

COMPARATIVE STUDY OF POLISH SME SECTOR ON THE BACKGROUND OF THE EUROPEAN UNION COUNTRIES

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Abstract: On the modern business arena there are a variety of units and economic organizations which are closely linked with the economy of each country. The principal economic actors are companies which underpin the economic system of each country. A specific group of these entities are small and medium-sized enterprises, which is one of the leading sectors of European economies. For this reason, this article is devoted to analysis of the activities of European small and medium-sized businesses, with particular examining the state of the Polish SME sector. Using statistical data, the basic information characterizing the development of these entities has been presented.

Keywords: enterprise, SME sector, the countries of the European Union

Introduction

The discussion on the problems of the SME sector should start from the definition of the company which, according to Schweitzer, is the technical, social and economic unity (unit) whose task is to satisfy the needs of others with the decision-making autonomy and its own profit [Schweitzer, 1988, p. 15]. Furthermore, it is worth noting that all developed countries recognize the essence of entities belonging to the SME sector; therefore, the interest in this sector has been taking place continuously for many years [Wolak-Tuzimek, 2010, p. 105]. The polemic primarily focuses on the following issues: creation of economic growth, job creation, participation in export and also the effectiveness the improvement of which may occur, among other things, through the implementation of control mechanisms [Lament, 2014, p. 22-25]. An undeniable fact is that the largest part of the national income is formed within companies. A convergent characteristic of the economies of the European Union countries is the presence of a very large number of small and medium-sized enterprises. Approximately 99.8 % of registered business entities in Europe belong to this sector, which constitutes a motor of the European economy and the main source of employment. Undoubtedly, entities that are included in this category are a priority for improving the competitiveness [Howaniec, 2014, p. 40] and employment, thus awakening the spirit of entrepreneurship and innovation in the EU Member States. On the basis of these arguments, it cannot be denied that the SME sector occupies a very important position in national economies.

The purpose of this article is to examine the situation of the Polish sector of small and medium-sized enterprises on the background of selected countries of the European Union. Therefore, indicators describing the state of European entrepreneurship have been analyzed. The results of the study will also indicate which of the European countries performs best in this regard, which on average, and which is the worst and thus has the most to catch up as compared to the best European economies.

1 Comparative analysis of European SME sector

The study examines the state of European small and medium-sized enterprises on the basis of the statistical data from 2011-2013. For this reason, 8 indicators characterizing the level of the sector in selected EU countries were chosen. These indicators are:

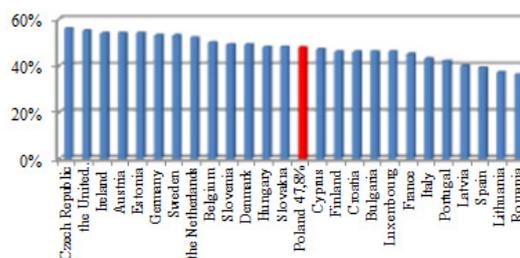
- the share of gross value added generated in the corporate sector in the EU;
- number of enterprises in selected EU countries;
- number of newly established and liquidated enterprises;
- number of employees in enterprises;
- average employment indicator per company;

- indicator of entrepreneurship;
- turnover per employee in European companies;
- investments in fixed assets for one company in the EU.

1.1 Participation of European companies in the creation of GDP

On the basis of data published in the latest report on the state of PARP SME sector it can be concluded that in Poland in 2011 the share of the corporate sector GDP was exactly at the same level as the average characterizing the EU countries (47.8 %). Poland compared to selected EU countries in this regard was ranked in the middle of the pack but, after all, it is a relatively good/satisfactory result even from the point of view of the degree of development of the Polish economy and its potential for development. Chart 1 below shows the percentage shares of twenty-six EU countries in the gross added value generated in the corporate sector. In the ranking, the leading positions are occupied by Czech Republic, the United Kingdom and Ireland. Poland, however, is ahead of the countries such as Slovenia, Denmark, Hungary and Slovakia. Also, Poland outclasses in this respect e.g. France, Italy and Spain.

Chart 1. Share of gross value added generated in the enterprise sector in Poland and selected EU countries in 2011



Source: Report on the state of the sector of small and medium-sized enterprises in Poland in the years 2012-2013, PARP, Warsaw 2014, p. 14

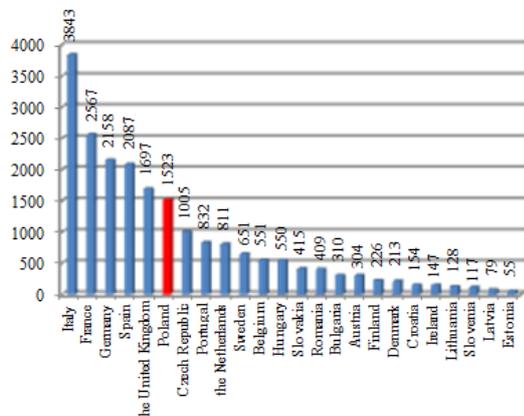
1.2 Number of enterprises in selected EU countries

The second part is devoted to empirical analysis of the number of active companies in Poland compared to other European countries. It is one of a few very important indicators to conclude on the state of Polish entrepreneurship in comparison with the European one. When analyzing chart 2, we can conclude that the Polish economy in 2011 in this respect occupied a place at the forefront pack. Sixth place in the ranking certainly speaks for Polish optimistic situation in this area in the coming years.

Nevertheless, the clear leader among the European countries was Italy. In 2011, approximately 3.8 million companies functioned in this country, which means that in Polish economy in comparison with the Italian one about 2.5 times as few actually did. The second position, also with very good results (about 2.6 million companies), belonged to France, while the last place on the podium was occupied by Germany (2.2 million). Poland was preceded by only two other countries: Spain (2.1 million) and the United Kingdom (1.7 million). The latter, however, had a slight advantage over Poland, since the difference that separated the two countries amounted to exactly 174 thousand companies. By far, the greater difference in values occurs when comparing Polish number of firms with other EU countries. Subsequent place belongs to the Czech Republic which loses as many as 518 thousand economic entities to Poland. Countries that follow had not been able to launch a million companies. The closest were Portugal (832 thousand) and The Netherlands

(811 thousand). Further follow such countries as Sweden, Belgium and Hungary. The second half of the pack is opened by Slovakia with the result of 415 thousand, followed by Romania and Bulgaria. Yet the fewest number of enterprises in 2011 functioned in Slovenia - 117 thousand, then in Latvia - 79 thousand and Estonia - only 55 thousand economic entities.

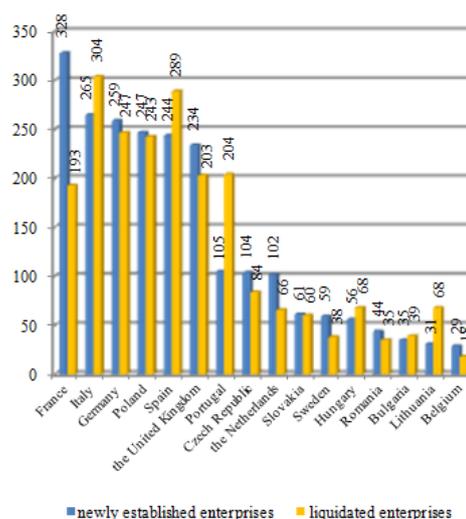
Chart 2 Number of enterprises in Poland and selected EU countries in 2011 (in thousand)



Source: Report on the state of the sector of small and medium-sized enterprises in Poland in the years 2012-2013, PARP, Warsaw 2014, pp. 17-18

When examining the number of enterprises in European economies it should be borne in mind that in this area the number of newly established enterprises is extremely important but not more than the negative aspect regarding the number of liquidated companies. These two indicators have a direct impact on the total number of companies; therefore, chart 3 depicts data describing both values (to facilitate the analysis). It should be noted that, as it was in the case of the previous measures and analysis, this time Poland again performs very well as compared to its European competitors - the fourth position in terms of the number of newly created entities in 2011 (247 thousand). The three countries that obtained a better result than the Polish economy was France (328 thousand), Italy (265 thousand) and Germany (259 thousand). On the other hand, the remarkable success is probably the fact that Poland managed to overtake the economies of Spain (244 thousand) and the UK (234 thousand) with its number of new entrants. The smallest increment of new economic entities in 2011 is noted for Bulgaria (35 thousand), Lithuania (31 thousand) and Belgium (fewer than 30 thousand). The analysis should also cover the number of liquidated entities in the EU - which are presented in chart 3. The first conclusion to be drawn when interpreting the chart below is that the largest number of liquidated entities in the analyzed year was reported by Italy - 304 thousand, and Spain - 289 thousand. In these two countries, the number of liquidated entities was higher than the one of the newly established. Germany, with the number of 247 thousand, and Poland, 243 thousand, followed, then Portugal, the United Kingdom and France. In the middle of the classification were the Czechs and the Dutch, and to close the pack: Bulgarians - 39 thousand, Swedes - 38 thousand, Romanians - 35 thousand and Belgians - only 18 thousand.

Chart 3 Number of newly established and liquidated enterprises in Poland and selected EU countries in 2011 (in thousand)



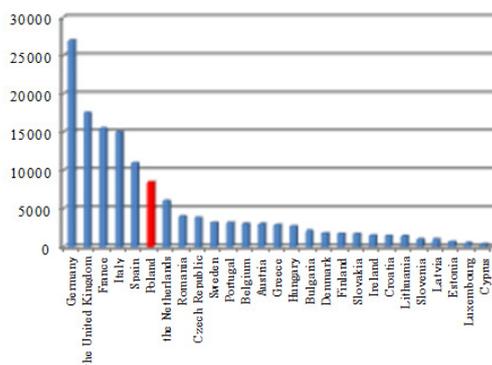
Source: Report on the state of the sector of small and medium-sized enterprises in Poland in the years 2012-2013, PARP, Warsaw 2014, p. 21

However, when analyzing the individual situation of individual EU countries in terms of the greatest difference between the number of newly established entities and the number of the liquidated it should be noted that in this regard France has the best performance with the difference in question of 135 thousand entities in favor of the emerging ones. On the other hand, Portugal found itself in a diametrically different situation in 2011 with up to nearly 100 thousand recorded liquidations over the emerging ones. The relatively smallest difference of these two indicators refers to Poland - (4 thousand) and Slovakia - (only 1 thousand).

1.3 The number of people working in enterprises in selected EU countries

The indicator characterizing the European corporate sector is the number of people working in it - as presented in chart 4. The number of people working in this kind of entities in 2012 stood at 133 million people [Eurostat data for 2012]. The largest contribution to the employment rate was held by the most numerous in terms of population EU countries. These are mainly five European economies: German (more than 26 million working in enterprises), British (about 18 million), French (15 million), Italian (15 million) and Spanish (almost 11 million). It is worth noting that the results of these five countries account for less than 2/3 of the total number of persons employed in the EU -28. Poland, which occupies sixth position, ranks just behind this group of countries. Its employment rate outnumbers countries such as The Netherlands, Romania and the Czech Republic. Subsequently, there go Sweden and Portugal. At the end of the classification there are 16 EU countries, mostly considered small in terms of population as well as the number of the employed. It is therefore necessary to mention e.g. Belgium, Hungary, Ireland, Slovenia, Estonia, Luxembourg and Cyprus.

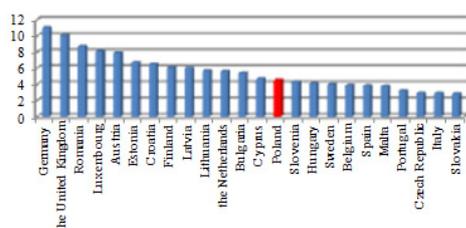
Chart 4 The number of the employed in 2012 (in thousand) in companies in Poland and EU Member States



Source: Report on the state of the sector of small and medium-sized enterprises in Poland in the years 2012-2013, PARP, Warsaw 2014, pp. 24-25

Another part of the research in this subgroup is devoted to the analysis of the average level of employment at one company in Poland and selected EU countries in 2012 - chart 5. Based on Eurostat data, Poland, with the result of about 4.3 persons employed in a single economic entity, occupies 14th place among 24 European countries. However, in the EU, one company is on average workplace for approx. 5.4 employees. Certainly the undisputed leader in the presented ranking is Germany with a score of 11 employees on 1 company during the year. The second position with the result of 10 employees came in the United Kingdom. Key positions of these two countries are mainly due to the share of large companies (both German and British) in their employment structures. Third place went to Romania, and the following places were occupied by the following countries: Luxembourg, Austria and Estonia. However, half the rate belonged to Bulgaria and Cyprus, and Poland was behind them. The rate, however, is closed by the following countries: Czech Republic, Italy and Slovakia, which received the results very close to each other - (less than three employees per one economic entity).

Chart 5 Average employment per one company in Poland and selected EU countries in 2012



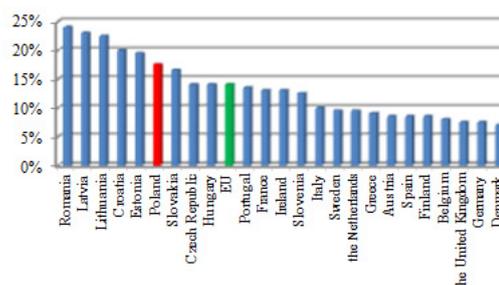
Source: Report on the state of the sector of small and medium-sized enterprises in Poland in the years 2012-2013, PARP, Warsaw 2014, p. 26

After analyzing the number of employees in the European corporate sector and the average level of employment in one company, we should also examine the rate of entrepreneurship that characterize selected countries of the Union - graph 6. It should be emphasized that the level of entrepreneurship is measured as the number of adults intending to start a business within the next three years.

In 2013 the rate of entrepreneurship in the Polish economy was above the EU average. This reflects the fact that the Poles tend to act, search for new solutions, make changes in the previous activity, use emerging opportunities [Wolak-Tuzimek et al.,

2015, p. 13]. A very high sixth position of Poland certainly affects the favorable situation of this country in the future. However, the best results in terms of the rate of entrepreneurship noted Romania, followed by Latvia. The third and fourth place was taken by Lithuania and Croatia. In contrast, Slovakia came in just behind Poland. It is worth noting that the Czech and Hungarian economy achieved the rate of entrepreneurship at the level of EU average. Portugal was only slightly worse, closely followed by France and Ireland and Slovenia. Nevertheless, the weakest level of the entrepreneurship indicator is characterized by the following countries: United Kingdom, Germany and, with the worst result, Denmark.

Chart 6 Entrepreneurship rate (% of adults who intend to start their own company in 3 years' time) in selected EU countries in 2013



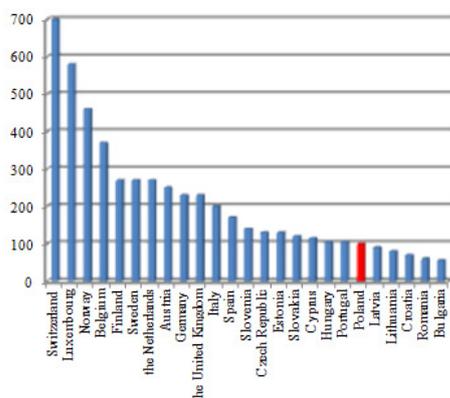
Source: Own calculations based on European Commission Press Release Database Sheet SBA 2014 Brussels: 2014. Figures for 2013. http://europa.eu/rapid/press-release_IP-14-655_pl.htm, [Access 12.05. 15]

1.4 Financial and investment situation of enterprises operating in Europe

In view of the Eurostat data, Polish corporate sector productivity, measured using the results attributable to one employee - chart 7, is significantly lower than the average in EU countries. Analyzing the chart below one can conclude that, according to company turnover per an employee, Polish companies take 20th place (with the result of approximately 100 thousand EUR in 2012), in the presented European countries ranking. Poland in this aspect stayed ahead of only five countries, namely: Latvia, Lithuania, Croatia, Romania and Bulgaria. In contrast, the companies from Switzerland did the best (almost 700 thousand EUR), Luxembourg (over 570 thousand EUR), Norway (approximately 450 thousand EUR) and Belgium (approximately 360 thousand EUR).

It may be noted that Polish companies stand out from economic entities from more developed countries in Europe. This is mainly due to the fact of ownership and disposition of poorer technological equipment and the use of unsuitable organizational solutions that translate thereby at a relatively low share of added value in production value.

Chart 7* Turnover per an employee (in 2012 in thousand EUR) in enterprises in Poland and in selected European countries



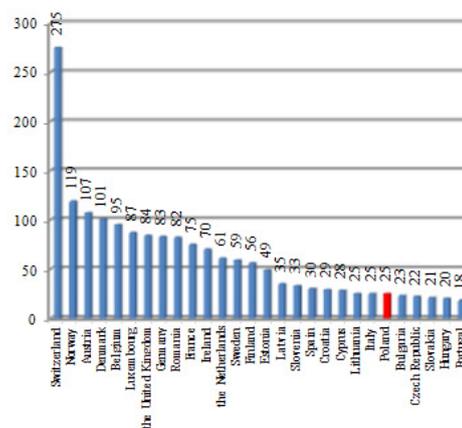
*On the last two graphs (ie. 7 and 8) two countries not belonging to the EU are also included, namely: Switzerland and Norway, in order to make a thorough comparison of these countries.

Source: Report on the state of the sector of small and medium-sized enterprises in Poland in the years 2012-2013, PARP, Warsaw 2014, pp. 33-34

The appropriate level of investment is essential for the proper development of businesses, so that this indicator is extremely important when comparing the Polish economy against the of selected European economies. Unfortunately, just as it occurred with the previous analysis, again, the Poles can not be satisfied with the level of investments allocated to fixed assets in 2011 - this fact is confirmed by chart 8.

In Poland, investments in fixed assets of the average company is only 25 thousand EUR. This result is significantly different from those obtained by the more developed countries of Europe. There is a gap between the leader of the classification - Switzerland - and the Polish economy, as this country got the result of more than 275 thousand EUR. The second position belongs to Norway, however, it has got the result of over two times smaller than the leader (119 thousand EUR). Only third place described the country of the EU - Austria (over 107 thousand EUR). Just behind the podium came in Denmark, followed by Belgium, Luxembourg and the United Kingdom. The top ten also includes the following countries: Germany, Romania and France. While the middle part of the classification was reserved for Ireland, the Netherlands, Sweden, Finland, Estonia, Latvia, Slovenia and Spain. However, a few countries managed to stay ahead in the ranking of Poland, the former is Croatia - 29 thousand EUR, Cyprus - 28 thousand EUR, Lithuania - 25 thousand EUR or even Italy also 25 thousand EUR. Poland in terms of size of fixed assets for 1 company takes 21st place of presented EU countries, which is certainly not a satisfactory result. Poland in this ranking stays ahead only of countries such as Bulgaria (23 thousand EUR), Czech Republic (22 thousand EUR), Slovakia (21 thousand EUR), Hungary (20 thousand EUR) and Portugal (18 thousand EUR).

Chart 8 Investments in fixed assets for one company (in thousand EUR) in Poland and selected European countries in 2011



Source: Report on the state of the sector of small and medium-sized enterprises in Poland in the years 2012-2013, PARP, Warsaw 2014, p. 40

Summary

At the present time, no one denies the role of SME sector in economic development. Undoubtedly, small and medium-sized enterprises are seen, throughout the whole European Union, as the driving force of the economy, both of individual countries as well as the Union as a whole. However, it should be noted, that the importance of the examined sector in the economy of the EU countries is varied and thus depends on the level of socio-economic development of the country.

Comparing Poland to other EU countries, it must be concluded that it is doing on average, and in some rates relatively well in terms of entrepreneurial activity. In 2011, the Polish enterprises sector share in GDP was exactly at the same level as the average characterized by the countries of the European Union. However, due to the growth potential of the economy it is not a good result.

In 2011, Poland in terms of number of enterprises was sixth out of 24 EU countries - and got a result of 1,523 entities. However, Italy has proven to be the leader of the classification (2.5 times more companies than in Poland), while the least well in this respect did Estonia where, in the audited year, there were only 55,000 functioning economic entities.

Poland did very well also against the number of newly established enterprises, as out of 16 EU countries, it won fourth place (only France, Italy and Germany were moving ahead of Poland). The rate was closed by Bulgarians, Lithuanians and Belgians.

Polish companies won a high sixth place in terms of the number of employed in enterprises persons in 2012. However, in this indicator undeniable winner was Germany, followed by the British, the Italians and the French. The worst in this ranking were the following countries: Estonia, Luxembourg and Cyprus.

The Poles are certainly enterprising people, because their rate of entrepreneurship in 2013 exceeded the EU average, and consequently they won sixth place out of twenty-four European economies. Unexpectedly, Romania won in this combination, while Denmark came in last.

Poland did much worse in terms of the rate of turnover per an employee in 2012, taking one of the last of places. Among the countries belonging to the EU Luxembourg did the best, and Bulgaria the worst.

Poland, in terms of investments in fixed assets in 2011, also did unfavorably against EU competitors - position in third top ten of

the classification, which does not bode a positive future perspective in this regard.

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