Small and medium companies in the market economy

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ABSTRACT

This paper presents the aspects of small and medium companies. The specific market economy and the entrepreneurship is characterised with both positive and negative features. The essential market economy, business activity, as well as small and medium companies are described in this paper.

Keywords: economy, market, small and medium companies

1. THE ESSENCE OF MARKET ECONOMY

Market exists as long as people want to exchange goods. Such a need results from the fact that people have surplus of one good and shortage of another good [1]. Since the centuries, some people demanded something that was owned by other people in surplus, who wanted in exchange to get rid of something (i.e. money or goods). Such ability led to the origins of market, namely the place where sellers and purchasers met [2]. Sellers offering their own goods created supply, whereas purchasers aiming for the purchase represented demand for such goods. In the course of negotiations between the sellers and the purchasers, prices evaluated. First markets were meeting places for the sellers and the purchasers, namely the supply and demand, as well as the place of shaping prices [3]. Currently, thanks to the means of technical communication, direct contacts of sellers and purchasers are not required, and the sales takes place without any personal contacts between the sellers and purchasers [4].
Business activity

Company - it is a legally and economically isolated business unit with independent business activity and undertaking the risk of such activity in order to obtain profit. The purpose of every business unit is profiting. Activities of business units operating on the market are oriented on a consumer and consumer’s needs [5]. Obviously, only such products can be sold, that satisfy the needs of purchasers. A basic goal in the activity of every company is pursuing profit with means of satisfied customers needs. Such a goal can be discerned in long and short period of time [6]. The extent of company’s operation can be diverse. Some companies produce goods, other companies provide services, whereas there are also intermediaries in trade between the producer and the purchaser. In the market economy there are obviously such companies, that simultaneously produce goods, provide services, handle with trade activity or other types of activity [7]. Business activity in the market economy conditions is characterised with numerous positive properties, but it also handles with significant difficulties resulting from some weak sides of the market economy system. Among the positive properties for the operation of business unit in the market economy, i.e. the highest level of personal freedom in business activity, the guaranteed private property, independence and self-reliance of companies in the extent of business decisions made, can be discerned. Very good conditions for technical advancement exist on every field of economy, because the competitiveness on the market thrives directly for the most modern technical and organizational achievements [8]. The welfare and the increased standard of living exists in the market economy, what is proved with historical experience, and it is higher than in any other economic system pursued until now.

The weakness of market economy, hindering the business activity, is generally described with [9]:

- tendencies for centralised production and sales are so strong in such a system, that there is a real threat for significantly limited regulatory mechanism of uttermost importance in the market economy, namely the competitiveness,
- such a system leads to the origin of very big discrepancies in the earnings and leads to the significant inequality in the property, what can be the origin of social tensions.
- the periodically occurring differences among the supply and the demand are levelled with fluctuations in the economy, that in the period of prosperity lead to the increased prices, and in the period of recession lead to the massive unemployment, including all social problems related with.

2. THE SECTOR OF SMALL AND MEDIUM COMPANIES IN POLAND

The definition of small and medium companies is binding, following the European Commission Resolution 364 on February 25th, 2004. Since January 1st, 2005, micro-companies were also included to such a group. Small companies comprise more than 99% of 88 million companies in the European Union and 17 million companies in the United States, in total [10]: Small and medium companies are of the key importance in Poland for the Polish economic development. They are indispensable for sustained operation of economy and support the acceleration in the economic growth. General properties of small and medium companies are as follows [11]:
eventual capacity of creating new employment,
low cost for a worksite,
capacity of very quick response to market needs,
openness to technical and organisational advancement,
easy adaptation to the place, time and resources,
existing in all types of economy.

Small and medium companies form the integral part of internal forces in the region as a condition of development [12]: Small and medium companies have local and regional character. Local market is the basic source of workforce and supply for materials etc. for such companies, as well as it is the basic sales market for the majority of companies. Development of a small and medium company is based on the introduction of positive changes in the process, product, technology, structure, what enables the adaptation of a company to on-going changes and establishing competitive advantage on the market. According to the EU definition, the following criteria discerning small and medium companies from the whole set of companies can be discerned [13]:

a. micro-companies:

- the average yearly employment in the last financial year recounted to full employment cannot exceed 10 people,
- income from the sales of goods and services, as well as financial operation in the last financial year cannot exceed the equivalent of 2 million EUR, or
- the value of assets in the balance sheet at the end of the financial year cannot exceed the equivalence of 2 million EUR.

b. small companies:

- the average yearly employment in the last financial year recounted to full employment cannot exceed 50 people,
- income from the sales of goods and services, as well as financial operation in the last financial year cannot exceed the equivalent of 10 million EUR, or
- the value of assets in the balance sheet at the end of the financial year cannot exceed the equivalence of 10 million EUR.

c. medium companies:

- the average yearly employment recounted to full employment in the last financial year amounted from 50 to 250 employees.
- income from the sales of goods, products and services, as well as financial operation cannot exceed the equivalent of 50 million EUR or
- the value of assets in the balance sheet at the end of the financial year cannot exceed the equivalence of 43 million EUR.

3. CONCLUSIONS

Small and medium companies are of key importance all over the world in the construction of economic growth and innovations on all fields. The sustained development of the sector of small and medium companies is of key importance for every country [14].
Presently, small and medium companies create the greatest number of jobs on the market, are manifested with inventiveness and engagement, what very often leads to the developed of new and advanced technology. Finally, companies from such a sector of economy also support the development of global economy. Small and medium companies are susceptible to negative influences of the economic and political surrounding [15]. Small number of companies survives on the market in the period longer than 5 years. This is why the government of many countries sees the importance and economic potential in small and medium companies and establishes supportive programs, research companies and institutes analysing the development and activity of such sector [16].

The support provided by the Eurostat Data indicates the lower level of small and medium companies in production of GDP when compared with other UE countries, it is measured with participation of such companies in the production of gross value added. It is related with relatively smaller amount of small and medium business units, when compared to other EU members. Similarly to the gross value added structure in the sector of companies, also the industrial specification deviates from the average in the EU countries [17]. The visibly smaller level of development, when compared to other old EU countries, is measured with gross value added in Poland, is generally characterised with the sector of services [18]. As a result, the visibly higher input in the gross value added in the Polish economy is made by trade and industry. Such branches, following the experiences from the western countries, should gradually loose own importance. Such phenomenon is recorded in the analysis of structural changes in the Polish economy’s employment. According to the Central Statistical Office of Poland, in the years 2004-2010 the participation of industrial companies significantly decreased from 19.6% to 19.4% in trade and 31% to 29.4% in the gross value added. Simultaneously, the participation of companies from the sector of trade increased from 40% to 42.6%. The state helps in the keeping the employment, and even increases the employment [19].

References


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