

Transformation of economic system in Poland. The SMEs and EU integration.

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Abstract

Brand-new economic system has been introduced in Poland two decades ago. The economic transformation from central planning to market system had no precedent and the theory of economics had not offered any complex model of such a makeover. So, we have been all learning by doing. And now, as we want to understand the process we aim at identifying both major agents and processes that were responsible for the results achieved. Without any doubt there has been at least one important agent of the transformation that could be easily recognized, namely: individual entrepreneurship. After 1989 we have been observing numerous small enterprises being established in Poland. The SMEs sector (small and medium enterprises) after half a century of centrally planned economy has been catching up with its developments. Nowadays - as in any other market economy - SMEs are important element of economic system in Poland, too. They account for 99.8 per cent of total number of enterprises, approx. half of both capital investment and value added and roughly 1/3 of exports.

The following paper aims at identify the role of the SME sector in the process of reconstruction of market system in Poland after 1989. It concentrates on one special aspect of economic transformation, namely the integration with European Union on SME development potential. To set our reasoning in order we pose the subsequent questions:

What is the role of SMEs sector in Polish economy?

What changes of business environment has EU integration brought?

What were the costs and benefits of the integration for Polish SME sector?

Literature Review

The following arguments emerge from the study. First, the EU accession has created new and positive quality for economic transformation. Among others, the integration has specified influence on Polish SMEs. To be exact, it has intensified long-term tendencies towards consolidation of the enterprise sector. It has also confirmed extraordinary flexibility of small business.

The role of small business in economic development, market creation and economic dynamics has been widely studied at least from the middle of the XX century¹. As a result of up today examinations we have two sets of SME sector models. The first one applies to less developed economies of the Global South and emphasizes the role of SME in employment and income creation for the poor. The second one refers to rich economies of the North and concentrates on entrepreneurship and competition. They both stress the importance of SMEs as the core of any market system.

As far as the economic integration is concerned we can turn towards the framework of the basic theory of economic integration laid out by Jacob Viner (1950) which defines the trade creation and trade diversion effects. They both refer to the changes of interregional flows of goods caused by the formation of economic union. Further developments of the theory of economic integration have been described in details by Fritz Machlup (1977).

We should also take into consideration some specific futures of SMEs that make them more sensitive for external shocks (for details: Piasecki, Rogut, Smallbone 2000). They are related to the fact that the SMEs have no power to control their environment as large companies have. They do not have resources, mostly financial ones - to identify opportunities or threats. It is more difficult for them to survive shocks as they do not have good stores for bad times. On the other hand, they are closer to market and customers and can get precise information on their expectations. They are usually more determined to survive as they are usually the only source of income for the owner and his/her family. This in turn makes them more flexible and able to adjust to environment changes.

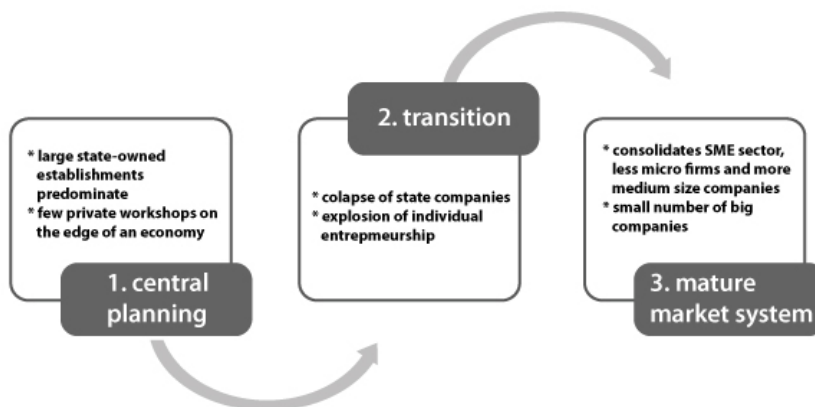
On micro level we can expect the integration would bring both costs and benefits. They all could be of very different nature, direct and indirect ones. They might come from widening the market and/or the legislative changes. Some could be easily countable, some could be imperceptible. We could also expect that the results of the transformation and integration would depend on sophistication of the SMEs sector, which - as the economic agents - make final business decisions. Following this suggestion we could suppose that the SME sector in Poland which

1.- For a detailed review of the literature on SME see: Bąkiewicz 2003, 2010

seems to be immature - crumbled and not much innovative - could be hardly punched by the integration. Also, young market institutions could not be strong enough to protect SMEs as the weakest elements of the economic system.

We should also bear in our minds that both economic transformation and integration are dynamic and their consequences might change. It can also be a problem with the evaluation of the results of the processes depending on which perspective – micro- or macro-one we accept. Moreover, the differentiation of the sector can make drawing general conclusions very risky. As SME sector is not homogeneous one its functions and dysfunctions in the economic system cannot be explicitly stated. But probably the most important methodological problem comes from the difficulties in extraction of the effects of integration from the whole area of business environment, long-term trends included. The shortage of data and non-statistical information on Polish SME does not make the study easier. So, an attempt to answer the questions concerning the SME sector in Poland during the transformation and integration seems to be a real challenge.

Figure 1. Size structure of enterprises – from central planning to market economy



The above model is to help us to understand the position of SME sector in the process of transformation of economic system from centrally planned one to established market economy (Figure 1). It describes the transformation of the enterprise sector shaped in the era of communism to the structure characteristic of today's market economies. In the 1st stage we have mostly state owned large companies and some private workshops on the edge of the economic system. In the intermediate period numerous very small enterprises are being established and are taking over the space formerly occupied by large companies. Such a dual structure – with a visible gap in the middle size companies is typical for underdeveloped economic system. In the final - mature stage of size structure development, the system is built out of companies of different size, and none of them predominate.

The study is based on statistics, NGOs reports, own interviews and observations and is organized as following. We start with stylized facts on SME sector in Poland. Than we compare Polish small business with typical EU SMEs. The changes related to EU accession are then identified. The report ends with some general conclusions concerning both SME sector and the whole economic system in Poland under transformation.

SME in Poland – stylized facts

According to the law of 1999, the enterprise sector in Poland is divided into four size categories (Table 1). The definition takes into account both employment and turnover limits and meets the EU standards.

Table 1. Definition of SME in Poland

	Employment	Turnover
Micro	0-9	Up to 2 million Euro
Small	10-49	2 - 10 million Euro
Medium	50-249	10 - 50 million Euro

Source: PARP 2011

The statistics of the enterprises of different size show that the majority of firms in Poland are very small ones (Table 2). Almost 95 per cent of enterprises employ less than 10 workers. Large enterprises constitute less than one percent of companies. Although the number of the smallest establishments is prevailing in every economic system, it seems that the share of micro enterprises in Poland is especially large (see below).

Table 2. Size structure of enterprises in Poland, 2003–2010, (in thousands)

<i>Year</i>	<i>Total</i>	<i>Micro 0–9</i>	<i>Small 10–49</i>	<i>Medium 50–249</i>	<i>Large > 249</i>
2003	3 644	3 463	145	30	6
2004	3 671	3 486	149	30	6
2005	3 718	3 528	155	30	5
2006	3 741	3 549	156	30	5
2007	3 794	3 600	159	30	5
2008	3 868	3 666	165	31	5
2009	3 880	3 673	170	32	5
2010	3 940	3 660	171	32	5

Source: GUS 2011

However, some important processes can be observed. Namely, the share of the smallest firms seems to diminish and the process is accompanied with rising share of the companies of medium size. The number of large companies is also getting smaller as old post-communist giants disappear (through privatization or bankruptcy). So, apparently we can observe the evolution of the private sector in Poland towards the structure typical for mature economies (see: Figure 1).

Table 3. The size structure of employment, Poland, 2003-2008, (in thousands)

<i>Year</i>	<i>Total</i>	<i>Micro</i>	<i>Small</i>	<i>Medium</i>	<i>Large</i>
2003	8 139	3 397	954	1 479	2 310
2004	8 161	3 383	967	1 462	2 348
2005	8 287	3 403	972	1 494	2 418
2006	8 556	3 475	976	1 542	2 563
2007	8 969	3 593	1 007	1 619	2 750
2008	9 494	3 727	1 195	1 698	2 874

Source: GUS 2011

As far the size structure of employment is concerned we can see that SME in Poland engage approx. 70 per cent of labor outside agriculture (Table 3). When we investigate the evolution of size structure of employment we can also see some tendency towards maturation of the enterprises sector. But, it seems that the enterprise sector in Poland is still in the 2nd stage and not the 3rd one of size structure development (see: Figure 1). The majority of labor force is still engaged in micro and large enterprises with a visible gap in the medium size spectrum.

Table 4. The share of MSP in value added, Poland, 2004–2008, (%)

	<i>Micro</i>	<i>Small</i>	<i>Medium</i>	<i>SME Total</i>
1996	...	29.0	11.0	40.0
1997	...	36.0	9.0	45.0
1998	...	38.5	9.6	48.1
1999	25.0	13.0	10.2	48.2
2000	30.6	8.4	9.5	48.5
2001	31.0	8.3	9.0	48.4
2002	32.4	8.1	7.4	48.4
2003	32.4	7.8	7.8	47.0
2004	30.9	7.5	9.9	48.3
2005	31.4	7.3	8.8	47.6
2006	30.9	7.3	9.3	47.5

2007	30.2	7.1	9.7	47.0
2008	29.8	7.3	9.8	46.9

Source: GUS 2011

With the exception of financial services and capital-intensive sectors like energy and cement production, SMEs are strongly represented across all sectors. Their share in value added is especially high (above 50 per cent) in construction, retail trade, hotels, restaurants and property administration. As far as the entire SME sector is concerned, the data on the share of value added show that the share of SME sector in GDP is significant (Table 4). We can also see that there is a weak tendency of the micro establishments to lose their share in the economy, and large companies seem to lift their share. Moreover, the comparison of value added and employment data shows, that the share of SME in employment is much larger than the share in value added – 70 per cent versus 47 per cent. It confirms the universal rule that TFP in SME is lower than the one in large companies.

According to the latest available data of 2009, almost 1/3 of SME operating in Poland were engaged in exports. Their share in total exports was 27 per cent and hasn't changed much from the beginning of the century (GUS 2011). We know that these estimates may understate SMEs' importance in Polish foreign trade: SMEs also conduct export-import operations via specialized foreign trade companies, which are not counted as SMEs. Moreover, export statistics in Poland do not cover micro enterprises.

Summing up, we can say that SME sector in Poland is numerous and dynamic. Crucial role of SMEs in economic transformation cannot be contested – it is obvious that SME were the core of Polish economic revolution. The spontaneous development of the sector and the multiplication of the small businesses alleviated the effects of public enterprises sector collapse in the very beginning of the 1990s. Nowadays, SMEs play a critical role in Polish economy. They create employment and incomes. They also are a source of large part of value added and exports. We can also observe clear tendency towards consolidation of SME sector in Poland. But, it seems that the process of economic transformation of the sector has not been finished yet.

Polish SME sector – European comparisons

The first evident difference between Polish SME and European ones concerns the overall size structure. Available data suggest that micro enterprises are much more numerous in Poland than in EU. The average size of small companies in EU is 3.2 compared to 2.9 in Poland. It seems that - as we have so many micro enterprises, Polish society is more entrepreneurial than the European

average. But, taking things seriously: Polish SMEs compared with their European rivals have smaller shares in production: 47 per cent in Poland and 58 per cent in EU-27. They offer slightly more jobs than the EU-average (70 per cent in Poland and 67 per cent in EU-24). It means that the efficiency of SME sector in Poland is much lower than EU average. The above comparisons confirm our expectations that SME sector in Poland is less developed than its European counterparts.

Table 5. The share of SME in the economy, international comparison, 2010, (%)

	Share in employment					Share in VA
	Micro	Small	Medium	Large	SME total	SME total
Poland	39	13	18	30	70	49
Germany	19	22	20	39	61	58
UE-27	30	20	18	32	68	58

Source: Eurostat, GUS 2011

There are also other facts that validate the above statement. First of all, the innovation indexes for Polish SME and their internationalization are much lower than European average. The comparison of innovative potential of enterprises across Europe just before accession gave Poland the very last position in EU-24 (EC 2005). The later studies confirmed that Polish SME sector is still less innovative than EU average (EC 2008). Moreover, for the majority of Polish SMEs (3/4 of enterprises) price competition is the basic one. Only 19 per cent of SME owners regard quality as important factor of competitiveness, and innovativeness has even less importance (6 per cent). The owners do not see the need to invest or develop his/her business, and survival is the main objective of their operations. Fortunately, medium size companies are much more concentrated on quality (80 per cent) and innovation (8 per cent). (Starczewska-Krzysztozek 2006). Moreover, the investments of Polish SMEs are still financed mostly with own resources and less bank credit (17 per cent) than in EU-27 (80 per cent). The difference between Polish SME and typical European small business can be found in the branch structure, too. The majority of Polish SME operates in services and retail trade in particular (30 per cent of all small establishments). Only 10 per cent of small companies operate in manufacturing and 12 per cent in construction. Last but not least, the dynamics of the sector is much higher than the European average.

It should be stressed that there are some visible signs of stabilization, as for instance more and more companies are able to survive the first year of operation - 64 per cent in 2003 and 79 per cent in 2009 (GUS 2011). Nevertheless, the development gap between Polish and European SMEs is no doubt visible. The explanation of the above described differences is not very complicated one. These are the historical considerations that make Polish small business crumbled and weak. It seems that

some more time is needed for the enterprise sector to mature and reach the Stage 3 as described in the model above.

The consequences of EU accession for SME sector

The reaction of entrepreneurs after the 1st May of 2004

The study made just after the EU accession showed that Polish entrepreneurs appreciated the introduction of free trade regulations and especially raising of time consuming and costly customs control, larger attention of European customers and business in Polish goods and services, easier access to European market, and simplification of logistic procedures. On the other hand, they complained because of inconsistent regulations - European one mixed with remains of old system, price raises, bureaucracy, and bigger tax burden. It should be stressed that intensification of market competition was not regarded as a problem (Grabowski 2011). In sum, the first reaction of the investors to the accession was rather balanced.

As we can see, (Table 6-7) in the year of accession business sector in Poland slightly suspended their investments as waiting for the situation to clarify. The number of new registered businesses was reduced in 2004 and then regained its momentum. The liabilities and investments data also show, that business activity on Poland was to some extent shrunk in 2004. The biggest reductions were observed in the large enterprises sector. But, starting in 2005 both SMEs and large companies went full steam ahead. The reaction was by and large positive and made a good start for future development in Poland.

Table 6. New registered businesses, Poland 2003-9, (million PLN)

Year	New registered businesses				
	Total	0-9	10-49	50-249	> 249
2003	274 837	265 946	7569	1071	251
2004	228 538	223 863	4144	484	47
2005	289 406	282 517	6144	651	94
2006	316 681	311 732	4409	448	92
2007	314 091	309 248	4317	442	84
2008	340 074	334 812	5180	526	82
2009	402 407	397 114	5240	381	53

Source: PARP 2011

Table 7. Long-term liabilities and gross investment, Poland 2003-8, (million PLN)

Year	Long-term liabilities				Gross Investments				
	Total	10-49	50-249	> 249	Total	0-9	10-49	50-249	> 249
2003	182 972	30 331	38 534	112 816	77 397	10 088	10 680	16 259	40 370
2004	127 415	18 725	30 185	78 140	90 392	11 364	11 689	21 944	45 395
2005	161 702	24 236	40 402	96 113	99 972	11 842	10 613	21 703	55 815
2006	176 445	29 918	43 401	100 665	114 340	14 179	12 845	28 041	59 275
2007	196 155	35 983	58 399	100 314	144 280	18 321	15 827	34 759	75 373
2008	226 829	39 032	61 386	123 501	160 540	20 356	19 011	34 942	86 230

Source: PARP 2011

Major consequences of the EU accession are listed below. The order is caused by to the extent possible objective valuation of the importance of particular processes and factors.

Adjustment of legal system

The reconstruction of market system in Poland after half a century of central planning was painful and time consuming. The distortions created by the old system were to be fixed. The process was interrelated with the adjustment of Polish institutions to EU standards. The later started as early as in the middle of the 1990s. In particular, new legal system must have been built from the grounds. It is today very difficult to distinguish the changes of law forced by economic transformation from those required by EU accession. But, without any doubt EU accession accelerated the modernization of legal system in Poland. On the other hand, even now variability of law is regarded by the business as bothersome. In few months after accession only, 33 important modifications of VAT regulations issued in few months soon after accession hardly hit the tax payers. The system is still inconsistent and it causes frequent problems with interpretation of particular rules.

Stable legal and administrative environment are especially important for small companies. It is easier to operate in unstable legal background if one has its legal department as large and medium companies usually have. For small and micro companies it is the owner's duty to deal with the legal aspects of the operation. And, dealing with legal problems is an additional responsibility that pulls back the owner from developing his/her business. Also, we know that inconsistent law leaves space

for misinterpretation and corruption, and it is more difficult for small companies to cope with such practices.

Domestic demand and foreign trade - rising competition or bigger market

As we know the majority of SME operates on local market. That is why low demand on domestic market is identified by them as one of the biggest factors determining their operation. As far as the economic growth is concerned the year of accession 2004 was the best one after 1997 (the Asian financial crisis). GDP grew by 5.3 per cent and domestic demand enlarged by 4.9 per cent of. There was a sharp growth (14 per cent) of retail trade of fuels and food. Transport also reported large growth of turnover (9,6 per cent). The above sectors are dominated by SME. Of course it is difficult to evaluate in what degree those positives were the results of accession only. We can only guess that at least a part of domestic demand came from the bigger inflow of foreigners after accession and subsidies for farmers introduced by EU regulations.

As far as the foreign trade is concerned the year of accession was also exceptional. The exports grew by 30 per cent, imports by 22.5 per cent and trade deficit was reduced by 7 per cent. The exports growth was the biggest to Russia, Great Britain and Czech Republic. In the following years 2004-2008 Polish exports doubled. Now EU countries are very important partners for Polish business as $\frac{3}{4}$ of Polish exports goes to EU member states (GUS 2010).

It is obvious that the effects of foreign trade would be first reported by the companies engaged in exports and imports, and these are mostly medium and large enterprises. And probably those direct chances created by EU accession were used by large enterprises mostly as they are highly internationalized. At the same time, increasing market competition was identified by the entrepreneurs as the major danger coming out of the integration. In particular the owners of micro and small companies were afraid that they would not come up with the competition of European companies after the transaction costs had been reduced by common market regulations. In fact the growth of imports was extraordinary, but it came mostly from China. This surprising effect came from the fact that Chinese exporters used Poland as a **port** of call for EU market. Chinese competition destroys Polish textiles - as it does all over the world, but it seems that the accession as such has not much to do with this process.

An access to common market was to be the major positive effect of the accession. The reduction of transaction costs was to raise the competitiveness of Polish goods and services on European markets. As far as goods are concerned, a common market was established together with the accession. But, labor and capital migrations were hampered by many interim provisions. In 2010 only the

limits were lifted and the intensification of labor and capital migration has been reported. In particular, Germany is the major economic partner of Poland (1/4 of Polish exports goes to our Western neighbor). As a result of EU accession more than 20.000 of Polish companies registered in Germany. There are mostly micro companies in services and construction.

In sum, we can say that as far as opening of the Polish market for European competition is concerned none of the pessimistic expectations have proved to be true. The strong impulse of domestic demand growth and exports was used by private sector – both small and large one - to expand its operations.

Lifting quality standards

As a result of EU accession Polish producers were forced to accept very high quality norms of goods sold on European market. The high production principles have been related to environment protection, too². The quality standards imposed by the EU regulations concerns all value chain. In other words, all producers engaged in production must meet high standards. Some products, mostly agricultural ones, got special attention within the European regulations. The dairy production was the very special one. The dairy market in Europe is dominated by few global producers. Small local producers find it especially difficult to compete with global supplies. It is a real challenge for small producers that usually have less capital, experience and qualification.

Although the old EU countries tried to stop Polish exports of food and dairy products in particular, Polish producers appeared to be quite well prepared for the competition on European markets. And, thanks to free trade and raise of food prices on domestic market dairy production noticeably enlarged the sale and exports in 2004. For now it seems that Polish food sector was able to meet the expectations of European both customers and lawmakers. It not only enabled them to compete on foreign markets – it also raised the quality of their offer for domestic consumers. Unfortunately, there is also a side effect of the regulation is the tendency towards concentration as only a few producers can develop in such a demanding environment.

Appreciation and exchange rate risk

There was a significant growth of the exchange rate of Polish currency against both USD and Euro after the 1st May 2004. As the majority of SME operate as exporters OR importers (not as large companies that usually are

2.- We can only guess that this was also a kind of non-tariff barriers raised by European rivals.

exporters AND importers) the former cannot close their positions. That is why they are more sensitive for unstable exchange rate. Moreover, basically appreciation brings loss for small exporters, and profit for importers. Nevertheless, as Polish National Bank studies showed, the changes of exchange rate did not hampered small companies as much as they expected. It was probably because they had suspended their international activities waiting for the right moment. And, probably the changes were not big enough to have significant impact on the gross profitability of the transactions (Grabowski 2011).

Capital and development funds

The access to credit remains one of the major obstacles of business development for the owners and managers of SMEs. That is why the enormous inflow of European funds has been of special importance. In the beginning of the transformation in 1990 Poland was receiving foreign aid to support the process of building new economic system. The accession was connected with the inflow of billions of Euros to adjust Polish economic system to EU standards. From the middle of 1990s European funds have flooded Poland. The EU devoted as much as 67 billion Euros for structural project in Poland between 2007 and 2013. Numerous programs (PHARE, JOP, ISPA, SAPARD, “Innovation Scoreboard”, “Best Practice”, “Creating an Entrepreneurial Europe”) have been introduced. They have been concentrated on entrepreneurship promotion, innovation, and regional development. A large part of the funds have been allocated in SMEs expansion projects. Some of them have been intended to support development of infrastructure, labor capital, administration and other market institutions, and science and education. With no doubt, huge amount of funding received from the EU has helped all Polish businesses to expand their activities.

Labor market shortages

Opening of the European market for Polish workers resulted in severe shortages on labor market in Poland. Many small companies reported the loss of qualified staff soon after accession. As large companies usually have easier access to high qualified staff, this problem seems to be of special importance for SMEs after accession.

“Think small first” policy

The accession also enforced many important changes in economic policy. As far as SME sector is concerned we know that in all members’ states of EU the sector is regarded as very important element of the socio-economic system.

The evolution of European SME policy goes towards subordination of the entire macroeconomic policy to the needs of small business. In particular, Lisbon strategy introduced in 2000 obliged of EU member states to support SME expansion through human capital development, building institutions and new technologies support. *Small Business Act for Europe* of 2008 strengthens the subordination of economic Policy towards the needs of SME development (EC 2008). According to the Act the EU and member states are obliged to design rules according to the “Think Small First” principle by taking into account SMEs’ characteristics when designing legislation, and simplify the existing regulatory environment. The Act introduced ten principles to guide the conception and implementation of policies both at EU and Member State level. These principles are regarded as essential to bring added value at EU level, create a level playing field for SMEs and improve the legal and administrative environment throughout the EU:

- 1.- Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded
- 2.- Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance
- 3.- Design rules according to the “Think Small First” principle
- 4.- Make public administrations responsive to SMEs’ needs
- 5.- Adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs
- 6.- Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions
- 7.- Help SMEs to benefit more from the opportunities offered by the Single Market
- 8.- Promote the upgrading of skills in SMEs and all forms of innovation
- 9.- Enable SMEs to turn environmental challenges into opportunities
- 10.- Encourage and support SMEs to benefit from the growth of markets

As early as during the negotiations that started many years before the accession - in the middle of the 1990s, Poland accepted all the European achievements in this field. Many new regulations, numerous projects and adjustments of macro policy to the needs of small business have been introduced. Among others, according to European law any practices of breaking the rules of free competitions are prohibited. Any-monopolistic law is very strictly observed and subsidies for state enterprises are rigorously regulated. Poland had to accept this philosophy, which - after many years of state monopolies, was quite a new experience for Polish policy makers and society.

There are two important supplements to be made here. The first one concerns the final effects of the institutional development in Poland. In spite of up-to-date

changes business environment in Poland is still not especially appreciated by the investors. In the World Bank Report on the conditions for doing business Poland got 87th position in 2004 between Senegal and Capo Verde. In the last report of 2010 Poland upgraded its position to 71st only among approx. 160 classified countries (World Bank 2004, 2011).

Last but not least, stressing the special role of SMEs in economic transition of Poland and its flexibility presented during the integration process one have to remember that there are many problems related to small business development. First, the average payment in micro enterprises in Poland in 2003-9 was half of the one in large companies (PARP 2011). There are also other problems: high employment turnover, high share of informal activities, numerous bankruptcies and related loss of resources, weak labor code compliance, etc. So, it seems that the important functions of SMEs in economic transformation were accompanied with significant dysfunctions of the sector. This is evidently a topic for another study.

Final remarks

It seems it would be impossible to understand Polish transformation without identifying the functions of SME in the process. The sector in Poland has had to face two extremely serious shocks lately: giving-up of central planning and introduction of market system, and accession to EU. As far as the integration is concerned for small companies operating on local markets common market might mean stronger competition, bureaucracy burden and legal chaos. Both before and after May 2004 numerous new regulations have been coming into force. The regulations concerning environment protection seem to be the most costly for producers.

In the case of Polish SME sector the balance of accession is positive. It is mainly because of visible growth of demand on domestic market, simplification of import procedures and opening of external markets. The economic boom that followed the accession was intensively used out by all private sectors, SMEs included. In general, for the business in Poland it was important that the costs of accession were extended in time. Moreover, many of them were balanced with the positive effects, as growth of efficiency for instance.

There are strong reasons to suppose that the integration intensified long term trends, and consolidation of enterprise sector, too. In particular, growth of micro sector was visibly hampered and small and medium companies were growing faster. EU accession was also an important factor of SME modernization.

The EU accession caused numerous and different changes in business environment. The analyses show that the majority of factors related to the accession were operating temporary only. Some changes were radical, but are already completed. Many of them had been anticipated by the SME sector. Polish

companies have already adapted to new business environment and showed they can cope with it. The SMEs sector in particular, confirmed its extraordinary ability for flexible adjustment to changing environment.

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