THE COMPETITIVENESS OF SMALL AND MEDIUM SIZE ENTERPRISES

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Abstract

This paper is based upon empirical research carried out in 1997 and 1998, in the form of two large questionnaire surveys of SMEs in the Bialystok region. Method and sampling are first discussed, and then results presented. The Bialystok region is peripheral to Poland (still more so to the European Union), with poor infrastructure and low levels of foreign investment. Natural markets for companies in the region are to the East, in Russia and Belarus. Most large local companies are state-owned or only partially restructured, and many have only poor prospects. The motors of local economic activity in recent years have been SMEs. The questionnaire results are presented to show local competitive structures; local sources of company competitiveness (as perceived by managers); the nature of relevant markets (local, regional, national, international); co-operative relationships with other companies (with a view to researching whether there is any prospect of the absence of local competitive large companies being substituted by networks of small companies); international relationships and activity; and company policies designed to increase competitiveness. The results show that although the local SME sector is dynamic, and has been a source of rapid employment growth in the transition period, local sources of competitiveness are simple and easily replicated; there is some evidence of the growth of long-term co operative relationships; results also show that the economy is only weakly integrated into international activity. Local SME activity is also seen to have been heavily dependent upon trade with Russia. Border reforms in the context of preparation for E.U. accession, and the 'Russian Crisis' of 1998, have hit such trade hard and the results are discussed in this context also.

The competitiveness of a peripheral region and the SME sector

The competitiveness of a particular region in a time of globalisation of the world economy must be looked at from an international perspective. In the Polish economy, with constant moves towards liberalisation of Polish international trade, and with preparations for entry to the EU, new demands are constantly being made. The international competitiveness of a particular country, economic sector or region, is always based on the competitiveness of the different businesses which function on the particular territory. Obviously, the real competitiveness of the active businesses is a result not only of internal conditions, but is the result of the complex and dynamic mutual influence of external factors, such as: social environment, economic policy, business institutions, technological infrastructure, natural conditions, the geographical location, and others. These form the basis for considering the competitive advantage of nations or regions. Nevertheless, the competitiveness of the individual businesses operating in a particular region, is an important element in the competitiveness of the region or nation as a whole, and of course reflects the many other internal and external factors.[1]

Within peripheral regions (among which the Bialystok region must be included), the sector of most importance is the SME sector. Foreign capital typically does not flow into poorly industrialised regions, with weak infrastructure, located far away from the main industrial centres. Instead, foreign capital is concentrated mostly in great urban agglomerations. In such a situation, the basis for creating the competitiveness of the region must necessarily be small and medium sized local firms. Hence the great importance of analysing the conditions governing competitiveness in the SME sector in the Bialystok region. Knowledge of these conditions can be of prime practical importance, as it can constitute the basis for activities designed to improve the competitiveness of these firms (Bakiewicz, 1992).

According to the traditional approach in peripheral regions, the competitive advantages of small firms over large firms were as follows:

1) Production for the needs of the local market. Good local industry can be competitive in producing for the needs of small local markets. The advantage of small firms results from the fact that certain goods must be produced locally (if they are perishable), and/or the transportation costs are high (certain food products, construction materials). When producing goods of this kind, small firms are "naturally protected" from the competition of large companies.

2) Processing of dispersed raw materials. If the processing of dispersed raw materials gives significant reduction in weight and volume and limits the risk of damage then in this field small companies can also be competitive.

3) Traditional manufacturing. The particular characteristics of manufactured (hand-made) goods can be obtained with the use of simple, traditional production technology. In this area, economies of scale are not present or, on the contrary, scale is associated with disadvantages.

4) Production of niche goods. Large companies often consider certain market areas beyond their scope of interest, as too specialised or too small. By producing for small and selected market segments, small companies may avoid competition with large companies.

5) Vertical integration. Many technological processes can be divided into several stages. Small firms can be competitive in the production of sub-assembly parts, finishing products, offering services.

6) Big industry is usually very capital-consuming, and the accumulation of capital requires time; therefore, small companies can be competitive in the transformation period.

7) Among the social elements, it is worth mentioning that SMEs are often owner-managed, by highly entrepreneurial people, driven by the desire for self-betterment, with direct access to the rewards of their activity. Many SMEs are a means of utilising limited capital, in a way that provides work for the surrounding family; the motivations to hard work are clear.

The factors which created the basis for the competitiveness of small enterprises in the past must be looked at again in the light of recent changes in technology and market structure. The use of new, flexible technologies, the increasing globalisation of markets, the fragmentation of consumer demand, and so on, lead to new possibilities for the development of SME's. At the same time, however, they expose SMEs more and more to international competition. Even small companies in peripheral regions must compete not only with other companies from the same region, but also with international companies reaching these areas with their products and services, modern technologies, organisation and marketing. In such a situation, the competitive advantages resulting from the "locality" lose some of their importance. The decisive factors in global competition, to which peripheral regions are as exposed as the rest, are:

1. price

2. quality

3. modernity

4. ability to follow changing fashions

5. the complexity of the offer

6. packaging

7. timely and fast deliveries

8. attractive payment terms

9. production technologies

10. quality of the management staff

11. effective marketing

12. research and development

13. access to distribution channels

Obviously the particular sources of competitiveness are of varied importance according to context. They can be divided, following Porter (1990), according to their sustainability. Some of the competitive advantages, such as price, payment terms, or on-time delivery, can be easily copied by competitors. However other factors, such as the ability to be at the forefront of fashion and modernity, and the ability to create and sustain deep relationships with clients, are much more difficult for competitors to imitate. Therefore, it is important to determine what type of competitive advantages are found among small and medium size enterprises. It is on these advantages that the competitiveness of these firms, as well as of whole regions, will depend in the future.

Empirical research of the competitiveness of SMEs in the Bialystok region

Subject and method

The empirical research entitled "The Competitiveness of Small and Medium Sized Enterprises and Changes in Employment" was conducted by the Regional Labour Office of the Bialystok region and the Bialystok School of Business, in co-operation and with the financial support of the Centre for International Business University of Leeds (CIBUL) from the U.K. The research was a continuation of studies conducted in March and April 1997 "Small and Medium Sized Enterprises - Their Economic Conditions and the Possibilities of New Job Creation" (Konopka and Plawgo, 1997).

The subject of research was small and medium sized businesses, employing up to 250 persons, and functioning in the region of Bialystok.

Due to the lack of access to data referring to the number of the employed in the particular companies from the Statistical Office in Bialystok, the selection of the research sample was done on the basis of data in the Regional Labour Office. The employees of the Employment Agencies of the Local Labour Offices administered questionnaires, which were distributed and most often collected personally during visits to companies by the Employment Agency workers (who were primarily there to collect job offers for the unemployed).

The research was conducted in May and June 1998. 400 questionnaires were distributed among employers. 284 of these were answered, which is 71% of the assumed research sample. Among the 284 firms, 109 were production companies, 151 conducted trade activities, and 130 service activities.

The questionnaire was composed of 65 questions, 43 of which were yes/no questions, 18 of which were semi-open-ended, and 4 open-ended. The questionnaire clearly stated that the data was to remain confidential, and would only be used for research purposes. As one usually finds, however, not all of the entrepreneurs questioned, in spite of this reassurance, willingly gave access to detailed information about their companies.

Main competitors

35% of the enterprises under analysis defined themselves as active only in the local market. Taking into consideration the fact that the companies under research were classified as small and medium size, dealing in production, trade and services, a relatively high percentage of the firms (19.7%) defined their market as international (Table 1). The assertion that the process of internationalistion of economic activities also reaches weakly developed regions seems to be therefore proved. Generally, most of the enterprises (58.82%) compete on markets beyond the local: at regional, national and international levels.

Table 1 - Market of enterprises

Type of market	*Number of enterprises*	*%*
Local	102	35,9
Regional	63	22,2
Domestic	49	17,25
International	55	19,37
*The percentages do not sum up to 100%, owing to missing responses		

When questioned about their main competitors, other small enterprises were indicated (40.9%) as well as big national companies (28.4%) (Table 2). The competition from foreign companies and joint ventures was not felt that strongly. In relation to the extent of transition to a market economy, however, it is interesting to note that a total of 13.1% of companies listed foreign companies (either as foreign domestic companies or multinationals) as the main competitors, while only 8.8% regarded the once ubiquitous state enterprises as the main competitors.

Table 2 - Main competitors

Main competitor	*Number of firms*	*%*
Lack of competitor	29	10,2
Small firm	115	40,5
Large domestic firm	81	28,9
State enterprise	25	8,8
Foreign firm active in Poland	28	9,9
International corporation	9	3,2
Joint-venture	3	1,1
Others: grey area, non-registered manufacturers, non-customs smuggling	15	5,3
*The percentage do not sum up to 100%, owing to missing responses.		

The influence of the globalisation of production on the competitiveness of the local companies of the SME sector was also estimated by posing the general question: Do you feel pressure from international competition? The answers of the enterprises are included in Table 3. It can be observed that presently such pressure is felt by 1/3 of the questioned companies, 39.4% of the production companies. What is more, from among the firms which do not feel such pressure at the moment, 35.2% of the total research sample expect to feel the effects of international competition in the future. Generally, only 32.8% of the studied companies does not feel, and does not anticipate feeling, the effects of international competition in the future. It remains to be seen whether these companies are effectively protected against foreign competitors - through, for example, capturing niche markets, having unique products/ services, having close contacts with clients, and so on. Are there genuinely factors which raise the entry costs of foreign companies, such that local optimism is justified, or are the firms simply underestimating the threats? The answer to this will become apparent in the fairly near future.

Table 3 - Pressure from foreign competition

		Production firms		*Trade firms*		*Service firms*		*Total*	
		Number	%	Number	%	Number	%	Number	%
Do you feel pressure from international competition?	Yes	43	39,4	40	26,4	36	27,7	91	32,0
	No	58	53,2	92	60,9	86	66,2	169	59,5
If No, do you believe such pressure to appear in the future?	Yes	38	34,9	60	39,7	43	33,1	100	35,2
	No	23	21,1	37	24,5	50	38,5	78	27,5
*The percentage do not sum up to 100%, owing to missing responses.									

Companies which presently feel the pressure from international competition are at least in a position to start planning how to cope with this competition in the future. The planning of future activities is presented in Table 4.

The most frequently mentioned planned activities are: business expansion, the use of better marketing strategies, offering better products or services. Despite the fact that these activities seem to be generally going in the right direction, one needs to retain a scepticism about them, since they may be general ideas, with little attention paid to the real implementation of practically possible measures. More concrete activities, such as: joining with a stronger national or international company, the implementation of up-to-date technology, and finding a market niche, were mentioned less frequently. One fact calling for special concern was that only 5.5% of the production companies were planning to implement a new technology in order to meet the demands of constantly increasing international competition.

Table 4 - The planned directions of activities in the face of international competition.

Planned activities	*Production enterprises*		*Total enterprises*	
	Number	%	Number	%
Expansion of activities	12	11,0	37	13,0
Starting co-operation with a foreign partner	7	6,4	14	4,9
Developing relations with a stronger domestic firm	8	7,3	20	7,0
Selling the firm	0	0	1	0,4
Changing the industry	1	1,0	2	0,7
Finding a market niche	7	6,4	9	3,2
Using better marketing	14	12,8	26	9,2
Offering better products/services	13	11,9	25	8,8
Starting importing/exporting	2	1,8	5	1,8
Implementing a modern technology	6	5,5	13	4,6
Nothing	3	2,8	7	2,5
Does not refer/ the company does not currently feel the pressure from international competition	51	46,8	154	54,2
*The percentages do not sum up to 100%, owing to missing responses.				

Sources of competitiveness

A question was asked about the determining elements of competitiveness, to obtain information about the sources of competitive advantage for the studied companies, and to evaluate to what extent these advantages are sustainable, and can ensure the further development of the SME sector in the Bialystok region. Are they sustainable advantages, or will they erode as globalisation proceeds. The entrepreneurs were asked to evaluate 15 potential sources of competitiveness of their companies, by means of the significance of this determining factor, on a scale from 0 to 6, where 0 meant no significance, and 6 meant substantial significance. The importance was determined separately for national market and international market, if the company was involved in export. The answers of the companies to this question are included in Table 5 (omitted).

From the answers to the question about factors determining competitiveness, one can draw conclusions about the particular potential sources of competitive advantage for specific companies, and what degree of importance is attached to these. Conclusions can also be made with regard to the significance of the particular sources of competitiveness for the entire group of companies under investigation. The general evaluation of importance of the determining factors of competitiveness in the last columns is based on the answers included in the earlier columns.

Table 5 presents the evaluation of the determining factors of competitiveness on the national market for all the companies. The quality of products was the highest ranked factor. After this in importance came: price, timely deliveries, terms of payment, and financial resources. It must be noted that apart from quality, the remaining sources of competitiveness have a definitely unstable chacacter - they can be easily copied by the competitors. In reality, they can be reduced to price competition, with terms of payment and general financial resources being elements of this. Competitive advantages of this kind are particularly vulnerable to erosion when international competition becomes a factor. Undoubtedly, the perception of quality as the main characteristic of competitiveness is positive. However, in a modem economy, characterised by the fast pace of technological, organisational and demand structure changes, the high quality of products is difficult to imagine without associating it with modernity, fashion, production technologies, research and development. These determining factors of competitiveness are, in the opinion of the enterprises questioned, among their weaknesses.

Among the competitive advantages noted by companies active on the international market, timely delivery was highest ranked. The next most important factors were quality, price, and access to channels of distribution (Table 6--omitted).

Research and development came last; this is worrying, since it is difficult to see how competitive advantage could be maintained on international markets, without research and development being an important corporate priority. The threats to the future competitiveness of the firms in question, clearly result from this analysis of companies' perceptions of their own competitive advantages. If we look at production companies alone (Table 8--omitted), the exporters compete mostly by means of price, timely deliveries, quality, access to distribution channels and terms of payment. Such factors as research and development, modernity, ability to follow fashion, or possession of the latest production technologies, were graded low.

Table 7 (omitted) shows the answers of enterprises to the question on the sources of their competitiveness on the national market, taking into consideration three types of activities: production, trade, and services. Generally, it turns out that the importance associated with each determining factor is similar in all types of activity. There were some differences, however; for example the significantly lower evaluation of access to distribution channels in the case of production and trade companies.

The determining factors have also been analysed according to the sizes of enterprises (in two groups: up to 100 employed and from 101 to 250 employed) (Table 9). Such a comparison uncovered significant differences between the sources of competitiveness of SMEs. Generally, larger firms are at a higher level of competitiveness both on the domestic market as well as internationally. The very clearly visible differences in terms of the evaluation of competitiveness in the favour of larger firms appears through the emphasis on such determining factors as: production technology, the quality of the management staff, financial possibilities, effective marketing, research and development. Such discrepancies between large firms and SMEs suggest that there exist big disproportions in competitiveness as between the SME sector and large companies. One potential way of overcoming the lack of competitiveness of small and medium size enterprises is co-operation.

Table 9 - Average grades of determining factors of competetiveness according to the size of the enterprises (6 as the maximum)

	Domestic market			International market		
	up to 100 empl	over 100 empl	all	up to 100 empl	over 100 empl	all
1 . price	4,41	4,55	4,43	4,03	3,66	4,22
2. quality	4,54	5,00	4,60	4,30	5,00	4,39
3. modernity	3,96	4,05	3,97	3,58	4,20	3,68
4. fashion	3,02	2,94	**0,00**	2,61	4,00	2,80
5. complexity of offer	3,55	3,47	3,55	3,33	3,40	3,34
6. packaging	2,97	2,87	2,96	3,20	3,75	3,31
7. timely deliveries	4,25	4,73	4,29	4,56	4,50	4,56
8. terms of payment	4,18	4,58	4,23	3,92	4,25	3,97
9. prioduction technologies	3,62	4,57	3,74	3,36	4,60	3,57
10. quality of management staff	3,74	4,22	3,79	3,16	4,75	3,39
11. effective marketing	3,70	4,37	3,77	3,66	5,00	3,90
12. research an development	2,81	3,41	2,89	2,30	4,40	2,71
13. brand of the enterprise	3,93	4,12	3,95	3,37	4,20	3,50
14. financial possibilities	4,09	4,86	4,16	3,80	4,60	3,93
15. access to distribution channels	3,87	4,29	3,91	4,17	4,16	4,17
Average:	3,78	4,14	*	3,56	4,30	*

Relations in co-operation

One route to competitiveness in the modern world economy is through groups of firms organised in a network. Such network structures are sometimes perceived as a third method of organising economic activities, outside the market and the administrative hierarchy. Within networks, so the argument goes, firms have technological and production relations which give them the effects of scale, while at the same time maintaining flexibility of activities. Small and medium sized enterprises functioning in networks of co-operation have a greater chance of obtaining competitive advantage, both on national and international markets. It can even be argued that the appearance of co-operative relations is becoming an important factor in the international competitiveness of the SME sector. Our research into the competitiveness of enterprises in the Bialystok region included, therefore, questions relating to their co-operative links (Table 10).

Table 10 - Co-operation links of enterprises

Types of agreement	*Number of enterprises*	*%*
We represent another company	34	12,0
Other companies represent us	15	5,3
We are the subcontractor of a big company	27	9,5
We have strategic agreements with other companies/ company	34	12,0
We have long term agreements with subcontractors / clients	79	27,8
We have agreements in terms of technological support, licenses	10	3,5
Others	7	2,5
We have no agreements	84	29,6
*The percentages do not sum up to 100%, owing to missing responses.		

A large percentage of the researched enterprises (almost a third) does not have any kind of cooperative agreement. The most frequently encountered co-operative agreements are long-term contracts with suppliers and clients. A significantly smaller percentage of enterprises has strategic agreements with other companies (12.0%). The percentage of enterprises which have co-operation agreements on technological co-operation or licenses is alarmingly low.

Within the new global challenges based on the competition between regional network structures or industrial network structures, the approach of enterprises towards their competitors becomes of special importance. A required condition for creating a competitive region, for example, can be argued to be the generation of co-operation among the local competitors. The enterprises under analysis were asked the question: Do you in any way cooperate with your competitors? It turned out that 90 firms, i.e. 31.7% of the researched sample, answered yes. 164 (57.8%) claimed that they in no way co-operated with their competitors. The firms which denied any co-operation were asked an additional question relating to whether they believed that such co-operation could be useful in the future. In this case, 120 firms admitted that such co-operation could be useful in the future. Therefore, only 26% of the enterprises do not presently co-operate with their competition and do not see such co-operation as an opportunity for the future.

Small enterprises can closely co-operate with other small enterprises, creating a network of small firms. They can, on the other hand, also co-operate with larger companies, usually as subcontractors. Through such types of co-operation, small and medium sized enterprises are potentially able to increase their competitiveness by using the technologies or distribution channels accessible to large firms.

The research shows that enduring relations of co-operation between small and large firms are only rather rarely found (Table 11).

Table 11 - Co-operation with large firms

Type of relation	*Number*	*%*
None	135	47,5
They are the clients to 30% of our sales	34	12,0
They are the clients to 10 - 30% of our sales	39	13,7
We make use of the technology supplied by a big company	11	3,9
Our workers receive training organised by large companies	13	4,6
A large company helps us to develop our products	2	0,7
A large company helps us to sell our products/services	29	10,2
Others	5	1,8
*The percentages do not sum up to 100%, owing to missing responses		

As much as 47.5% of the studied firms did not have any connections with big firms. For 12% of the enterprises, large companies are major strategic clients, absorbing over 30% of the sales. Unfortunately, the small firms questioned were able to make use of the technologies and the knowledge of large firms to only a very small degree. A certain positive symptom is the fact that 10.2% of the companies declared that they received help from the large enterprises in terms of selling products or services. The generally low level of connections partly results from the fact that not many large enterprises are located in the north-eastern region of Poland. On the other hand, the awareness of the benefits that could result from such a co-operation is insufficient, in the case of both the small and the large partners.

Regardless of the current state of co-operative relations, what is important is the awareness of the entrepreneurs with regard to the future necessity of co-operation, and an awareness of what types of partnerships will lead to increasing competitiveness. From the analysis of the answers of the entrepreneurs - regarding which co-operative links could, in their opinion, increase their competitiveness, it emerges that the most often mentioned type of co-operation was one with other small and medium sized enterprises (30.3%). Co-operation with large enterprises was evaluated as the second most important (21.8%), while cooperation with foreign firms came in third place (16.9%). It is interesting, perhaps even alarming, that 17.3% declared that no type of co-operation was, in their opinion, needed. Moreover, only 3.2% of the analysed companies regarded co-operation with institutions of higher education and research centres as a means for helping them to increase their competitiveness.

The policy of increasing competitiveness of small and medium sized enterprises

In the long run the increase of competitiveness of the SME sector depends, on the one hand, on the current and strategic activities of the managers of the firms and, on the other, the changes in the conditions of the environment in which they function. The shaping of favourable external conditions must take place on many levels; important here is the level of activity in the domestic and regional economy.

According to Agenda 2000 (which we can regard as the European Commission statement on Poland's application to join the European Union), the main goals of EU policy towards business are the creation of a business environment friendly towards SME development within the EU, the improvement of the competitiveness of small and medium size enterprises, and the support of their Pan-European and international character (Agenda 2000). The characteristic trait of such a policy is the high level of subsidiarity. Therefore, there are regions where certain supportive activities for smaller enterprises can be anticipated in the whole of the EU. The significant role in the creation of conditions favourable for the competitiveness of SMEs is to be played by the governments of the particular countries. At the level of the national economy, the basic task is the creation of stable conditions for the activity of enterprises. The need for state regulations on the macro level refers to:

- economic policy reaching beyond ad-hoc solutions of problems and instead ensuring stability and predictability;
- budget policy;
- price systems, and currency and monetary policy;
- the transparency and honesty of the tax system and foreign exchange;
- the financial system (Meyer, 1996).

In the assumptions of the Polish government in relation to small and medium sized enterprises for the years 1998 - 2001, the main aim mentioned was an increase in economic activity in the SME sector, as measured by the size of its participation in the gross national product. The first indicated indirect goal, rightly so, was an increase in the competitiveness of the SME sector; the second was a realistic increase in the exports of that sector (MOE, 1998). It is significant that in the "Assumptions..." it was observed that increasing the competitiveness of small and medium sized enterprises is a necessary condition for their development in a constantly more competitive Polish market, as well as a necessary condition for the increase of exports to the demanding markets of the highly developed countries, especially to the European Union. The "Assumptions..." define the elements of the financial and tax systems, and will strongly influence the business environment for small and medium sized enterprises, such as:

- the real interest rate, being the decisive factor on the possibilities of financial accumulation of enterprises,
- depreciation rates of fixed assets,
- social insurance rates, directly influencing the share of labour costs in the production value,
- the official interest rate of the Polish National Bank, shaping the level of bank loan costs,
- the currency exchange rate of the Polish zloty,
- accessibility to bank and insurance services as well as the legal system with regard to the vindication of payables (MOE, 1998).

The government has, therefore, at its disposal a wide array of working tools by means of which it can attempt to influence the competitiveness of the SME sector. It can be observed that under Polish conditions, much can still be done at the macro-economic level, to influence the environmental circumstances for the SME sector. This refers particularly to a reduction in taxes and other fiscal liabilities influencing the costs of business activities. Moreover, depreciation reductions should also be taken into consideration as these do not ensure a sufficiently fast pace of reconstructing fixed assets. A particularly burdensome issue for enterprises is the high social insurance fee, increasing the labour costs and hence limiting competitiveness. Among the macro-economic barriers limiting competitiveness, one should also include the high interest rate, which makes it more difficult for SMEs to access sources of financing.

While being aware of the macro-economic meaning of the conditions of competitiveness of enterprises, influenced by government policies, the role of policy supporting the competitiveness of small and medium size enterprises at the regional level is also increasingly important. The problem was partly observed and included in the assumptions of the government's policy (MOE, 1998). From the state perspective, the scope of regional policy is the development of regional and local business infrastructures which would:

- facilitate the access to funds of bank guarantees, including bank capital,
- facilitate the access to regional investment funds (regional capital fund and regional assets fund),
- create the possibility to co-operate with the scientific sector,
- ensure the resources to stimulate business,
- enable the training and educational activities of a general economic character as well as the implementation of new technologies (MOE, 1998).

Conclusion

This paper has discussed empirical research on SMEs in a peripheral region of Poland. Poland is still in the process of transition from the planned economy, and is moving towards European Union acession. North-east Poland, and the Bialystok region, are one of the least developed parts of Poland, and indeed of the countries that are currently preparing for European Union accession. The 'Russian crisis', which has so severely affected the national economies to the east of Poland (Belarus, Ukraine, and Russia itself), has also had a grave effect upon the economy of the Bialystok region. The proximity of the 'Russian crisis' gives some idea of the scale of the task that the Bialystok region faces, as Poland enters into deeper economic and political relationships with the economies of the European Union. The SME sector in the Bialystok region will necessarily play a major part in economic development in the region, and our research has shown that the sector is in general not well-prepared for the challenges that await. We have discussed some approaches to development problems that are emerging from European Union policy, in order to demonstrate the relevance and urgent necessity of some of these measures, in the form of SME support mechanisms that would be relevant to Polish SMEs, and to their problems as revealed through the research reported above.

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[1] M. Lubinski states that even if the basis for international competitiveness of national economies is the competitiveness of firms which create it the competitiveness of the economy is more than just the average competitiveness of the businesses (Lubinski, 1995, p. 7)