in Poland in particular segments in 2005.



Source: Raport IT w Polsce 2006-2008, PMR, Warsaw 2005.

The individuals constitute the largest group of purchases of computers in Poland. The dynamics of increase on their part in the total amount of expenditure has recently been high. In 2003 it represented 7-8% of the market, in 2005 it reached the level of 12%. Individual customers make up a group which makes most investments in computer hardware. It is the effect of gradual reduction of prices as well as an increase in household budgets. However, this group does not spend on IT services or software (software piracy is unfortunately common). Thus, the main element of their investment is the hardware. The situation is quite

contrary in public institutions and companies where a reduction of investment in hardware occurred to the advantage of software and IT services. The development of IT services is forecast to be very dynamic. IT experts claim a big increase in this market sector should be expected by the end of 2007 and it is confirmed by 82% of the questioned businessmen. (Raport IT w Polsce, 2005).

The significance of the IT sector results mainly from the potential it creates for all the beneficiaries. The percentage of on-line IT applications in business is definitely higher for the business sector than for the individuals, but still it is lower than the EU average (40%, in Poland only 9%). The highest percentage of the e-solutions applied for business was reached in such areas as: the national insurance scheme (100%), the excise duty declarations (100%), VAT declarations (50%), and the lowest – environmental charges (25%) as well as registration of firms (5%). The advance of solutions for e-economic is to considerable extent determined by the availability and usage of the Internet. In 2005 the percentage of firms employing the Internet for business purposes reached 87% and compared to the previous year it increased by 2 %. The percentage of companies using computers to run a business is also significant – it reached 93% in 2003 and in 2004 rose only by 1%. The majority of companies which employ both computers and the Internet are among the large enterprises (41%). However, in small enterprises the average percentage ranges from 26% to 28%. For industries, the ones which employ the Internet most are financial organizations and IT "computer science" (respectively 96% and 95%), in other industries the average percentage is approximately 47%.

## **Conclusion**

The article focuses on the most significant aspects of increasing the competitiveness of the SME sector, i.e.: structural funds, direct investments and the development of the IT market. All these elements affect the growth of competitiveness in a different way, dependent on the scope of its application. The common denominator of these aspects are financial resources aimed at increasing the competitiveness of the Polish SME sector through increasing innovativeness which is the only cure to improve the efficiency of the Polish economy. Poland as a member country is obliged to follow the direction defined by the EU – to increase the level of innovativeness and entrepreneurship of all EU countries. The biggest hindrance for Poland is accessing external funding. At present structural funds create the potential for businesses and by 2006 they were aimed to reduce discrepancies among regions of individual countries, including support for the SME sector. After 2006 pressure will be put on increasing economic innovativeness within the framework of the OP IE program for business including the small and medium ones. In the current year, some of the programs will be closed and unfortunately a considerable part of funds allowed for Poland will not have been used (average level of absorption ranges from 12% to 70%).

The improvement of competitiveness should be understood twofold. Firstly, it is the implementation of new solutions to economy from research centres. Secondly, it is research done by companies for their own purpose which might be further used by industry. However, much remains to be done in both respects in Poland. The basic hindrance to development is obtaining external funds. Research shows that the majority of investments in innovativeness (approx. 80%) comes from the companies own resources. If Poland wants to catch up with Europe, it must take advantage of the EU funds and different types of capital, in the form of direct investments, or venture capital. The inflow of the former funds has been growing since 2004 thanks to the improving economic situation and fewer obstacles for foreign investors. The latter funds are becoming more and more popular, however, for the time being their share is rather insignificant (0,04 % in 2004).

A significant role for increasing competitiveness by innovativeness is played by the IT market. It is insatiable and still developing. Its structure is changing, to the advantage of investments in IT services. Most investments are made by medium and large enterprises, simple because they have the financial resources. For small enterprises, it is believed that the interest in IT will occur when the Polish-specific characteristics of the market change (as a result of customer demand and feedback) or with the change in attitude toward investment among Polish businesspeople. The growth of interest in new technologies and techniques (including IT) is expected to take place the moment the accessibility to external funding is facilitated. At present the application of the Internet in businesses is soaring. Companies use it among others to forward financial and tax statements to public institutions. In the nearest future a rise in the number of orders for the IT sector should be expected as an effect of increased demand for IT and telecom services. Economically, it is a very interesting time for Poland and much depends on the Polish authorities. Is the country going to take advantage of the potential offered by the EU membership?

#### REFERENCES:

1. Data of Ministries of Regional Development
2. European Innovation Scoreboard 2005, (2005), Comparative Analysis of Innovation Performance, European Commission, Luxemburg.
3. Program Operacyjny Innowacyjna Gospodarka, Narodowe Strategiczne Ramy Odniesienia 2007-2013, (2006), Ministry of Regional Development, Warsaw.
4. Przybyciński T., (2005), Konkurencja i ład rynkowy- przyczynek do teorii i praktyki konkurencji, SGH, Warsaw.
5. Raport – Zagraniczne inwestycje Bezpośrednie, (2006), National Bank of Poland, Warsaw.
6. Raport IT w Polsce 2006-2008, (2005), PMR, Warsaw.
7. Raport o stanie sektora małych i średnich przedsiębiorstw w Polsce w latach 2002-2003, (2004), PARP, Warsaw.
8. Raport o stanie sektora MŚP w Polsce w latach 2003-2004, (2005), Ministra of Economy, Departament for Enterprise Development, Warsaw.
9. Raport: Uzupełnienie SPO-WKP oraz Informacja miesięczna nt. stanu realizacji SPO-WKP, stan na dzień 30.03.2006 r..
10. Raport: Polska-Bilans płatniczy na bazie transakcji, (2005), National Bank of Poland, Warsaw.
11. Roczniki Statystyczne GUS, Warsaw 2000-2004.
12. Starczewska-Krzysztozek M., (2006), Konkurencyjność małych i średnich przedsiębiorstw- raport z badań: Monitoring kondycji sektora MSP 2006, The Polish Private Employers' Confederation -Leviathan, Warsaw.
13. The politician of cohesion supporting the economic growth and employment: The strategic Guideline Commonwealth 2007-2013, (2005), Announcement of Committee, COM (2005)0299, Brussels.
14. Wyniki badań innowacyjności polskich małych i średniej wielkości przedsiębiorstw, (2005), PARP, Warsaw.
15. Żuromski P., (2005), Programy wsparcia małych i średnich przedsiębiorstw z funduszy strukturalnych, ŁARR, Lodz.