

STUDY ON THE CONDITION OF SELECTED MICRO-ENTERPRISES IN THE SILESIAN VOIVODESHIP IN THE SECOND HALF OF 2022

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Purpose: The aim of the paper is to examine the impact of the economic situation in 2022 on the condition of micro-enterprises in the Silesian Voivodeship.

Design/methodology/approach: A research sample of 150 micro-enterprises from the Silesian Voivodeship was selected. Research methods such as interview and survey were used. A questionnaire was used as the tool. A complete set of responses was obtained from 132 micro-enterprises.

Findings: It was found that entrepreneurs respond in different ways to the difficult situation their micro-enterprises faced after the pandemic and during the following months of 2022. This depends on a number of factors, such as number of years the company has been on the market, the degree of specialisation in the domain handled, flexibility in re-branding, ability to obtain external financial and non-financial support, etc. These factors mean that the condition of the micro-enterprises studied is not homogeneous.

Research limitations/implications: Due to the small research sample, the study results cannot be generalised and treated as a picture of the condition of all companies in the Silesian Voivodeship. Further studies, based on a larger research sample, would provide a more comprehensive picture.

Originality/value: The negative impact of the 2019 global pandemic has greatly affected micro-enterprises. The military conflict in Ukraine in early 2022 has destabilised global markets. Rising inflation in Poland became even more pronounced after the outbreak of war. Many micro-enterprises faced a difficult situation. It is important to gain knowledge about the impact of constraints related to the economic situation on the operation of micro-enterprises in order to develop mechanisms to mitigate negative effects on entrepreneurship based on micro-enterprises.

Keywords: micro-enterprises.

Category of the paper: Research paper.

1. Introduction

The negative impact of the 2019 global pandemic has greatly affected micro-enterprises. The military conflict in Ukraine in early 2022 has destabilised global markets, disrupted existing supply chains and hampered investments (Machniewski, 2023). Rising inflation in Poland became even more pronounced after the outbreak of war. The challenging situation faced by many micro-enterprises during the pandemic worsened in the following months of 2022.

The article is an attempt to determine the condition of selected micro-enterprises in early 2023. Micro-enterprises registered in the Silesian Voivodeship were studied.

2. Specificity of micro-enterprises

The most numerous group of enterprises in Poland are micro-enterprises - entities employing up to 9 people and with annual net revenues of up to EUR 2 million. In Poland, they account for 96% of all companies and have a significant impact on GDP (Figure 1) (Poland in figures, 2022).

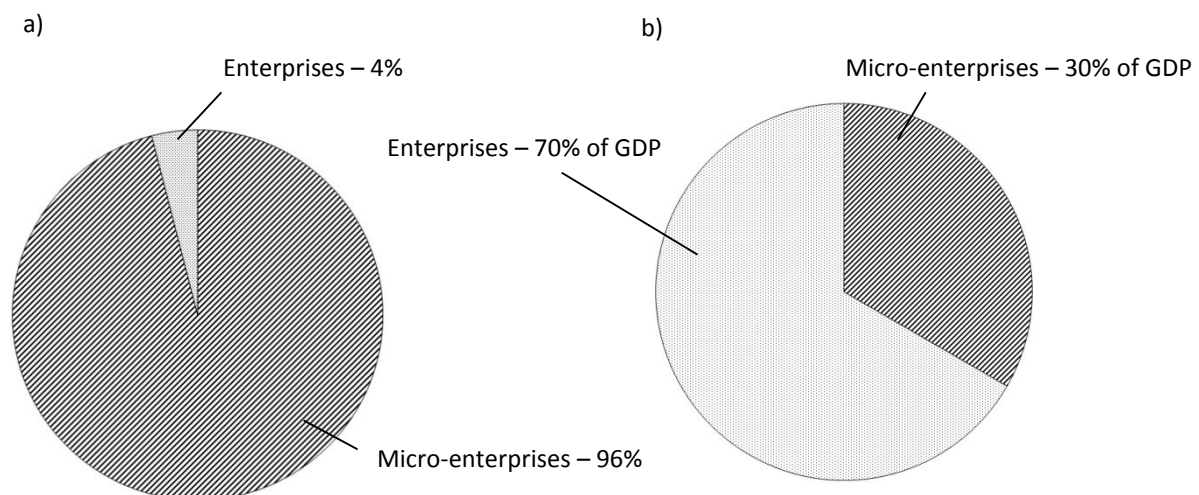


Figure 1. Micro-enterprises in the Polish market: share of micro-enterprises in relation to enterprises in general (a), share of micro-enterprises in GDP generation (b).

Own elaboration based on Poland in figures, 2022.

Micro-enterprises are often one-person enterprises (Smolarek, 2015; Safin, 2002). Micro-companies, with both advantages (considerable flexibility) and disadvantages (financing mainly from own resources) (Daszkiewicz, 2004; Dylkiewicz, 2008; Klimek, 2015; Nehring, 2012) are an important factor in the development of the economy, first and foremost at local level, then at regional and national level. A plan for the development of the micro-enterprise in

a broader time horizon significantly increases the entity's chances of staying in the market and possibly increasing the company's footprint (Oniszczyk-Jarząbek, Gutowski, 2008). In the Silesian Voivodeship the activities of micro-entrepreneurs are mainly concentrated in the following areas: industry-related activities, construction, trade and repair of vehicles, transport and storage, and professional, scientific and technical activities (GUS, 2022). The figure shows the percentage of micro-enterprises in these sectors.

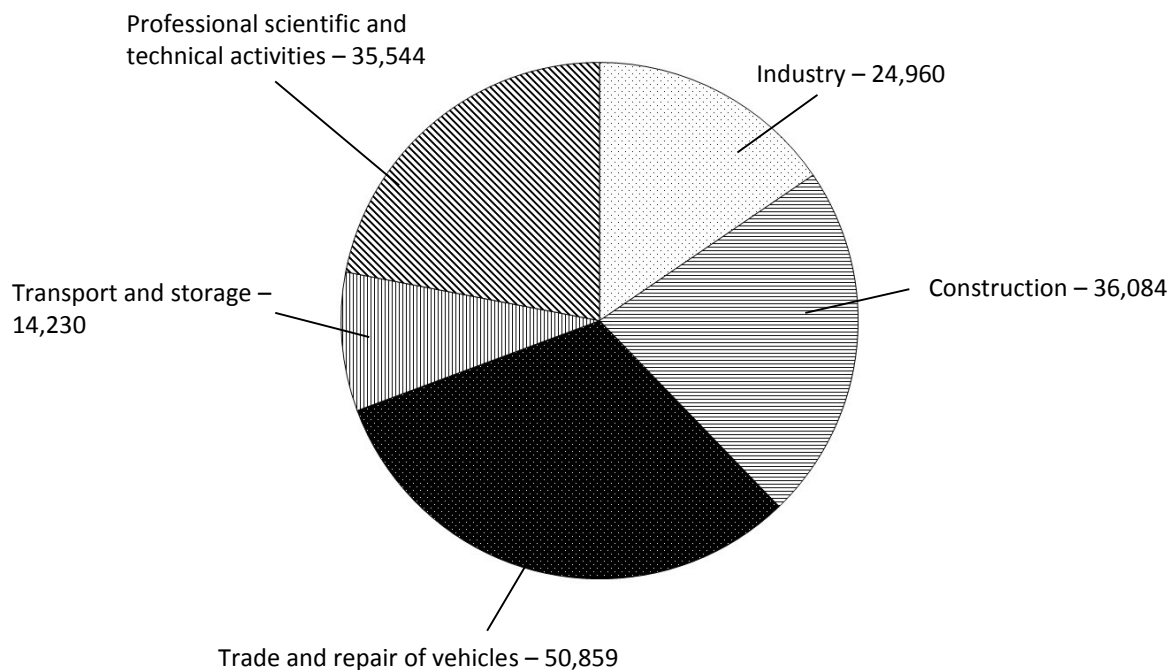


Figure 2. Share of micro-enterprises from the Silesian Voivodeship in some of the most popular business areas.

Own elaboration based on GUS, 2022.

3. Micro-enterprises in the post-pandemic period and in 2022

After a period of pandemic that forced some entrepreneurs to suspend their operations, some have been able to resume activity. However, this activity was burdened with uncertainty about the survival of the business. This concern was mainly related to the effects that rising inflation entailed (Kazimierski, 2022). Since October 2021, over a 12-month period, producer inflation has risen so much that at the end of this period producers were paying around 23% more than at the start. This fact translated into the price of the product. In September 2022 the producer inflation index stopped at just under 25%. One month later it dropped to 23%.

Other factors that have made it difficult for micro-entrepreneurs to exist are: interest rate rises and higher costs due to increases in electricity and gas prices (Leśniak, 2023; Lewandowski, 2022). Higher employment costs, associated with increased employee compensation, were not insignificant for micro-enterprises with more than one employee.

The biggest stimulus to micro-enterprise development is external funding, while the biggest barrier to growth is delayed payments, lost contracts and the inability to plan activities freely. Many businesses operate on the basis of collaboration with micro-entrepreneurs. For the development of micro-companies, or just their survival in the market, such coexistence is extremely important. Depriving a micro-enterprise of the possibility to cooperate with larger enterprises, coupled with the micro-enterprise's low liquidity, poses a considerable threat to such an enterprise. The relatively lower earnings of micro-entrepreneurs than of employees in companies with more than nine employees make it more difficult for micro-entrepreneurs to survive in difficult times. Figure 3 shows a comparison of earnings of micro-entrepreneurs with those of employees in other businesses between 2015 and 2021.

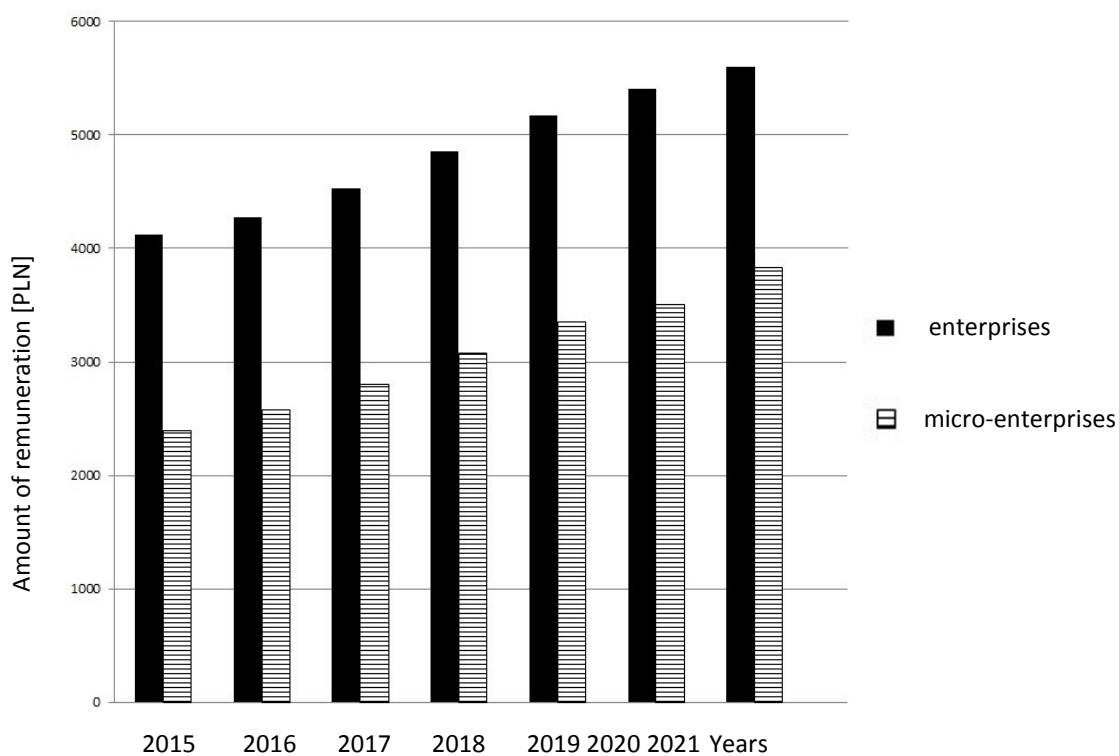


Figure 3. Comparison of remuneration amounts for employees of micro-enterprises with enterprises with more than ten employees between 2015 and 2021.

Own elaboration based on GUS, 2022.

4. Research sample, methods and tools

The idea was to survey 150 micro-enterprises registered in the Silesian Voivodeship. The selected enterprises operate in two of the three economic sectors: manufacturing and services. No micro-enterprises represent the agricultural sector in this study. Complete answers were obtained from 132 micro-enterprises.

Research methods included interview and survey. A questionnaire was used as a tool. It included questions on the issues listed below. Due to the limited volume of the article, the issues have been consolidated into 10 questions. Due to the limited volume, issues related to subjective feelings about the quality of life of entrepreneurs and their families were marginalised in this study in favour of measurable factors related to the operation of the business.

Below are the subject areas to which the questions were related:

1. How long has the micro-enterprise been in the market (up to 5 years, 6-10 years, more than 11 up to 20 years, more than 20 years)?
2. What is the main scope of the enterprise's activity (local, regional, national, international)?
3. Has the entrepreneur been forced to suspend business in the last four years due to the difficulties associated with a global pandemic?
4. During the pandemic and in 2022, has the entrepreneur used external funding sources (EU funding, government funding, other)?
5. Has the entrepreneur used non-financial methods of support (training, professional advice) during the pandemic and in 2022?
6. What are the main nuisances for running a micro-enterprise during a period of high inflation:
 - high prices of goods, materials and products,
 - high prices for energy utilities,
 - high fuel prices,
 - necessity to increase the remuneration of the employees of the micro-enterprise,
 - less interest from customers who cannot afford the products/services on offer in the current period,
 - lack of cooperation possibilities with previous entities/customers,
 - payments received late?

Rate the impact on a five-point scale.

7. Is the enterprise currently applying measures to improve its competitiveness; if so, which ones?
 - increasing the quality of products/services offered,
 - expanding the range of products/services,

- advertising and marketing activities,
- offering promotions,
- setting lower prices than competitors,
- looking for and implementing other distribution channels than those used so far,
- introducing technological innovations,
- other.

8. Has the entrepreneur undertaken activities and work that generate an income which is alternative to the micro-enterprise?

The questions were closed-ended and the surveyed entrepreneur chose the applicable options for each question from the available list of possible answers. In several cases, where the adverse impact of a specific factor had to be assessed, the choice was made within a five-point scale (0 - no impact, 1 - weak, 2 - medium, 3 - strong, 4 - very strong).

5. Overview of research results

The aim of the study of micro-enterprises was to determine their condition after the coronavirus pandemic, and in 2022, when the negative effects of the military conflict in Ukraine were also strongly reflected in the Polish economy.

Among the entities surveyed, service micro-enterprises predominate (58%). The second group consists of companies engaged in manufacturing and processing (42%). A graphical presentation of the periods of operation (in years) of the surveyed enterprises in the market is shown in Figure 4.

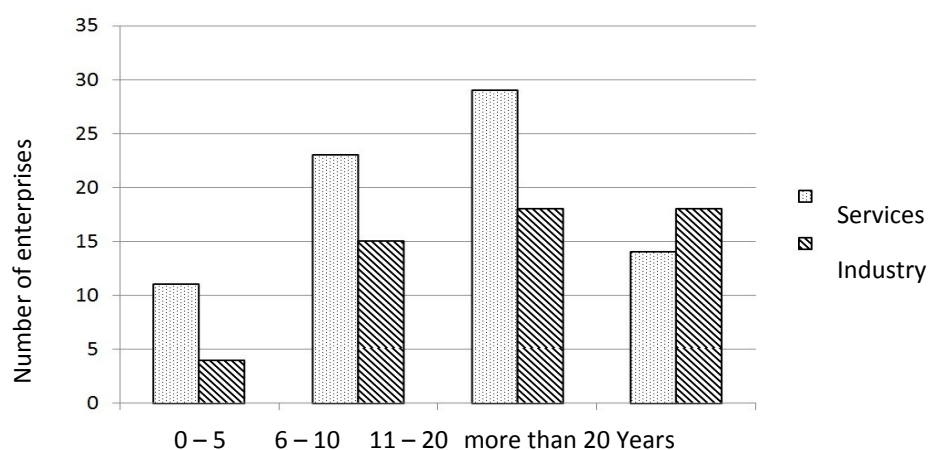


Figure 4. Length of operation in the market of the surveyed entities.

Own elaboration.

The range of impact of their companies, as perceived by entrepreneurs, is as follows: six entrepreneurs strongly believe that their business permanently goes beyond the country. Main recipients are Czechs and Ukrainians. Fifteen enterprises declared the country as their dominant area, while stipulating that going beyond borders with their products/services is not uncommon. However, the majority (one hundred and eleven micro-enterprises) are entrepreneurs operating regionally or locally. In their case, a clear assignment to a local or regional category was often not a clear-cut matter and the final division into these categories (regional reach - forty-nine, local - sixty-two entrepreneurs) is very indicative. Graphically, the range of impact of the surveyed enterprises is shown in Figure 5.

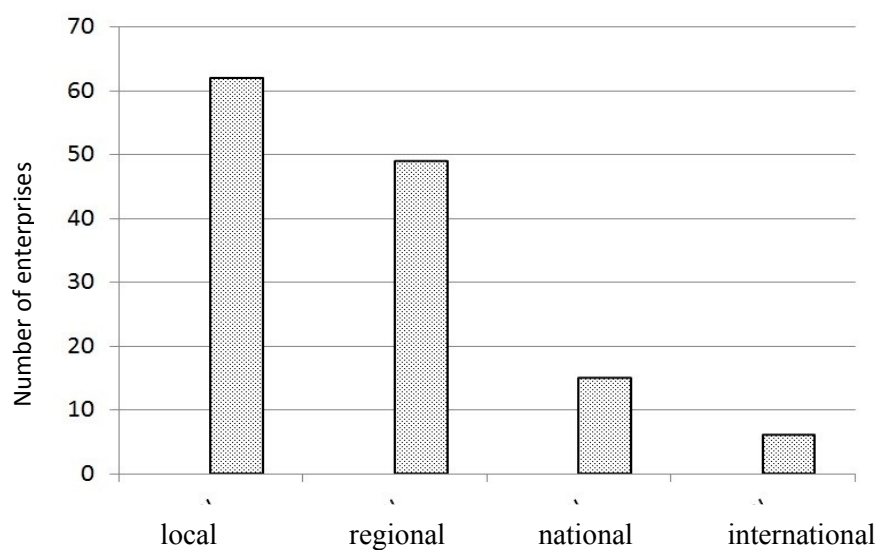


Figure 5. Primary reach of micro-enterprises surveyed.

Own elaboration.

None of the micro-enterprises surveyed have suspended operations since the coronavirus pandemic began in 2019, while those that ceased operations during the pandemic (Michalski, 2022) were not considered in the survey.

A certain impediment to working out the position of a micro-enterprise in the market is financing from own resources (Smolarek, Dzieńdziora, 2011; Siuta-Tokarska, 2008). During the period studied, only thirty companies used external sources of funding. The others declared that their activities are financed from their own resources. Two entities are supported by a bank loan. However, it should be noted that the loan was granted prior to the studied period. The use of the loan was recorded by these two enterprises in the survey under the item “other external resources.” Eleven entities used non-financial external support in the form of training. Eighteen micro-enterprises were interested in professional advice, eleven of which were the same companies that took part in the training.

Non-financial support was mainly used by service entrepreneurs. Among those interested in the training, there were three representatives of enterprises that have been operating for 1-5 years, five entrepreneurs whose companies have been operating for 5-10 years and two that have been operating for 10-20 years. From the manufacturing sector, only one entrepreneur was interested in this type of support, whose micro-enterprise has been in the market for 5-10 years. Professional advice was used by fifteen service companies (four operating for 1-5 years, five operating for 5-10 years, three operating for 10-20 years, and one operating for more than 20 years) and three manufacturing companies (one operating for 1-5 years, two operating for 10-20 years).

The issues discussed are shown in Figure 6.

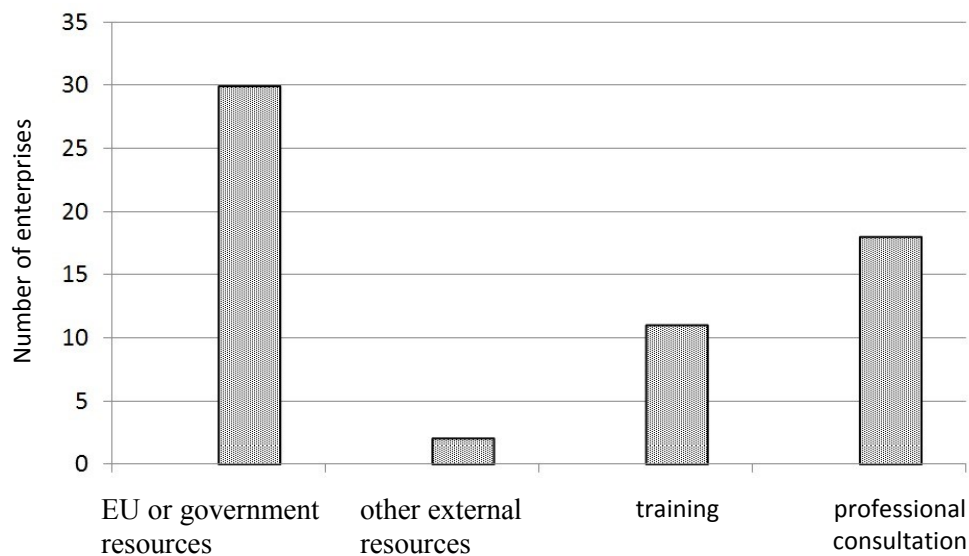


Figure 6. Use of financial and non-financial external support in the period 2019-2022.

Own elaboration.

The issue of the negative impact of certain factors on running a business is presented in Figure 7. Most of the factors mentioned, according to entrepreneurs, have a very negative impact on the operation of the enterprise. Due to high goods/material prices, high prices of energy utilities and fuels, entrepreneurs were forced to suspend purchases and avoid investments in the long term. They focused on necessary expenses and activities generating a quick income. Around 75% of respondents indicated that, on a five-point scale of negative impact, high prices have a negative impact at severity of 4 (sixty-four entrepreneurs), and at severity of 3 (forty-seven respondents). Other responses indicate the impact of severity of 2, 1 and no impact.

Eight of the micro-enterprises surveyed are one-man businesses, focusing on performing IT and software development services. As indicated by the owners of these micro-enterprises, most of the proposed factors did not significantly, or even at all, affect the operation of the enterprise. In the case of the factor related to the necessity to increase the remuneration of

micro-enterprise employees, the “no impact” option is represented by forty-four entrepreneurs. The fact that thirty-four companies are one-man micro-enterprises, which are not affected by the problem of raising the remuneration of co-workers, contributes to this choice. However, these enterprises are characterised by low liquidity. Thus, payments received late are felt strongly. This fact is reflected in the chart: a very strong impact (severity of 4) of late payment on the condition of the entity was declared by forty-three entrepreneurs.

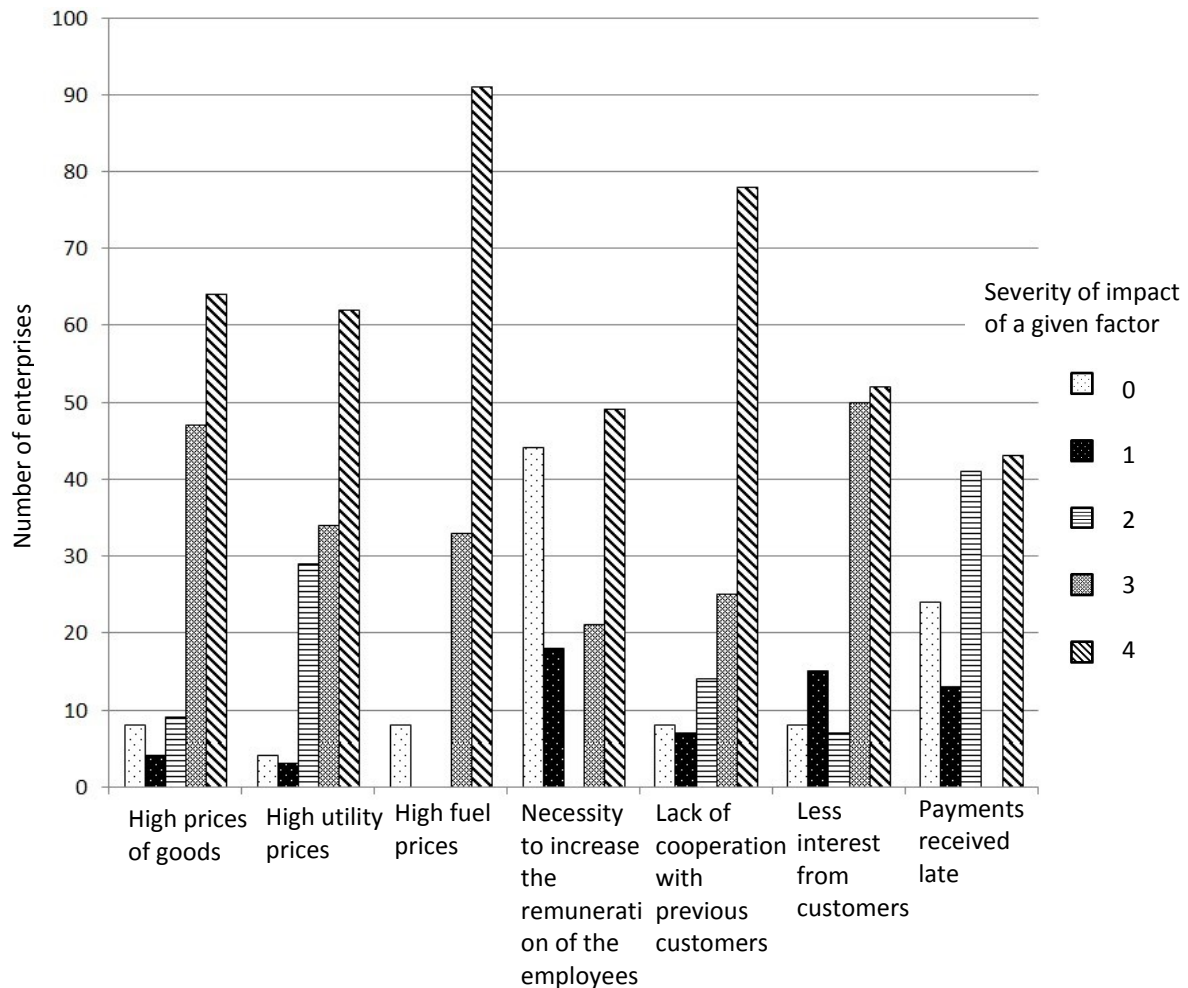


Figure 7. Negative impact of specific factors on the operation of the micro-enterprise.

Own elaboration.

More than a hundred respondents over the course of 2022 noted a clear decrease in the number of orders received, which they regard as an unfavourable factor of high severity (4 - fifty-two entrepreneurs, 3 - fifty owners), hindering the smooth operation of their business. 15% of service providers and 7% of companies with a manufacturing profile had been cooperating continuously with small and medium-sized enterprises for several years, being their subcontractor. The SMEs' own problems have forced some entrepreneurs in this area to suspend cooperation with the surveyed micro-enterpreneurs. Thus, in an indirect way, 29 micro-

enterprises lost some of their existing contractors in 2022. The problem of losing partners and customers who continuously cooperated with micro-enterprises until 2022 is considered by respondents as an unfavourable factor with an impact severity of 4 (seventy-eight owners), and with an impact severity of 3 (twenty-five respondents). Another fourteen micro-entrepreneurs rate the severity of the impact of this factor at 2, for seven it is a problem of low importance - 1, while for eight respondents this issue is not important.

A peculiar problem with running a micro-enterprise is the sudden loss of a complete set of employees who have been working for the entrepreneur for a long time. Examples include four service providers operating in the market for 10-20 years (three micro-enterprises) and more than 20 years (one), employing workers from Ukraine. After the outbreak of war in Ukraine, they voluntarily went to their country to fight the aggressor. Micro-enterprise owners thus faced the loss of a specialised and companionate group of workers.

Delays in receiving payments are perceived as very unfavourable by forty-three respondents. Among them were the aforementioned companies with low liquidity, for which such a delay is a significant problem in staying in the market.

The figure below (Figure 8) shows the structure of the choices and actions taken by entrepreneurs to increase their competitiveness.

Each of the listed activities has been undertaken by entrepreneurs, although the degree of involvement in each category indicates that many do not pursue any activities. Thirty entrepreneurs declared increasing the quality of products/services offered. Fifty-seven entrepreneurs expanded the range of products/services. Twenty-seven owners opted for advertising and marketing activities. Promotions were used by seventy entrepreneurs. An example of a company using this form of customer incentive is a company offering photography services – making copies, prints, scanning negatives.

The entrepreneur has introduced a discount for those ordering the service via the website.

This approach, implemented out of necessity during the pandemic, is now working partially. This is because the increased prices for services (which are a reaction of the entrepreneur to the high costs, mainly of electricity) have caused many regular customers to gradually give up their orders within a few months of 2022, if the orders were not necessary.

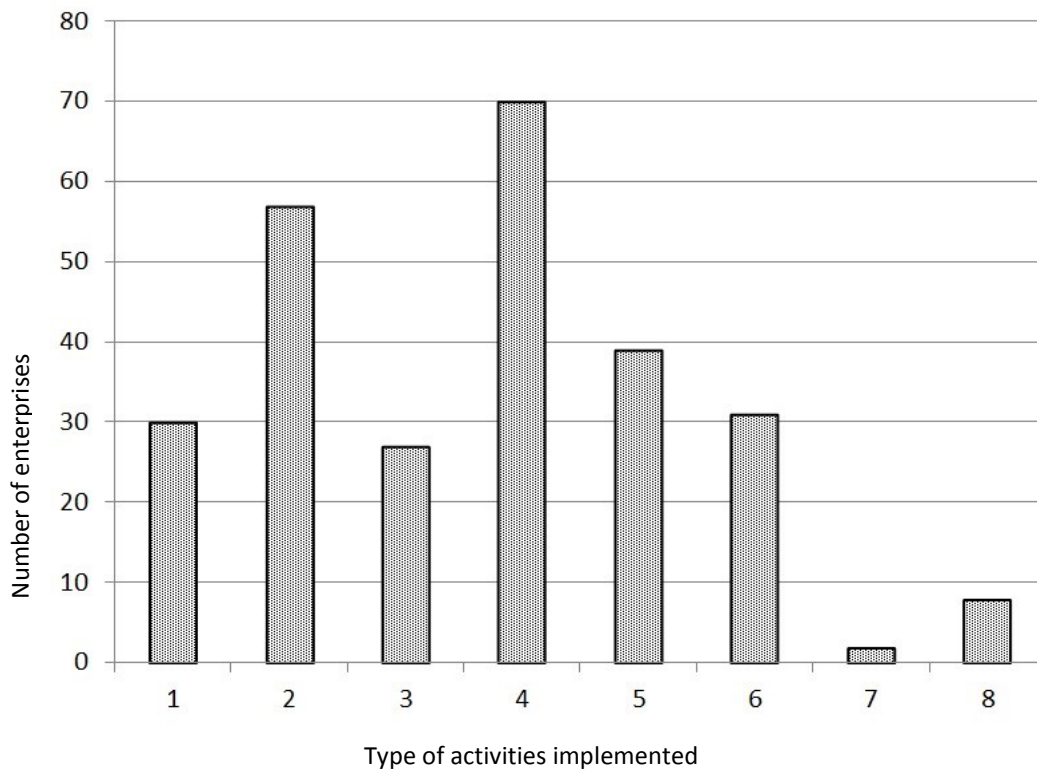
Thirty-nine micro-enterprises adopted the strategy of setting lower prices than the competition. This was done by entrepreneurs who had sufficiently high financial reserves to be able to offer products/services at barely profitable prices for a certain period of time.

Thirty-one entrepreneurs tried new ways to reach customers. They indicated that these were methods developed during the lockdown period, and which work well in the current situation.

Technological innovation were implemented by two entrepreneurs. Eight micro-enterprises owners selected the “other” option. An example of this is outlined below.

One entrepreneur, who has been running an architecture company for more than ten years, pointed out the following practice: when the quality of their service is at the highest level and they are not able to make any improvements, and they cannot afford to reduce the price of the

service, they extend the scope of work within the price agreed with the client for the design (e.g. of a single-family house), and as a bonus, they provide the client with, for example, a garden design or plot plan. As they claimed, they are not an isolated case in doing so and entrepreneurs they know who are engaged in the same activity follow similar practices. In the survey, they put their measures under the heading “other”.



Key: 1 – increasing the quality of products/services offered, 2 – expanding the range of products/services, 3 – advertising and marketing activities, 4 – offering promotions, 5 – setting lower prices than competitors, 6 – looking for and implementing other distribution channels, 7 – introducing technological innovations, 8 – other.

Figure 8. Overview of activities implemented to increase the competitiveness of the micro-enterprise.

Own elaboration.

The final question asked whether entrepreneurs were undertaking activities that provided them with an income which is alternative to the micro-enterprise in 2022. Among the respondents, only fourteen entrepreneurs were engaged in work that was not related to the activities of their micro-enterprise. The most numerous were entrepreneurs operating in their parent companies between 6 and 10 years (five manufacturing and three service companies). Among entrepreneurs operating up to five years there were two service and one manufacturing company that took up an alternative activity. Among micro-enterprises existing on the market for 11 - 20 years, two manufacturing companies were looking for additional income outside their company, and in the group of entities operating for more than twenty years, there was only one service entrepreneur. The issue discussed is presented in Figure 9.

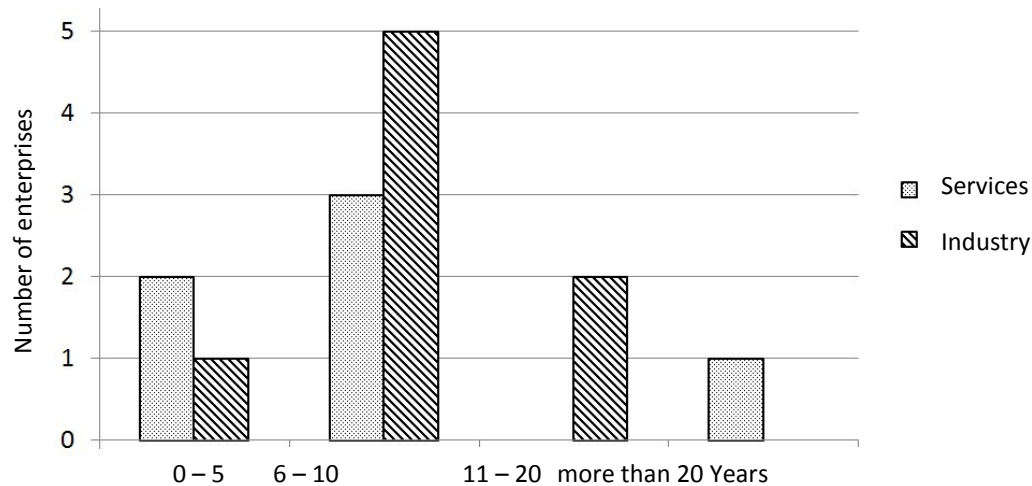


Figure 9. A breakdown of the number of micro-enterprises seeking alternative income in activities outside the parent company.

Own elaboration.

6. Summary

Due to the relatively small research sample, the obtained study results cannot be generalised and treated as a picture of the condition of all micro-enterprises in the Silesian Voivodeship. Further studies, based on a larger research sample, would provide a more comprehensive picture. However, the data collected so far allows us to conclude that entrepreneurs respond in different ways to the difficult situation their micro-enterprises faced after the pandemic and during the following months of 2022. This depends on a number of factors, such as the number of years the company has existed in the market, the degree of specialisation in the area served, flexibility in re-branding (which also depends on the number of employees in the company and their individual predisposition to accept change), or the ability to acquire external financial and non-financial support. These factors make the condition of the micro-enterprises studied not homogeneous.

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