

Agnieszka Pietras, Maciej Szczepańczyk

STRATEGIC PLANNING IN A SMALL COMPANY

**Lodz University of Technology
Monographs 2016**

Reviewers:
dr hab. Marlena Plebańska
prof. zw. dr hab. Józef Penc

Scientific Editor Faculty of Organization and Management
prof. dr hab. inż. Jerzy Lewandowski

© Copyright by Lodz University of Technology 2016

LODZ UNIVERSITY OF TECHNOLOGY PRESS

90-924 Lodz, 223 Wolczanska Street
phone//fax: +48 42 631-20-87; 42 631-25-38
e-mail: zamowienia@info.p.lodz.pl
www.wydawnictwa.p.lodz.pl

ISBN 978-83-7283-771-4

Edition 70 copies. Offset papier 80 g 70 x 100
Printed by:
Offset printing „Quick-Druk” s.c. 90-562 Lodz, 11 Lakowa Street
No. 2182

Contents

INTRODUCTION	5
CHAPTER 1. Determinants of small businesses operation.....	10
1.1. A notion of a small company	22
1.2. Factors of the development of small companies	28
1.3. Competitiveness of small companies	42
CHAPTER 2. Management of a small company	60
2.1. Specificity of the management of a small company.....	60
2.2. Strategic management of a small company	72
2.2.1. A notion of strategy	72
2.2.2. Strategic management.....	82
CHAPTER 3. Strategic analysis in a small company	118
3.1. Essence of strategic analysis	118
3.2. Review of the methods of strategic analysis	134
3.3. Models of strategic analysis of the small company	152
CHAPTER 4. Conditionings of using a method of strategic analysis	
in the process of planning the activities of a small company	195
4.1. Characteristic of the companies which participated	
in the research	195
4.2. Methods of testing environment and potential of the company	
used by the entrepreneurs participating in the research	208
Ending and conclusions.....	226
List of tables	233
List of figures	234
References	236

INTRODUCTION

Current conditions of running a business require from the managers more than an average knowledge and skills in the field of economics and management. A big instability of the environment pays a particular attention to the abilities of a company's planning and first of all to strategic planning which besides the current organization of the activities of the company also allows to define the future directions of the development.

A question is often asked whether there exists any specificity of managing a small and a medium-sized enterprise whether it is necessary to create a strategic plan in a small company and whether a basic knowledge on the management of the single areas of the company – finances, human resources, marketing, production and so on is sufficient. It seems that the question formulated in this way is wrong which is connected with a different treatment of a strategic management in comparison to other skills necessary to run a business.

Nobody asks a question whether a marketing should be used in a small company together with the scientific rules of human resources management and negotiating. It would be more appropriate to say that for every level of the business development understood as a level of complexity and dimensions a certain resources of knowledge and skills necessary for an effective management are attributed. This resource of knowledge and skills include first of all the knowledge from all the fields of management, economics, law and psychology including the knowledge from the field of strategic planning.

A practice of highly developed countries shows that the most successful in the business are the companies which owners planned the activities of the company six months before a formal beginning of activities and prepared later short-term operational plans and tried to improve their knowledge on management by attending courses and consultations with management

specialists¹. The fact that in the light of the Polish research the majority of the representatives of small and medium-sized enterprises do not think strategically and concentrate on the problems in the field of production, trade, finances and marketing does not mean a lack of a need of strategic thinking and just signalizes an existence of the education gap².

The application of the methods of strategic analysis in the form of a complex analysis of strategic or specific methods of diagnosing selected areas of the environment or of a company can be helpful in the process of planning with a strategic character and in defining the proper aims of the company activities. Their application can be a basic tool of management in the company which wants to success on the market. The application of the methods of strategic analysis in the process of planning can increase the effectiveness of the prepared plans – and simultaneously – enhance the meaning “of the most underestimated function of management in the small enterprises”³.

The majority of entrepreneurs think that the methods of strategic analysis in case of small companies are completely useless with the costs of their application relatively high. Similar opinion are given on strategic planning. However, a strategic analysis which is an integral element of a strategic planning done in a small company differs considerably from the processes of strategic management implemented in large companies.

The application of the strategic analysis in a small company can be an adaptive process which would mean “an adaptation of the limited resources of the company to the market needs in order to obtain a maximum short term

¹ A. Chrostowski, P. Szczepankowski, *Planowanie*, [in:] A.K. Koźmiński., W. Piotrowski (eds.), *Zarządzanie – teoria i praktyka*, PWN, Warszawa 2000, p. 181.

² M. Romanowska, *Analiza i planowanie strategiczne w małej firmie*, [in:] R. Krupski (ed.), *Zarządzanie strategiczne. Strategie małych firm*, Prace Naukowe Wałbrzyskiej Wyższej Szkoły Zarządzania i Przedsiębiorczości, Wałbrzych 2005, p. 95.

³ R.W. Griffin, *Podstawy zarządzania organizacjami*, PWN, Warszawa 2002, p. 745.

competitive advantage” that is to take it into consideration not foreseeing and shaping the environment but adjusting it to a changing environment which ensures a survival and a development in the long-term perspective⁴. The model of a strategic analysis applied in small companies can take a more or less systemized form than in case of large enterprises.

The model of strategic analysis applied in the small company can have a less systemized and less formal form than in case of large enterprises. The applied methods can only have a qualitative character, do not have to be expensive, the majority of them can be prepared by the very owner of the small company. The specific methods considering only those which are important for a current market situation and real needs of the company can be included in the strategic analysis together with a possibility to carry out a complete model of the strategic analysis⁵.

In the current economic reality small companies must use the tools of strategic analysis in order to evaluate in a reliable way external and internal conditions which show their distinctive capabilities (assets) and the future chances and threats creating at the same time the conditions for building their competitive position. Therefore it can be stated that the future belongs to those companies which apply proper tools of strategic analysis and keep on improving them.

This book presents a review of Polish and foreign literature taking into consideration the specificity of strategic management, strategic analysis, planning and a specificity of a small company. The published research results which refer to strategic management and strategic planning in small companies were used together with the material collected in own research conducted by means of surveys, free-form interview and a case study.

⁴ J. Jaworski, *Planowanie w przedsiębiorstwie*, Oficyna Wydawnicza Politechniki Rzeszowskiej, Rzeszów 2002, p. 175.

⁵ J.A.F. Stoner, Ch. Wankel, *Kierowanie*, PWE, Warszawa 1994, p. 115.

The first chapter entitled “Determinants of small businesses operation” presents the notion and kinds of small companies as well as an economic meaning of these companies and the determinants of their development together with the factors which prevent the development processes of the sector of small enterprises. What is more, the notions of competitiveness with a particular attention paid to entrepreneurship and innovativeness of the sector of SMEs were presented.

In the second chapter entitled “Management of the small companies”, the divagations on the specific conditioning of a management of a small company are presented as well as the features of the population of small companies together with the ways of implementing management functions. The role of the owner and their impact on the process of small company management was also mentioned.

The third chapter entitled “Strategic analysis of a small company” presents a notion and an essence of a strategic analysis and the areas of its application. The role of the information system is also mentioned as well as the sources of strategic information in a small company. What is more in this chapter a review of the selected methods of strategic analysis is presented from which those that can be applied in the small companies are chosen. This chapter finishes with a presentation of an original model of a strategic analysis adjusted to the capacities of micro and small companies.

The fourth chapter entitled “Conditionings of applying methods of strategic analysis in the management of a small company in the light of interviews with the owners of small companies” presents the results of qualitative research conducted in the form of a free-form interview with 15 entrepreneurs declaring an implementation of a planning function in their companies. The aim of the research was an evaluation of the awareness of applying the methods of strategic analysis and original methods of

entrepreneurs in the process of planning, conditionings for conducting strategic analysis in small companies and a need of its application. On the basis of the theoretical material and the analyzed results of qualitative and quantitative research, a possibility of applying the model presented in the third chapter in a small company was evaluated.

CHAPTER 1. Determinants of small businesses operation

The companies are the basic driving force of the world economies. They are classified in the majority of cases on the basis of the quantitative criteria dividing them into: micro, small and medium-sized companies included in the so-called SMEs sector in Europe, SB – small businesses in the United States of America and large enterprises sometimes referred as a sector of large enterprises. Worldwide, the sector of SMEs include more than 80 million companies which constitute more than 90% of the world industry. In the scale of the European Union there are more than 23 million of SMEs employing together 75 million of employees⁶, whereas a majority of them employ less than five people⁷. Such a structure causes that this sector is a motor driving the economic growth of national economies, increase of employment and a development of local communities.

A macro-economic difference and the social and economic conditionings in the different countries as well as a specificity of branches in which the companies function cause that in the economic practice there is a big diversity of forms and kinds and small and medium sized enterprises. There is no commonly accepted definition of SMEs sector. It is a big problem to define a limit between small and medium and medium and large enterprises. The definitions which exists in the literature and in the law provisions do not have a binding character and they are not defined in a clear way⁸.

In the United Kingdom the definition of small and medium sized enterprises is given by the paragraphs 247 and 249 of the Companies Act from

⁶ W.A. Nowak., *Międzynarodowy Standard Sprawozdawczości Finansowej dla małych i średnich jednostek*, Rachunkowość 2007, nr 7, p. 10.

⁷ http://www.emas.mos.gov.pl/pliki/publikacje/PL_EMAS_easy.pdf, Podręcznik dotyczący wdrażania EMAS w sektorze MŚP [14th August 2009].

⁸ I. Janiuk, *Strategiczne dostosowanie polskich małych i średnich przedsiębiorstw do konkurencji europejskiej*, Difin, Warszawa 2004, p. 13.

1985 which takes into account the company's book value. Those paragraphs were often amended, the last time in 2004 and as a consequence:

- To qualify as a small company the following conditions must be met: annual turnover must be £6.5 million or less, the balance sheet total must be £2.8 million or less and the average number of employees must be 50 or fewer,
- To be a medium-sized company the following conditions must be met: annual turnover must be £22.8 million or less and the balance sheet total must be £11.4 million or less and the average number of employees must be 250 or fewer.

Despite the fact that in the United Kingdom there is a legal definition of the sector of small and medium-sized enterprises, British Bankers' Association⁹ prepared for their needs an own definition of SMEs sector. According to it a small entrepreneur is a sole proprietorship, civil partnership or a limited-liability company with an annual turnover £1 million or less.

In turn, in the majority of the institutions of the European Union the definition of the sector of small and medium sized enterprises adopted from the Recommendation of the European Commission¹⁰ of 6th May 2003 which entered into force on 1st January 2005 is binding. In this Recommendation the European Commission defined three categories of SMEs:

- A micro company employs annually on average maximum 10 people and with an annual turnover and annual balance sheet total up to 2 million £,
- A small company employs annually on average maximum 50 people and generates a turnover and annual balance sheet total up to 10 million £,

⁹ <http://www.bba.org.uk/bba/jsp/polopoly.jsp?d=350> [14th August 2009].

¹⁰ http://europa.eu.int/comm/enterprise/enterprise_policy/sme_definition/decision_sme_en.pdf [14 August 2009].

- A medium-sized company employs annually on average maximum 250 people and generates a turnover of maximum 50 million £ or annual balance sheet total maximum 43 million £.

This definition became later a basis for the definition of SMEs sector in the majority of the member states of the European Union, in the European Investment Bank and the European Investment Fund.

Unlike the European definition, in the USA¹¹ the definition refers only to small business and was prepared by a government unit called Small Business Administration (SBA) Size Office Standards. This unit defines small companies using “the standards of sizes” for companies included in SMEs sector. According to the American definition the companies of SMEs sector cannot have a dominating position on the market in their branch. They must be independent companies in terms of ownership and management contrary to definitions binding in the UK and in Europe where definitions of SMEs refer to companies operating in the different branches of economy. The authorities of the USA have defined the different standards for industrial units. Those differences were implemented to reflect the differences in the selected industries. In the majority of cases the following standards are applied:

- 500 employees for manufacturing and mining companies,
- 100 employees for trade companies,
- 6 million dollars of income for retailers and services,
- 28.5 million dollars of income for general and heavy construction companies,
- 12 million dollars of income for companies dealing with commercial brokerage,
- 0.75 million dollars for agriculture companies.

¹¹ <http://www.sba.gov/size/sizetable2002.html> [14th August 2009].

About one quarter of companies operating in the American industry are subject to the standards of the quality enumerated above. A full list of the criteria defining small companies in the American economy is much bigger, it refers to specific branches and is available of the web-site of Small Business Administration (SBA).

In **Poland**, the definition included in the Act of 2nd July 2004 on Freedom of Economic Activity forms the definition of the sector of small and medium-sized companies and namely¹²:

- **A microenterprise** within at least one of the last two fiscal years:
 - 1) Employed on average less than 10 employees in a year and
 - 2) Generated the annual net turnover from the sale of products, goods and services and financial operations of less than the equivalent of 2 million Euros expressed in PLN and the balance sheet total value of assets as of the end of one of those two years was less than the equivalent of 2 million Euros expressed in PLN.
- **A small enterprise** within at least one of the last two fiscal years:
 - 1) Employed on average less than 50 employees in a year and
 - 2) Generated the annual net turnover from the sale of products, goods and services and financial operations of less than the equivalent of 10 million Euros expressed in PLN or the balance sheet total value of assets as of the end of one of those two years was less than the equivalent of 10 million Euros expressed in PLN.
- **A medium-sized enterprise** – within at least one of the last two fiscal years:
 - 1) employed on average less than 250 employees in a year and
 - 2) Generated the annual net turnover from the sale of products, goods

¹² Art. 104, 105, 106 Ustawy z dnia 2 lipca 2004 r. o swobodzie działalności gospodarczej, Dz.U. z 2004 r. Nr 173, poz. 1807.

and services and financial operations of less than the equivalent of 50 million Euros expressed in PLN or if the balance sheet total value of assets as of the end of one of those two years was less than the equivalent of 43 million Euros expressed in PLN.

The legislator refers in the Act to the qualitative criteria defined in Article 108 stating that¹³:

The status of micro, small and medium sized enterprise shall not be assigned, respectively, if other entrepreneurs, the State Treasury or local self-government authorities hold:

- 25% or more shares and contributions,
- 25% and more share in profit,
- 25% or more votes at the general meeting of shareholders, general meeting of partners or general meeting of the co-operative.

The definition of the sector of small and medium-sized enterprises presented in the Act can be presented in the form of the table in the following way:

Table 1. A definition of micro, small and medium-sized enterprise

Criterion	Micro	Small	Medium-sized
Average annual employment	Not more than 9 people	10-49 people	50-250 people
Annual turnover (equivalent in PLN)	Not exceeding 2 million €	2-10 million €	10-50 million €
Balance sheet total value (equivalent in PLN)	Not exceeding 2 million €	2-10 million €	20-43 million €

Source: prepared on the basis of: Article 104, 105, 106 of the Act of 2 July 2004 on Freedom of Economic Activity.

¹³ Art. 108 Ustawy z dnia 2 lipca 2004 r. o swobodzie działalności gospodarczej, Dz.U. z 2004 r. Nr 173, poz. 1807.

Table 2 summarises the presented differences in which the different approaches to defining the SMEs in the different economies are presented.

The criteria used by the legislator in defining the features of micro, small and medium-sized enterprises in the Act on Freedom of Economic Activity are not the only ones functioning in the Polish conditions. Many institutions defined for their own needs the criteria and features defining small and medium-sized enterprises.

Table 2. Definition of the sector of SMEs in selected economies

COUNTRY	SIZE OF THE COMPANY/ CRITERION	MICRO	SMALL	MEDIUM-SIZED
EUROPEAN UNION	quantitative	<i>Employment:</i> up to 10 people; <i>Financial indicators:</i> turnover or balance sheet total value up to 2 million Euros	<i>Employment:</i> up to 50 people; <i>Financial indicators:</i> turnover or balance sheet total value up to 10 million Euros	<i>Employment:</i> up to 250 people; <i>Financial indicators:</i> turnover up to 50 million Euros and balance sheet total value up to 43 million Euros.
	qualitative	Not defined		
GREAT BRITAIN	quantitative	Not distinguished	<i>Employment:</i> up to 50 people; <i>Financial indicators:</i> turn-over up to 6.5 million pounds or balance sheet total value up to 2.8 million pounds	<i>Employment:</i> up to 50 people; <i>Financial indicators:</i> turn-over up to 22.8 million Euros or balance sheet total value up to 11.4 million Euros
	qualitative	Not defined		

STRATEGIC PLANNING IN A SMALL COMPANY

UNITED STATES	quantitative	Not distinguished	Division into branches.: 1. Number of employees - production and mining - up to 500 employees - trade- up to 100 employees. 2. Generated income: - retail and services – 6 million USD - construction– 28.5 million USD - commercial brokerage – 12 million USD	Not distinguished
	qualitative	Companies cannot have a dominating position in their branch on the market, must be independent in terms of ownership and decisions taking.		
POLAND	quantitative	<i>Employment::</i> up to 9 people; <i>Financial indicators::</i> turnover or balance sheet total value up to 2 million Euros	<i>Employment:</i> from 10 to 49 people; <i>Financial indicators::</i> turnover or balance sheet total value up to 10 million Euros	<i>Employment:</i> from 50 to 250 people; <i>Financial indicators::</i> turnover up to 50 million Euros and balance sheet total value up to 43 million Euros.
	qualitative	Limitation of ownership connections and decisional connections with other entrepreneurs, State Treasury and local self-government authorities by introducing the maximum relations.		

Source: own preparation.

In Poland the statistical data referring to the sector of SMEs is provided by Central Statistical Office and defines the following quantitative thresholds taking into consideration the criterion of the number of employees¹⁴:

- up to 9 employees – microenterprises,
- from 10-49 employees – small enterprises,
- from 50 to 249 employees – medium-sized enterprises,
- from 250 to 500 and more – large enterprises.

In the literature, a mix of qualitative and quantitative criteria constitutes the basis for defining a small and a medium-sized enterprise and that is why the definitions are divided into two basic types: definitions based on qualitative criteria referring to selected features of the company and those based on the quantitative criteria which use the economic measures.

The definitions which take as a point of reference the qualitative criteria are the ones which use absolute measurers of size that is a size of employment, a value of the annual turnover, a value of non-current assets. According to the concept of E. Scalek¹⁵ those criteria can be accompanied by: a legal and economic independence, a limited size of capital, a limited creditworthiness, a unity of management and properties not dependent on the company's legal form and a principle of personal management of the owner. The remaining qualitative features are as follows: independence and economic and financial autonomy, small market share, a unity of ownership and management decisions and simplified organizational structure¹⁶. On the other hand, the definitions which are based on the quantitative criteria are based on the features of the

¹⁴ M. Tokarski, *Faktoring w małych i średnich przedsiębiorstwach*, Wydawnictwo Wolters Kluwer, Kraków 2005, p. 17.

¹⁵ M. Smolarek, *Planowanie strategiczne w małej firmie*, Wyższa Szkoła Humanitas w Sosnowcu, Sosnowiec 2008, p. 50.

¹⁶ A. Griffin, S. Wall., *Applied Economics*, Fifth edition, Longman, London & New York 1993, p. 67.

company which refer to: a financial independence, a unity of ownership and management, a market participation, an extent of flattening an organizational structure and so on¹⁷.

It must be underlined that although quantitative criteria include synthetic information on the company, they omit many factors which distinguish the small and medium-sized companies. As P. Dominiak points out a size of the company is a qualitative category but the changes of the size lead to qualitative changes. Only the total of the first and the second ones influences the changes of the results, behaviors, roles of single companies”¹⁸. This means that the consideration of the qualitative criteria greatly increases a range of analysis and enables a fuller characteristic of the company. The lack of operability that is a lack of measurable and countable features which could be a basis for the classification of the companies according to pre-defined classes¹⁹ is a main disadvantage of all the qualitative characteristics of small and medium-sized companies.

A classification based on quantitative criteria is proposed by I.K. Hejduk and W.M. Grudzewski who defines a sector of small and medium-sized companies taking into consideration the following distinctive criteria²⁰:

- Object of business,
- Income purpose of the activity, which excludes state-owned enterprises, municipal, public service units and non-profit organizations,
- Size of employment,
- Size of turnover.

¹⁷ B. Piasecki, *Ekonomika i zarządzanie małą firmą*, Wydawnictwo Naukowe PWN, Warszawa-Lódź 1999, p. 55.

¹⁸ M. Smolarek, *Planowanie strategiczne w małej firmie*, op. cit., p. 50.

¹⁹ M. Tokarski, *Faktoring w małych i średnich przedsiębiorstwach*, op. cit., Kraków 2005, p. 16.

²⁰ W.M. Grudzewski, I.K. Hejduk, *Małe i średnie przedsiębiorstwa w gospodarce rynkowej w Polsce*, Wyższa Szkoła Handlu i Prawa, Warszawa 1998, p. 19.

The definitions based on the qualitative criteria are prepared generally for cognitive and analytic purposes. That is why they are used most often in scientific papers. These definitions have the following features²¹:

- A big influence of the owner on the company's organizational culture, the owner greatly participates in the management of the company,
- A specific character of the financial situation of the company and particularly the financing of the setting up phase (a creation of the company) in the majority of cases using the savings of the entrepreneur and the development phase- with the own sources of the company (the company's profit),
- A specific organizational structure; one center of decision-making, the owner, is its significant feature. The owner decides about a form and a content of all the basic processes of the company's functions, increasing at the same time a speed of the adjustment processes to the needs of the market and the appearing occasions.

Table 3 summarizes the most important differences, in terms of the quality, the differences between small, medium and large enterprises.

The classifications of enterprises on the basis of qualitative and quantitative criteria are one of the most common diving and grouping the companies belonging to SMEs sector. Besides such classification, it is also possible to divide them taking into consideration a form and a character of ownership, a geographic location, an organizational and legal form and so on. A part of the classification of companies refers either directly or indirectly to the owner, who in case of small and medium-sized companies is its central part.

The practical and political aspects are in favor of using the quantitative criteria which are easier to apply together with the quantitative ones. That is why

²¹ B. Piasecki, *Ekonomika i zarządzanie małą firmą*, op. cit., p. 55.

in the majority of the Western economies, the mixed criteria are applied in defining small and medium-sized companies.

Table 3. Classification of companies according to qualitative criteria

Areas of management	Companies	
	Small and medium-sized	Large
System of management		
Managerial function done by: Role of planning: Meaning of intuition: Taking group decisions	owner-entrepreneur hardly any, big takes place very rarely,	managers, critical very small often takes place,
Organization:		
Kind of organizational structure Transfer of guidance and control Level of the formalization of tasks Structure flexibility	most often functional, direct personal contact, low high,	differentiated, a formalized system transfer of guidance, high, low,
Market:		
Market Market position	concentrated on individual needs of clients, diversified,	concentrated on massive needs good,
Production processes:		
Kind of production Division of work Kinds of machines and devices used Possibility to decrease costs	laborious, low, universal, small,	capital-intensive, high, specialist, high,
Research and development:		

Separated research and development units	lack of permanently separated units,	permanently separated units,
Development of new products and technologies	oriented on the needs of consumers	closely connected to the conducted research
Purchasing and material management:		
A position on the supply market System of material supply	weak, based on orders,	strong, based on long-term contracts,
Finances:		
Ownership of capital	Possessed by the family or a small group of people,	With the participation of the capital market
Access to capital market	none and that is why the financial possibilities are limited	Free, many financial opportunities.
Staff:		
Number of employees Employment of graduates with a higher education degree	small inconsiderable,	High To a wide extent
Contacts between employees	clearly between all the employees	Only in working groups

Source: K. Poznańska, M. Schulte-Zurhausen, *Kryteria klasyfikacji małych i średnich przedsiębiorstw, Przegląd Organizacji*, nr 2, 1994, pp. 26-27.

As pointed out by W. Grudzewski and I. Hejduk, a correctly formulated definition of a small and a medium-sized enterprise should besides defining the qualitative and quantitative criteria also underline a fact of a limited meaning and influence of a small company on the environment in which it operates and its flexibility in taking decisions. Therefore it should pay attention to the fact that²²:

²² Compare: W.M. Grudzewski, I.K. Hejduk, *Małe i średnie przedsiębiorstwa w gospodarce rynkowej w Polsce*, Wyższa Szkoła Handlu i Prawa w Warszawie, Warszawa 1998, pp. 14-15.

- All the decisions are taken by one person or by very small groups,
- No external authorities influence the decisions (e.g. administrative authorities), who also do not control the company in any way,
- It is impossible to use external (continuously employed by the company) specialists for the majority of tasks in the field of management, finances, marketing and organization of production.

A similar opinion is shared by E. Schalek, A. Griffin and S. Wall who point at the following features as the most important ones in defining a small company: an independence and an economic and financial independence, a small market share, a unity of ownership and managerial decisions and a simplified organizational structure.

A correct division of companies into small, medium-sized and large has not only theoretic meaning. It exerts a big influence on the economic policy of the state within which the companies of SMEs sector are often protected or are the receivers of tailor-made governmental programmes, preferential credits, subventions, investments tax-relieves and so on. An approach to defining small and medium-sized enterprises functioning in the literature is characterized by a big diversity in terms of the criteria used to describe the phenomena.

1.1. A notion of a small company

A big diversity of criteria used to describe a sector of SMEs influences also a definition of a small company. The terminology is not homogenous and very often the terms such as: a small company, a small business, a small enterprise, a company of a small size, a small entrepreneur, a small entrepreneurship are used interchangeably. According to the definition included in *Mała Encyklopedia Ekonomiczna* (PWN, Warszawa 1974 r.) “a firm” means: [1] a name of an company (industrial, trade, service or of other type) run by a legal person or by

an individual..., [2] colloquially means also the enterprise itself. The etymology of the word comes from the Latin “firmare” and means a confirmation, an acceptance of something, a signature. Therefore, a firm means a name which is used by the owner while running the business activities, which is also reflected in the Polish law in the Act on Freedom of Economic Activity (Dz.U. 2004 nr 173 poz. 1807). A company in the general meaning, as stated by the Civil Code (Dz.U. z 1990 r., nr 55, poz. 312 with further amendments) means “...a series of measures – property and property rights, organized for the purpose of doing business “.

In the Polish literature, the most often quoted definition of a small firm based on the qualitative criteria is a concept of B. Piasecki which takes it for granted that a middle class which is placed between a lower class and upper class is separated from the social structure. A part of the middle class, the so-called economically independent social class, formed a separate type of a company characterized by an economic independence and legal independence of the owner. It is such a state in which the owner (on the basis of the property right) can implement their initiative and play all the important managerial functions without the control of the third parties on their own risk. The structure of the company is greatly influenced by the owner which means that the owner influences all the functions of the company and shapes the relations between employees in their own way.

A separate type of financing the company takes place- in the setting up phase the financing comes from the savings of the owner of their family and in the development phase- from own sources of the company, which results from a fear of taking credits and becoming dependent on a foreign capital, which in turn can lead to a limitation or a loss of independence. In turn, an organizational structure of the company is characterized e.g. by the fact that the owner is the center of decision-making and there are not such negative features as: a rigidity

of the instructions given, a bureaucratic procedure, a limitation of the possibilities of effective operation by a formal organization scheme which makes a company mobile, flexible and ready to change quickly a profile of activities²³.

Beyond the classification of companies taking the scale of their operation into consideration, the division of the companies can be also done taking other features into consideration that is a form and a character of property (public-private, owned by one person, company of many natural or legal persons, family business - the company representing the property of persons who are not family members); a geographic location, an organizational and legal form and so on. In some of the binding classification the criteria which refer indirectly or directly to the person of the owner who is case of a small company is its central part are considered.

The relations between an entrepreneur and a company were interesting already two centuries ago for Adam Smith who differentiated two types of the owners-managers of small companies²⁴:

- Craftsmen-entrepreneurs, characterized by a narrow profile of education and qualifications, a low social awareness, a lack of flexibility and self-confidence in economic activities and in the contacts with the environment and adopting in the majority of case a short time scale,
- Entrepreneurs “using the occasions” which are in a total opposition to the first ones.

²³ Smolarek M., *Planowanie strategiczne w malej firmie*, op. cit., p. 50.

²⁴ Smith A., *The Wealth of Nation*, The University of Chicago Press, Chicago 1976 (reprint of the 1776 edition).

Adam Smith distinguished also two categories of small companies:

- Rigid companies,
- Adaptive companies which take as a criterion of a division a size of the return rate of these companies and a rate of a differentiation of production and clients.

Stanworth and Curran distinguished three roles played by the owners of small companies:

- A role of a craftsman who concentrates on a real remuneration obtained as the effect of the work done by them,
- A role of a classic entrepreneur which means maximizing the income (economic returns),
- A role of a manager whose activities are concentrated on a perfect management of the company and on the profits of the company in the long term.

These different roles played by the owners-managers of the small companies were compared with a growth of the company in the given time and the research results brought Curran and Stanworth to a conclusion (similar to the one formulated some time ago by Smith) that the aim of the majority of the owners-managers of small companies is a survival. Due to the fact that simultaneously a person of the owner is identified with the company, the survival is the only aim of the majority of small companies. That is why a permanent development (growth) of a company requires a change of the role that is a change of the entrepreneurial identity of the manager.

A similar classification referring only to small companies as to business units, was adopted by Filley and Aldag who differentiated three types of businesses²⁵:

²⁵ P. Davidsson, *Continued Entrepreneurship and Small Firm Growth*, Stockholm School of Economics, The Economic Research Institute, 1989, p. 141.

- Craft – characterized by the fact that they do not develop; are greatly influenced by their owners who governed by their comfort and a desire “to survive” engage mainly in the production activities and not in the administrative duties towards a company;
- Invigorating, characterized by a rapid growth, innovativeness and flexibility and a strong dependence on a charismatic leader;
- Administrative, growing in a moderate way, less dependent on the activities of the owner and based on planning and a durable organizational structure.

John Argenti²⁶ divides the companies into:

- Growing, so the ones in which the strength of connections with the market makes a company grow as only it allows a company to “survive”;
- Stable, so the ones which calmly operate in a quite niche, where the “scale advantages” does not play an important role and the possibilities to increase a sale on a given market are limited.

Among the companies differentiated in this way John Argent enumerates two particular cases:

1. Still-born companies. Still-born companies are a particular case of small stable companies. This kind of company in the majority of cases does not achieve a development of a product or a service characteristic for “the maturity” phase in the product life cycle and that is why is not able to achieve high profits. Such companies are generally created by people with high technical qualifications who are not prepared to manage a company.

²⁶ J. Argenti, *Corporate Collapse-The Causes and Symptoms*, McGraw-Hill, 1976, quoted after: J. Dewhurst, P. Burns, *Small Business. Finance and Control*, MACMILLAN, Pub. Ltd., 1985, p. 52.

2. Companies-meteorites. Companies based the most often on product or service innovations and set up by energetic entrepreneurs. Such companies grow very quickly but they do not have well developed administrative and managerial structures, with well-defined competencies and they go bankrupt without obtaining the “maturity” phase.

The division of small companies into the growing and stable ones significantly reflects the personal features of the entrepreneurs which create them. People who prefer calm family life to a more dynamic and risky life cannot create growing small businesses as they would quickly make them go bankrupt. They are more inclined to create companies with a stable kind of activities and a low level of risk. Such businesses are created mainly for the needs of local market, mainly in the field of services and in case of a production-their aim is to produce the goods which are more labor than capital intensive, very often with a high quality, prepared on an individual order. People preferring a dynamic and risky life often set up the companies which require more engagement of capital, connected with a greater risk, using more complicated methods of manufacturing and so on, included in the majority of cases in the category of “growing small businesses”.

Parallel to the typology of the existing small companies a classification of activities connected with an entrepreneur which aim is to set up a new company is also possible. From this point of view the following types of undertakings can be differentiated:

- Companies replacing work. This means setting up an own company which means an escape from unemployment done by people who are either threatened to be made redundant or who are already in such a situation or who are unable to keep the job,

- Undertaking a certain life style. Some entrepreneurs deliberately leave their job sometimes even not expecting higher income but independence and a satisfaction from work,
- Highly profitable, stable small companies; created as a result of a lack of competition (thanks to occupying a market niche, which was not noticed before or which was too small to become attractive for others) or thanks to the existence of the entrance barriers, patents rights owned by a given entrepreneur, qualification requirements which allow to obtain relatively low income with a relatively small scale of operation and so on,
- Quickly growing companies, situated just as highly profitable companies but connected with a growing market which enables them to grow quickly.

This typology can be treated as a starting point to analyze the problems of self-employment and craft activities and the influence on the national economy.

1.2. Factors of the development of small companies

Despite the processes of globalization and domination of transnational corporation, the small and medium-sized companies are perceived as a flywheel of the economy²⁷. The meaning of small and medium-sized companies was aptly defined by Peter Drucker who stated that they were “thorns of the market economy” and constitute a base of a democratic socio-economical order. This is proven by the experience of highly developed countries which show that the economic strength is greatly influenced by the companies of SMEs sector and particularly the ones characterized by²⁸:

²⁷ F. Bławat (ed.), *Przetrwanie i rozwój małych i średnich przedsiębiorstw*, Scientific Publishing Group, Gdańsk 2004, p. 1.

²⁸ K. Safin, *Zarządzanie małą firmą*, wyd. 2, Wydawnictwo Akademii Ekonomicznej im. Oskara Langego we Wrocławiu, Wrocław 2003, p. 47.

- Innovativeness and an inclination to take risk,
- A big dynamism of the employment growth,
- Flexibility in the process of adjusting its production structure to the market needs,
- A considerable participation in the growth of national income,
- A big pace of adjusting to changeable conditions of the environment thanks to a mobility and a market orientation,
- A flexibility of operation in terms of cooperation with big enterprise as a cooperation or subcontracting,
- An ability to use local resources or raw materials and a creation of new posts and a support of economic initiatives.

Taking into consideration the aforementioned statements and others presented in the papers of the best Polish and foreign specialists dealing with the sector of small and medium-sized companies, the economic position of SMEs cannot be questioned. In Poland the sector of small and medium-sized companies:

1. Constitutes 99.8% of all the active companies,
2. Employs 60% of people working in the sector of companies,
3. 60% of shares in the income of the sector of companies achieved possessing only 42% of fixed assets of the sector of companies,
4. Higher gross profitability than in large companies,
5. 65% of gross profit of the sector of companies,
6. A very low level of gross profit per one company.

In the entire sector of SMEs the group of microenterprises characterized by the highest profitability, a high “productivity of employment” and a “high productivity of salaries” at the same time with the lowest value of gross profit per company in SMEs sector should be differentiated. That is why the divagations on the development factors of small companies become important.

The authors trying to define a development of the company base on two approaches and namely:

1. Identify a notion of the development only with the changes of the qualitative character opposing or just supplementing them with a separate category of growth representing only the changes with quantitative character,
2. Present the notion of development as the existence of qualitative and quantitative changes. in this approach the development is a much wider notion than the category of the growth of company and it includes also a quantitative aspect of increasing the possibilities of its functioning.

J. Machaczka²⁹, E. Masłyk-Musiał³⁰, A. Stabryła³¹, or Z. Pierścionek³² belong to the first group which distinguishes a category of development and growth of the organization (including the companies). The authors of the second opinion on the notion of development are: T. Pszczołowski³³, J. Penc³⁴, S. Lachiewicz and H. Zdrajkowska³⁵ or W. Gabrusewicz³⁶.

The relations between a growth and a development explain in the best way a relation between the aims and the means of realizing them.

²⁹ J. Machaczka, *Zarządzanie rozwojem organizacji*, PWN, Warszawa-Kraków 1998, p. 14.

³⁰ E. Masłyk-Musiał, *Zarządzanie zmianami w firmie*, Centrum Informacji Menedżera, Warszawa 1996, p. 36.

³¹ A. Stabryła, *Zarządzanie rozwojem firmy*, Akademia Ekonomiczna w Krakowie, Kraków 1996, p. 9.

³² Z. Pierścionek, *Strategie rozwoju firmy*, PWN, Warszawa 1996, p. 11.

³³ T. Pszczołowski, *Mała encyklopedia prakseologii i teorii organizacji*, Zakład Narodowy im. Ossolińskich, Wrocław 1978, p. 211.

³⁴ J. Penc, *Leksykon biznesu*, Placet, Warszawa 1997, p. 381.

³⁵ S. Lachiewicz, H. Zdrajkowska, *Cykl życia małej firmy*, [in:] S. Lachiewicz (ed.), *Małe firmy w regionie łódzkim*, Wydawnictwo PŁ, Łódź 2003, p. 94.

³⁶ W. Gabrusewicz, *Rozwój przedsiębiorstw przemysłowych i jego ocena w gospodarce rynkowej*, Wydawnictwo AE w Poznaniu, Poznań 1992, p. 23.

“A permanent development is a necessary condition for the growth of the company”. In turn, a growth of the company creates better conditions for its development, which means that a growth is an immanent feature of the development”³⁷. In the approach of J. Róžański³⁸ “a growth and a development can be considered as representatives of the main aims of operation of companies, determining and shaping the partial aims in the company”.

The issues of the company development are also described in the form of the internal factors connected with the functioning of a given business unit and the owner and the external factors for the company which result from the environment in which it functions. Another kind of the division of the conditions of the development of companies is the division into the factors which can be treated as a development chance or a barrier in the company development. What is more, among the theories, which aim was a trial to explain a likelihood of survival and a development on the market, three basic groups can be differentiated. The first one derives from the research on labour market where a big role of an entrepreneur and their features (e.g. age, education, features of personality) play an important role. In turn the second group derives from the economics of industry and from a conviction that companies only after having entered a market get to know whether their activities bring profits or not and as a result must resign. The third trend derives from the theory of the organization of companies. It takes for granted that the structural features of an organization (e.g. an age or a size)³⁹ are the determinants of survival. Within this trend,

³⁷ Z. Pierścioneek, *Strategie rozwoju firmy*, PWN, Warszawa 1996, pp. 14-15.

³⁸ J. Róžański, *Inwestycje rzeczowe w procesach rozwojowych przedsiębiorstw*, Wydawnictwo Uniwersytetu Łódzkiego, Łódź 1998, p. 21.

³⁹ K. Poznańska, *Metodologia badań*, [in:] J. Klich (ed.), *Nadzieja rynku pracy. Małe i średnie przedsiębiorstwa w gospodarce*. Instytut Spraw Publicznych, Warszawa 2000, pp. 23-24.

a few concepts of survival and a development of the company can be enumerated which include:

- Liability of smallness. This theory takes it for granted that small companies are less likely to survive on the market than big companies,
- Liability of newness. This concept is based on a conviction that newly created companies tend to leave the market very quickly,
- Ecological economy. According to this concept, the processes of changes in all the branches of industry reflect the changes in the biological populations. The ecological model is based on the observation of the changes in the group of companies taking three groups of companies into consideration that is: the newly-created ones, the developing one and those limiting their activities⁴⁰.

Table 4. Factors deciding about the development of small and medium-sized companies according to N. Churchill and V. Lewis

Factors connected with a company	Factors connected with the features of the owner
Financial resources (financial background in the form of cash and a capacity to get credits and loans and to obtain subventions.	Aims and motivation of the owner (a justification for running a business, an approach to oneself and to the company, potential of aims for oneself and the company).
Personal resources (staff potential visible first of all in the skills and competencies of staff, number of employees).	Capacity to act (organizational skills and coordination skills, a skill to implement personally marketing tasks, production and trade tasks).

⁴⁰ K. Poznańska, *Przetrwanie małych i średnich przedsiębiorstw – koncepcje i ich weryfikacja empiryczna w gospodarce polskiej*, [in:] T. Łuczka (ed.), *Małe i średnie przedsiębiorstwa. Szkice o współczesnej przedsiębiorczości*, Wydawnictwo Politechniki Poznańskiej. Poznań 2005, pp. 9-12.

<p>Business resources (worked out or created relations with other market participants that is clients, suppliers, collaborators. Applied production solutions, know-how solutions, distribution and technological solutions. Possessed reputation on the market).</p>	<p>Managerial skills (a skill to share duties and responsibilities, to divide work, a skill to delegate powers and responsibility).</p>
<p>System resources (systems functioning within the company referring to: information, staff, planning, control. Possession of procedures and algorithms of acting).</p>	<p>Strategic skills (a capacity of thinking strategically and to forecast the future. A capacity to evaluate a current situation and possessed resources in the context of realizing own aims).</p>

Source: own preparation on the basis of: N.C. Churchill, V.L. Lewis, The five stages of small business growth. Harvard Business Review, May-June 1983, pp. 31-40.

N. Churchill and V. Lewis state that eight factors decide about the development of small and medium-sized enterprises among which four refer to the very company and four are connected with the owner. These factors are presented in the table below.

On the basis of the conducted research the authors paid attention to the fact that together with the company's development a capacity of the owner to execute tasks personally decreases. The participation of the own resources of the entrepreneur also diminishes. Such factors as: know-how of employees, a skillful delegation of powers and responsibility by the owner and a strategic planning start to be important. The meaning of the strategic planning increases together with the growth of the company. While in the initial phase it is a factor to which no attention is paid, together with entering the following phases by the company it starts to gain importance. In the maturity phase of the company on the market a strategic planning becomes a critical factor of management⁴¹.

⁴¹ M. Smolarek, *Planowanie strategiczne w malej firmie*, op. cit., p. 75.

The determinants of the company's development related to the personality of the owner are first of all age, knowledge, vocational education, experience in business. One can include here also the personality features of the owner such as: an inclination to take risk, motivations, perseverance in the pursuit of the objectives, innovativeness, a need to succeed, defined managerial skills⁴². Those factors can be treated as primary factors as they decide about starting a business activity by a given entrepreneur. They influence the way a company is organized, the management processes and sharing duties with potential employees. They also influence the expectations of the owners of obtaining certain benefits resulting from the fact of running a business but also the immaterial expectations such as: a prestige, making dreams come true, becoming independent and so on. The influence of such factors is particularly visible in small and medium-sized enterprises where the owners often play managerial role. The development of the company and its functioning depends on their decisions, motivations and aims which are being realized⁴³.

The model of the growth of small companies by D.J. Storey also presents the factors which decide about the growth of the small companies. In this model the growth is considered as a combination of factors connected with 3 elements which are the primary resources: an entrepreneur, a company and a strategy⁴⁴:

1. Factors connected with entrepreneur: motivation, unemployment, education, experience in a managerial position, a number of funders, running earlier an own business, family traditions, social population (ethical status), operational skills (useful in a given position), training,

⁴² M. Strużycki (ed.), *Podstawy zarządzania*, Oficyna Wydawnicza SGH, Warszawa 2008, pp. 20-204.

⁴³ A. Skowronek-Mielczarek, *Regionalne uwarunkowania rozwoju małych i średnich przedsiębiorstw*, [in:] M. Matejun, *Wspomaganie i finansowanie rozwoju małych i średnich przedsiębiorstw*, Difin, Warszawa 2011, p. 30.

⁴⁴ D.J. Storey, *Understanding the Small Business Sector*, Routledge, London 1996, p. 123.

age of the entrepreneur, earlier failures in business, earlier experience in business, earlier experience in the companies of the different sizes and a gender.

2. Factors connected with a company: a company age, a legal form, a localization, a size of the company and a kind of ownership.
3. Factors connected with a strategy: training of employees, training of managers, external supply, technological experience, market position, adjustment to the market, planning, new products, recruitment of managers, state support, orientation on clients, competition, information and consultation, exporting.

The same author in his research states that a motivation to start a company is one of the most important factors for the growth of the whole company. In case when a threat of unemployment is a motivation to start a company, a likelihood of setting up a growing company is smaller than when an occasion perceived on the market is an occasion to set it up or a desire to make more money. The likelihood of setting up a quickly growing company is bigger when⁴⁵:

- A company is started by a person with a degree of a higher education institution,
- A company is started by a person with experience in a managerial position,
- A company is started by a group of people,
- A company is started by a middle-aged person (but some research state that young people succeed more often as they have more energy and ambition but according to a different hypothesis these people do not have a creditworthiness and experience),

⁴⁵ ibidem, pp. 128-137.

- A company is started by a person which has a family with business traditions,
- A company is started by a person with a lot of experience in the branch.

The very entrepreneurs who use market chances unnoticed by others and unavailable resources influence the success of a small company. In order to succeed on the markets entrepreneurs must have such features as: self-confidence, belief in success, conviction of a possibility to achieve a defined aim, learning on mistakes, retrying despite failures, innovative capacities (allowing to perceive new possibilities), directed on the results and achieving a success, an inclination to take risk, a readiness to spend own time and skills on one undertaking⁴⁶. The success of the company, often directly connected with the development, is directly dependent on the owner and their ambitions. It often happens that a fear of possessing a too big administration, increase of the problems with control and an existence among the professional managers are the reasons for which the owners stop their desires to develop their companies besides certain limits⁴⁷.

Among fourteen factors connected with the strategy, the significant role is played by such factors as⁴⁸:

- External supply – many owners of small companies are against external financing and introducing shareholders from outside and as a result against a division of power and that is why only short-term external financing is used which in turn does not lead to a development of the company,

⁴⁶ P. Burns, I. Dewhurst, *Small Business and Entrepreneurship*, MacMillan Press, London 1989, p. 35.

⁴⁷ D.J. Storey, *Understanding the Small Business Sector*, Routledge, London 1996, pp. 128-137.

⁴⁸ M. Smolarek, *Planowanie strategiczne w małej firmie*, op. cit., p. 76.

- A market position – quickly developing companies occupy first of all niches or segments in which they can use a certain competitive advantage, e.g. in such areas as: a quality of the product or a service which is offered both by a price, better technological experience or a readiness to introduce new products,
- A recruitment of managers – in the developing companies owners must show a readiness to delegate decisional powers to professional managers (who are not the owners). Therefore, a choice and a motivation of these people to create a strong managerial team is of great importance,
- Planning – the research conducted by such authors as: C.Y. Woo, A.C. Cooper, W.C. Dunkelberg, U. Daellenbach or W.J. Dennis, points that small companies which devoted a lot of time to planning were the ones which growth was bigger; the majority of quickly growing companies have the procedures of formal planning written down and implemented; these procedures are also characteristic for the bigger companies and it is not really clear whether it is a factor which leads to a growth of a company or is connected with a bigger size of the company and its formalization.

Together with the market development (a market stabilization, a bigger experience and a better knowledge of competitors) a professionalization of management which requires changes must take place. These changes must mean an implementation of a more systemic planning and effective mechanisms of control. The decisions must be more cautious taking into consideration both internal potential and external conditionings of a changeable environment. The company also requires new, organizational and legal forms adequate to the level of development⁴⁹.

⁴⁹ J. Targalski, *Przedsiębiorczość i zarządzanie*, CH. Beck, Warszawa 2003, pp. 99-100.

Besides the factors which result from the internal conditionings, the factors connected with the environment in which the company functions are significant determinants of the development of the sector of SMEs. These factors influence more and more business units, particularly the small and medium-sized ones, which have small possibilities of influencing their environment.

In order to meet the requirements of the competition and dynamic changes on the market, the companies should take into consideration their strategies a wider and wider list of external factors which can be divided into three categories:

- Connected with a macro environment,
- Connected with a regional environment (meso-environment),
- Connected with a competitive environment (micro-environment).

They are closely connected, interact among themselves creating a network of defined, more and more complex dependencies. The managers of enterprises should realize the growing role of the factors of environment which must be observed in order to prepare for activities concentrated on the development.

A macro environment and particularly the macroeconomic elements are the main element shaping the functioning of small companies. They include e.g. the economic results of the country in the form of the economic growth and the currency stability. The regulations of the financial and tax system thanks to which the entrepreneurs would have a possibility to accumulate capital in order to finance current activities and development have also a big influence on creating conditions favorable to the functioning of companies. The following elements seem to be particularly important⁵⁰:

1. A real rate of profits taxation which decide about the possibilities of financial accumulation and tax rates,

⁵⁰ M. Tokarski, *Faktoring w małych i średnich przedsiębiorstwach*, op. cit., p. 26.

2. A level of the rates of depreciation of fixed assets – a depreciation and an amortization which do not ensure a renewal of fixed assets adversely affect the level of investment,
3. The size of social security – it affects the share of labor costs in the value of production (too much load increase labor costs, helping to increase the prices of products and the overall level of inflation and a level of competitiveness of enterprises),
4. Interest rate of a refinancing credit announced by NBP (National Bank of Poland) – a high real interest rate is often a reason for losing a financial fluidity or even going bankrupt,
5. Exchange rates,
6. Financial and non-financial support of the state – a government policy towards the sector of SMEs,
7. Access to help from the EU in the form of the structural funds,
8. Access to bank services and insurance services and legal regulations referring to debt collection.

R. Borowiecki and B. Siuta-Tokarska⁵¹ pay in their divagations a particular attention to the meaning of a macro environment. They put emphasis on GDP and on a macro policy of the state but they additionally point on the innovativeness of economy which is directly connected with an innovative policy of the state. The innovativeness of economy proves its leading influence on the effectiveness of economy and at the same time its considerable influence on the effectiveness of economy e.g. by the development of companies and particularly SMEs sector. The innovative policy of the state towards the

⁵¹ R. Borowiecki, B. Siuta-Tokarska, *Problemy funkcjonowania i rozwoju małych przedsiębiorstw w Polsce. Synteza badań i kierunki działania*, Difin, Warszawa 2008, pp. 200-202.

companies of SMEs sector is one of the most important areas of activities in the countries belonging to the European Union.

A micro environment⁵² (a competitive environment) includes all the business units with which a given company has some cooperation or competitive links. These can be on one hand the suppliers of machines, goods, manpower or capital and on the other hand the receivers of the produced goods or services delivered by a given company. It results from the fact that every company operates on the edge of four areas that is labor, supply, finances and market. The first three of them are greatly the areas causing costs for companies. From these markets the company obtains sources for production which are necessary for functioning and development. The decisions referring to obtaining them are always connected with some financial expenditure, a creation of the operation costs. In turn the company verifies its usefulness for a final user and creates profits, resources for a development or a survival.

A meso environment⁵³ includes the factors which condition a functioning of the company in a regional system taking specific features of the regions into consideration. These conditionings can include among others: the influence of the units of local self-government, institutions of the business environment supporting economic activities, institutions financing the operation of companies, scientific and educational institutions.

⁵² A. Skowronek-Mielczarek, *Regionalne uwarunkowania rozwoju małych i średnich przedsiębiorstw*, [in:] M. Matejun, *Wspomaganie i finansowanie rozwoju małych i średnich przedsiębiorstw*, Difin, Warszawa 2011, p. 30.

⁵³ Ibidem, p. 30.

Table 5. Factors which are favorable and unfavorable to a growth of small companies

	Favorable factors (facilitating) the growth	Factors unfavorable (making difficult) the growth
Planning	Demographic variables Personal features Values and convictions	Lack of ambition and vision Approach of “anti-business” hobbyist Protectionism in the life style Maturity in the life cycle
Competencies (talents)	Level of education Knowledge from the different field of management A potential increase of products and assets Legal form of the company Active “learning” by means of informal networks	Forced managerial competencies Narrow profile of skills Material expansion/ limits of production Creation of the organizational structure with a lack of time and resources
Market occasions	Conditions on the market Access to finances Regulations of public sector Labor market	A weak position within a sector of industry and on the markets A big dependence on external environment Unbeneficial financial and economic conditions Unfavourable approach to local authorities to the development of the local business Government regulations limiting the business activities

Source: A. Morrison, J. Breen, S. Ali, *Small Business Growth: Intention, Ability, and Opportunity*, *Journal of Small Business Management* 2003, Vol. 41, No. 4, p. 419.

In turn other authors (e.g. G. Burke and D. Jurrat, K. Maki and T. Pukkinen, C. Gray, S. Bridge, K. O’Neill and S. Cromie, A. Morrison, M. Rimmington and C. Williams, M. Heffernan i P. Flood, A.M. Sherwood) divide the factors influencing the companies into the ones which facilitate the growth of small companies and which make it difficult. These factors are connected with planning, competencies and occasions on the market. B. Taylor identifies four factors that the entrepreneurs must fulfill if they want their companies to grow: finding a market niche which they will be able to protect, competing in the areas

which require speed, flexibility and client service, diversifying products and entering neighbouring markets with them and a search of new possibilities (perspectives)⁵⁴.

The critical success factors for quickly growing companies which are most often identified in the literature include: a flexibility, a diversification of products, level (advantages) of the staff, marketing in a niche, early entering of developing markets, quality of products/services, numerous innovations⁵⁵.

1.3. Competitiveness of small companies

The term competition is defined in many different ways. The Lisbon Group defines the competition as a process, in which the participants compete among themselves trying to achieve the same aims, which causes that the undertakings done by some of them to achieve the defined aims make it difficult or sometimes impossible to achieve the same aims by others⁵⁶. W.M. Grudzewski and I. Hejduk have similar opinions on competition. In their opinion, the competition is competing among the business units which aim is to achieve the biggest possible profits while selling the products produced in the company or the delivery of services⁵⁷.

What is more it is considered that⁵⁸:

1. The competition is a prerequisite which arouses innovativeness in the range of assortment and the quality of products as well as the

⁵⁴ M. Smolarek, *Planowanie strategiczne w małej firmie*, op. cit., p. 77.

⁵⁵ J.E. Wasilczuk, *Wzrost małych i średnich przedsiębiorstw. Aspekty teoretyczne i badania empiryczne*. Politechnika Gdańska 2005, pp. 171-172.

⁵⁶ Grupa Lizbońska, *granice konkurencji*, Poltext, Warszawa 1996, p. 30.

⁵⁷ W.M. Grudzewski, I. Hejduk, *Konkurencyjności małych i średnich przedsiębiorstw w Polsce oraz na rynku europejskim*, [in:] *Determinanty rozwoju małych i średnich przedsiębiorstw*, J. Adamczyk, P. Bartkowiak (eds.), Warszawa 2004, p. 11.

⁵⁸ *Słownik ekonomiczny przedsiębiorcy*, Wydanie VIII rozszerzone, Wydawnictwo Znicz, Szczecin 2004, p. 256.

improvements of technologies, the decrease of production costs and turnover;

2. The competition on the market between the companies is a necessary condition for overcoming the distortions and bringing back the balance in the economy;
3. The competition is a process during which the market participants, while trying to realize their interests, are trying to presents the offers which are more beneficial as far as a price, a quality or other features which serve the decision to have a transaction are concerned;
4. The competition also takes place between sellers and buyers. The entrepreneurs get the information what their “competitors” do and increase the attractiveness of the goods or decrease the price. The exchange of information takes place during an auction when the price of the given product is auctioned. The sellers compete for the interest of the consumer;
5. The competition can refer not only to prices which are its basis tool but can be also connected with the quality differences of the product e.g. its appearance, functionality, durability, package or fashion requirements. The preferences of consumers differ and can be more or less sophisticated.

The competition can be considered both on the level of countries (international competitiveness of economy), a branch of an industry of a given country (inter-branch competition) or on the level of single branches of a given country (intra-branch competition). This kind of understanding the notion “competing” gives it a wide sense, typical for the behavior of business units on the market. The area of fighting for the customers is the basic one for the economic situation of enterprises. The creators of the behaviors of the

enterprises on the markets are both its current and potential clients. That is why each company is supposed to show an offer which is more attractive than the offer of the competitors. A choice of a proper strategy of behavior towards the clients is connected with the realization of this task. It should be always preceded by a complex strategic analysis. The company which wants to have a capacity of competing nowadays in the era of the global competition must achieve a visible completion, which is difficult to copy and durable. The competitive advantage can be defined as the advantages of the company appreciated by the market thanks to which it can maintain it in a long period of time or improve the effectiveness and ensure a harmonious development. In order to define the competitive advantage, the notion “competitiveness” is often used⁵⁹.

The notion of competitiveness can be defined as a capacity of a given company to function in a given branch in the conditions of free-market economy. The bigger the competitiveness, the more secure the position of the company on the market and its functioning less threatened with external stimuli and unfavorable economic situation. The competitiveness of the company is influenced by many factors. The most important ones are: the innovativeness and technological advancement of a given business unit, a network of contacts and collaborators, the prices of products and services, a quality of products and services, own investments and a possibility to obtain capital, an availability and a way of financing activities, a business environment (e.g. a help of the government or local government). In order to achieve a high competitive position the company must keep a high level of innovativeness defined as a capacity to permanently generate and implement innovations which are well evaluated by clients thanks to a high level of usefulness, modernity and

⁵⁹ M. Romanowska, *Planowanie strategiczne w przedsiębiorstwie*, PWE, Warszawa 2004, p. 262.

competitiveness in the global scale. Although the companies are interested in innovations with the main accent put on the product innovations, a share of the new products in a total value of products sale on the level of 20% must be considered low.

The companies use mainly the internal sources of innovations and benefit only to a small extent from the achievement of the external research and development units.

In the majority of cases the innovative practices were just incidental with a simultaneous lack of the system of creating innovations. The image of the innovativeness of the small and medium-sized companies under research is not too optimistic particularly when the entrepreneurs pointed at numerous barriers which were slowing down the progress in this area. It is possible to formulate a general opinion on a low level of innovativeness of the Polish companies, particularly in the global context⁶⁰.

The nature of SMEs allows them to obtain the competitive advantages in some areas, mainly in the ones related to services, in which the human factor, an indirect contact with a client who is being served and a high loyalty of a client towards the service provider or a producer from the sector of SMEs have a deciding meaning. IT technologies provide big chances to create very competitive SMEs. People with proper qualifications or the teams of people who have innovative ideas and who can obtain financial resources and use them to implement such ideas manage very often to succeed in business. Those people are very often students of computer science or other degree programmes with a good background in the field of IT. The spectacular successes in this area are

⁶⁰ A. Czajkowska, *Konkurencyjność polskich małych i średnich przedsiębiorstw*, in: *Konkurencyjność jako determinanta rozwoju przedsiębiorstwa*, S. Lachiewicz, M. Matejun (eds.), Monografia Politechniki Łódzkiej, Łódź 2009, p. 68.

popularized by the media which example can be e.g. the creation of a social portal “Nasza klasa” which is extremely popular⁶¹.

SMEs are valuable collaborators for large enterprises as subcontractors and collaborators which ensure a flexible realization of needs in terms of quantity, quality and deadline. The competitiveness of large companies greatly depends on small subcontractors. They participate actively in the development of economic infrastructure, particularly the development of cooperation and a system of subcontracting⁶².

Small companies are treated as one of the main factors of maintaining the prices of goods on a properly low level which at the same time strengthens the competitive position of the economy on the world market.

In the contemporary economy, the meaning of the companies operating on a small scale increases. This fact has a theoretical explanation and it is also confirmed by economic reality of highly developed countries. There are no doubts that small companies in Poland can become a serious economic strength, favorable for a restoration of a market balance, changes of the assortment of production, a market mobility of enterprises, common market orientation and so on. Small and medium sized enterprises operate generally with lower costs, are mobile in terms of technology and market, are often more profitable and more ready to take risks, always open to technological and organizational progress. The practice proves that they can calculate every product and whole economic processes.

⁶¹ B. Wyżkiewicz, *Konkurencyjność MSP, Raport o stanie sektora małych i średnich przedsiębiorstw Polsce w latach 2007-2008*, Polska Agencja Rozwoju Przedsiębiorczości, Warszawa 2009, p. 105.

⁶² W. Straszynski, *Znaczenie małych przedsiębiorstw w gospodarce rynkowej*, Przegląd organizacji, nr 6, 1991, p. 32.

In small and medium-sized enterprises the competitiveness and entrepreneurship are checked every day and in reference to every product. A production on a small scale is characterized by a set of features which are in the given moment particularly valuable: it creates jobs on the territory where people already live so they do not increase the deficit of flats, it has a low cost for every position, produces from the local raw materials, mainly for the local needs, does much less ecological harms.

A strategic approach to a creation of competitive advantage in small companies should be based on the advantages of such companies. These companies must concentrate on the weak point of competitors. It is visible in a precise choice of the market, a quick innovative activities and in an introduction of an original product. Small companies which want to survive, must obtain and maintain a considerable position on the market which in turn is connected with a preparation of a long-term concept of operating.

The more competitors are influenced by this competitiveness, the better the results obtained by the company. Obtaining and maintaining competitive advantages is an effect of competitiveness. Simultaneously, a big engagement of managers in the current problems does not favor a strategic approach to management. The quick changes on the markets cause that they are less interested in planning in the long time-scale. That is why the companies of this types do not always function on the basis of a well thought over strategy of development⁶³.

The entrepreneurship is a reason for increasing the competitiveness of SMEs. As stated by B. Olszewska, the competitiveness of companies and economies depend on their innovativeness, understood as a capacity and a motivation of entrepreneurs to keep on searching and using in practice the

⁶³ I. Janiuk, *Strategiczne dostosowanie polskich małych i średnich przedsiębiorstw do konkurencji europejskiej*, Difin, Warszawa 2004, p. 86.

results of research, new concepts, ideas, inventions and the improvement of the existing technologies, organizational and managerial solutions⁶⁴.

In practice, the enumerated elements form the notion of entrepreneurship, which in the majority of cases is associated with such features as⁶⁵:

1. A readiness to take reasonable risk,
2. Identification and usage of chances, regardless of the possessed resources,
3. Innovativeness, looking for chances and reacting to them, skillful managing uncertainty,
4. Undertaking and developing activities which means multiplying the capital.

Each newly created company or just a transformation of the organization leads to a creation of a current “fuss” on the market and creates a need for adjusting by the competitors e.g. by the increase of the productivity, introduction of new products or sale promotion. For consumers it will bring either a bigger choice or lower prices of products and services an appearance of an entrepreneur as a business unit in economy and in society has a particular meaning for strengthening the rules of market economy in people’s attitudes and giving sense for the theoretic concepts of market economy. Their activities decide about an appearance of competition on the market with all its positive effects⁶⁶.

A flexibility resulting from the sizes of activities, organizational and capital structure and entrepreneurship of owners, readiness to invest and to take risk and

⁶⁴ B. Olszewska, *Polskie przedsiębiorstwa w obliczu rynku konkurencyjnego Unii Europejskiej*, [in:] *Rozwój teorii i praktyki zarządzania strategicznego*, J. Jeżak (ed.), PAM-Center, Łódź 2003, pp. 317.

⁶⁵ J. Klimek, *Rola zarządzania strategicznego w rozwoju przedsiębiorczości*, Instytut Organizacji i Zarządzania w Przemysle „Orgmasz”, Warszawa 2006, p. 116.

⁶⁶ A. Czajkowska, *Konkurencyjność polskich małych i średnich przedsiębiorstwa*, op. cit., p. 68.

actions accompanying personal motivation are the main advantages of small companies.

Those features allow small companies for reacting relatively more quickly to the changes of demand and to adjusting to the requirements of receivers as well as entering the so-called demand gaps particularly in the less developed regions, small towns or on the outskirts of large cities than is the case of large enterprises.

In turn, according to other authors, in case of small companies, two kinds of the sources of competitive advantages can be distinguished: resources and skills. Skills are immeasurable and cannot be compared with the competitors. However, they are closely connected with resources. They are a certain link between material resources of a small company as the level of the rationality of the usage of resources depends on them. The following elements can be included in the sphere of skills in small companies: knowledge and skills of employees, norms and values on the basis of which these companies function, knowledge in the area of organizing labor processes and decisional processes within a company and in the area of recognizing the environment and its preferences (clients, competitors, suppliers and so on) and in the area of shaping desirable directions with the environment.

Small companies which take a decision on the choice of the way of obtaining competitive gain, must take into consideration the factors which strengthen and weaken their role on the market. Those factors (both the strengthening and the weakening ones) can be grouped into those which are placed inside the companies and resulting from its environment and relations with it. The strategic behaviors of small companies are the results of the actions planned before as well as repeated schemes of behaviors in specific situation so the strategic behaviors will be not only the activities which were planned earlier

but the ones which are the results of the reactions to changes taking place in the environment⁶⁷.

Table 6. Factors strengthening and weakening the competitive position of small companies

	Factors strengthening competitive position	Factors weakening competitive position
Internal factor	<ul style="list-style-type: none"> - Activities determined by the personality of the owner, - Transparency of organizational structures, - Directed towards innovativeness, - Direct influence on the quality of offered services/ level of service, - A possibility of treating collaborators individually and flexibly. 	<ul style="list-style-type: none"> - Limited resources, - Limited access to external sources of financing, - Way of managing a company, - Imprecise plans of activities, - Lack of a clearly defined specialty, field of activities
External factors	<ul style="list-style-type: none"> - Closeness of the market on which a small entrepreneur operates, - Quick reaction for the changes of environment, - Relations with collaborators. 	<ul style="list-style-type: none"> - Greatly limited influence on the market, - Lack of marketing orientation of the company.

Source: own preparation on the basis of: M. Smolarek, *Planowanie strategiczne w małej firmie*, Wyższa Szkoła Humanitas w Sosnowcu, Sosnowiec 2008, p. 88.

According to B. Plawgo, the source of the competitive advantages of the companies can be: ownership, cooperation activities and localization. The details referring to the sources of these competitive advantages were presented in the table below.

⁶⁷ M. Smolarek, *Planowanie strategiczne w małej firmie*, op. cit., pp. 87, 89.

Table 7. Sources of the advantages of small and medium-sized enterprises which enable internationalization

I. Advantages of ownership- specific for a given company, which basis can be:
– mastering a unique in the world scale technology; – dominating position on the international market in the production of a highly specific product; – a high effectiveness of using human resources, particularly with unique qualifications, including a skill to eliminate opportunistic behaviors.
II. Advantages of cooperation – resulting from a privileged access to external resources and skills that is:
– an access to foreign distribution channels; – an access to local clients purchasing the products of foreign companies; – access to sources of supply in materials, raw materials, semi- finished products; – a possibility to specialize and achieve the effects of scale in a narrow scale thanks to activities connected with cooperation links.
III. Localization advantages (a geographical closeness of proper partners and sources of competitive supply such as:
– macroeconomic: the prices of production factors, state policy;
– meso economic: conditions of production factors, conditions of supply, related and supporting sectors, strategy, structure and competition of companies.

Source: B. Plawgo, *Zachowania małych i średnich firm w procesie internacjonalizacji*, Instytut Organizacji i Zarządzania w Przemysle „Orgmasz”, Warszawa 2004, p. 80.

The factors which definitely weaken the creation of competitive advantage are the barriers for competitiveness encountered by the owners of small companies. Their existence and nuisance can be evaluated in an indirect way analyzing the opinions of the entrepreneurs on the barrier of the activities for operating. Only some barriers of operation can be considered as the barriers for competitiveness. Central Statistical Office since the beginning of the transformation has been conducting the quarterly evaluation of the meaning of the barriers for operation on a sample of about 3500 industrial companies and 5500 trade companies and a monthly research on 5000 construction companies. In the first quarter of 2009 a general uncertainty of the economic situation was

considered to be the biggest barrier among the industrial companies (it was the opinion of more than 60% of entrepreneurs) whereas a year before this factor was not considered to be a problem (27% of responses). The uncertainty of the economic situation is in the crisis a smaller problem for industrial SMEs than for large companies. Insufficient national demand in industry is a bigger problem for SMEs than for large enterprises. The duration of such a situation both in case of a good and bad economic situation is generally treated as a bigger barrier by SMEs than by large companies and it confirms a low international competitiveness of SMEs.

A national demand is a serious barrier for SMEs dealing with trade. The reverse situation can be observed in the construction branch where smaller companies deal much better with a declining national demand than large enterprises.

High burdens for the state budget are also an important barrier for operation and competitiveness of SMEs. For large enterprises it is a much smaller problem.

The next barriers which are more troublesome for smaller companies are unclear and incoherent legal provisions and a lack of qualified staff members. The bigger enterprises (the large and medium-sized) do not experience these factors as painfully as the smaller ones (employing less than 50 people). The financial problems are enumerated as one of the less painful barriers for the operation of industrial companies. They are much more often experienced by large companies. On this basis it can be stated that a well-known thesis is confirmed that a financial barrier is one of the basic barriers for the competitiveness of SMEs. A difficult access to credits is in turn a barrier for SMEs particularly with the number of employees from 10 to 49 people. While evaluating the barriers encountered by SMEs in Poland, it must be underlined that the more serious barrier appear in the field of regulations and conditionings in the sphere of

macro economy than in the field of operation so where the most of behaviors depend on SMEs⁶⁸.

The barriers which are enumerated make the functioning of Polish small companies more difficult but they do not limit a possibility to use market occasions. Unfortunately "... the majority of the companies compete by means of a price- this answer is given by almost a half of the respondents. The quality is put on the second place – 27%. The new technologies as a key competitiveness factor are given just by 5% of the companies under research (the bigger the companies, the more important meaning of new technologies). Such an approach is definitely short-term and can "cause" a decrease of competitiveness of Polish companies in an international approach and can weaken a competitiveness of the Polish economy⁶⁹.

In the light of international comparisons and rankings the Polish economy is not included in the category of competitive economies although recently Poland has significantly improved its position in this kind of rankings. According to the **Report of World Bank IFC90 'Doing business 2012'** Poland has significantly improved its position from the previous years being placed on 55th place, 16 positions higher in comparison with the year 2010 (among 185 countries) in a general ranking of easiness of doing business.

In the ranking of global competitiveness of World Economic Forum 2009-2010 the position of Poland significantly improved. Within a year Poland improved its position by 7 places moving from position 53 for 46 among 133 countries. At the same time Poland overtook in the ranking 8 countries of the European Union: Slovakia, Italy, Lithuania, Hungary, Romania, Latvia, Greece and Bulgaria.

⁶⁸ B. Wyżkiewicz, *Konkurencyjność MSP*, op. cit., pp. 110-111.

⁶⁹ R. Stanisławski, *Znaczenie innowacyjności w procesie zarządzania małym i średnim przedsiębiorstwem w Polsce w kontekście zjawisk globalizacji europejskiej*, A. Potocki (ed.), Difin, Warszawa 2007, p. 4.

The annual ranking “**Index of economic freedom 2010 – Heritage Foundation and Wall Street Journal**”, in which 179 countries were evaluated, placed Poland on 71st position with 11 positions higher and overtaking three European countries: Greece, Italy and Bulgaria.

Referring to the rankings of **International Institute for Management Development (IMD)** in which the competitiveness of 58 countries was evaluated, Poland greatly improved its position- from the place 44 to 32 (in last year ranking of Poland recorded a rise of 8 seats). Among the countries of the extended European Union (EU-27) Poland overtook 11 countries.

Table 8. List of the positions of the Polish economy in the rankings evaluating competitiveness

Ranking	Great Britain	Germany	France	Spain	Lithuania	Czech Republic	Italy	Slovakia	Poland
Global Competitiveness Index (GCI)	12	7	16	33	53	31	48	47	46
Index of Economic Freedom	11	23	64	36	29	34	74	35	71
IMD ranking	22	16	24	36	43	29	40	49	32

Source: Przedsiębiorczość w Polsce, Ministerstwo Gospodarki, Departament analiz i prognoz, Warszawa 2010, pp. 122-126.

The improving every year but still relatively low competitive position of the Polish economy has influence on the competitiveness of companies functioning within it. The competitiveness of the Polish companies (with some exceptions) is low and has unstable basis⁷⁰. In the Polish processing industry unit labor costs are an important determinant of competitiveness.

⁷⁰ *Sektorowy program operacyjny wzrost konkurencyjności przedsiębiorstw; Opis i ocena pierwszego roku funkcjonowania. Ministerstwo Gospodarki i Pracy, Warszawa, maj 2005 r., p. 2.*

Polish companies connect their future with the low labor costs in comparison to the labor costs in the countries of the European Union. However it must be noticed that in a dynamically developing environment competing by means of low prices, thanks to low labor costs does not give them a durable advantage on the market. A slow equalization of labor costs in the European Union, external stimuli and the changes inside companies cause that change management becomes a very important element of the activities of the Polish companies⁷¹.

A weak competitiveness of Polish companies refers also to the small and medium-sized ones. Such a situation results first of all from the fact that these companies build their market position mainly on the basis of low prices⁷² and such activities lead only to an achievement of a short term competitive advantage⁷³.

A low innovativeness of small companies can result from the very range of their activities. These companies generally base on one kind of a product or a service and are characterized by a smaller likelihood of implementing changes than companies with a differentiated offer and complex processes as is the case in the majority of large enterprises (in the years 2002-2004 in the group of the middle-sized companies which participated in the research 40% implemented innovations and this was the case of 67% of large companies⁷⁴).

⁷¹ M. Sipa, *Innowacje a konkurencyjność małych i średnich przedsiębiorstw w Polsce*, Prace Naukowe, Katedra Ekonomii i Zarządzania Przedsiębiorstwem, Politechnika Gdańska, Gdańsk 2007, pp. 300-301.

⁷² M. Olszewski, *Kondycja małych i średnich przedsiębiorstw u progu 2003 r.*, PKPP Warszawa, luty 2003, p. 7.

⁷³ M. Sipa, *Innowacje a konkurencyjność małych i średnich przedsiębiorstw w Polsce*, op. cit., p. 302.

⁷⁴ A. Żołnierski, *Innowacyjność 2006. Stan innowacyjności, metody wspierania, programy badawcze – raport*, Polska Agencja Rozwoju Przedsiębiorczości, Warszawa 2006, pp. 9-10.

Comparing the innovation of small businesses in Poland and EU countries it falls far to the detriment of Polish companies. The innovativeness of Polish small businesses in relation to the innovation of medium-sized ones is like 1:6 and compared with the large ones like 1:15. In the countries of the EU, the small companies are also less innovative than the larger ones but it is like 1:2 which means that the difference of the activities of the small and large companies is much smaller than in Poland⁷⁵.

While building a competitive advantage, small and large enterprises should strengthen their position by means of proper factors both the internal ones and resulting from the relations with environment.

Internal factors which positively influence SMEs include⁷⁶:

- Directing on innovativeness (it takes place due to a limited scale of production and individualization of satisfying the needs of clients),
- Transparency and clearance of organizational structures (it is caused by a limited range of the offered products and a concentration of activities on small geographical markets),
- Determination of activities by the personality of the owner (it influences both the internal relations and external relations of the company; that is why a direct contact of an entrepreneur with employees can be so important).

A closeness of the market on which a small and medium-sized entrepreneur operates and a speed of reactions for the changes taking place in the environment belong to the positive external factors of SMEs. A closeness of the market on

⁷⁵ A. Sosnowska, K. Poznańska, S. Łobesko, J. Brdulak, K. Chinowska, *Systemy wspierania innowacji i transferu technologii w krajach Unii Europejskiej i w Polsce*, [in:] *Poradnik przedsiębiorcy*, W. Burdecka (ed.), Polska Agencja Rozwoju Przedsiębiorczości, Warszawa 2003, p. 5.

⁷⁶ B. Nogalski, J. Karpacz, A. Wójcik-Karpacz, *Funkcjonowanie i rozwój małych przedsiębiorstw*, AJG, Bydgoszcz 2004, pp. 30-34.

which a small and a medium-sized company operates gives a possibility of a quick evaluation of the changing preferences, needs or tastes as well as behaviors of consumers and creates conditions to undertake quick adjusting reactions. Sometimes the created direct relations between an entrepreneur and a consumer are a beneficial advantage as a creation of the competitive advantage of SMEs can be based on them. A great sensitivity to market signal referring to economic situation (e.g. the changes in the income of consumers) is the reason for a bigger flexibility of smaller and bigger enterprises. The new products introduced by other companies can be also the impulse to undertake actions.

A competitive capacity of SMEs will encounter certain limitations not only the external ones but also the internal ones. The factors which weaken the competitive position of SMEs are⁷⁷:

- Limited resources,
- Structural limitations and a way of managing a company,
- Not precised plans of the company's activities.

The limited resources greatly determine the activities of SMEs and obtaining financial resources from the financial institutions is often more difficult as a result of high interest rates of credits and high formal requirements connected with obtaining them (e.g. collateral). This results in small development possibilities. The financial capital often comes from own savings, loans from a family or from acquaintances. A limitation of resources can cause a reluctance of an entrepreneur to a long-term expectation of profits with a simultaneous need to increase own invested means. Limited resources are not only the financial resources but also capital resources, e.g. attracting qualified managers for whom the job offers presented by SMEs can be unattractive.

⁷⁷ *ibidem*, pp. 35-37.

A highly centralized and often patriarchal way of managing the company can limit the application of the proper techniques of management. The new way of managing the company can be also determined by the structural limitations. Despite the fact that the organizational structures of the company give it a dynamism and a pro-innovative character, they can also be its weakness (e.g. an excessive centralization of knowledge, a lack of clearly defined tasks). This issue can be solved by increasing the qualifications of managers and increasing the decentralization of decisions.

A lack of plans for carrying out activities including the long-term and middle-term ones is a common problem which make a functioning of SMEs difficult. The reason for it is a conviction that the definition of aims and a way of achieving them does not bring any benefit and sometimes a lack of sufficient knowledge on planning. The limited financial resources cause that SMEs do not usually use external sources of scientific or technological knowledge or the services provided by the advising institutions.

A small influence on the market and a lack of marketing orientation of the company belong to the factors which weaken a competitive position of small and middle-sized enterprises. A small impact on the market causes that SMEs have a weaker bargaining power towards suppliers which in turn leads to the fact that they are more prone to the influence of competitive strengths against which they cannot fight. The advantage but at the same time a weakness of SMEs can be a lack of a strong market identification. Due to the fact that SMEs are less noticed on the market, they can change their strategy more often, undertake experiments without worrying that they will lose a considerable market position of the features of the brand. However, a lack of marketing orientation is a result of the lack of specialized units within SMEs.

The SMEs sector, although it produces a bigger part of production and employs more people than a sector of large enterprises, has a small, almost no

influence on shaping legal regulations. It happens so due to the fact that it remain outside a social dialogue in which the trade unions take place as well as government and employers representing large enterprises. such a situation is a result of the lack of institutional representation of SMEs which could be included into a social dialogue for the protection of own interests and co-participation in the creation of law. Simultaneously, the existing practice shows that the economic legislation including a labor code, tax legislations and other decisions leading to a creation of an institutional environment of the activities of SMEs are shaped neglecting the interests of small companies and first of all take into consideration the needs of large enterprises⁷⁸.

⁷⁸ B. Wyżkiewicz, *Konkurencyjność MSP*, op. cit., p. 107.

CHAPTER 2. Management of a small company

2.1. Specificity of the management of a small company

The processes of managing a company evaluate together with its development. A growing company, together with an increasing number of clients, an increasing area of operation, increasing number of the assortment offered or growing profits, should update on the daily basis the solutions which ensure maintaining fluidity of the processes realized in the company. An improvement or an introduction of a new organizational solution should be adjusted to the character of the given company and should also take into consideration the conditionings dictated by the environment (particularly the legal ones) in which the company functions. It is particularly important in the sector of small companies characterized by a heterogeneity and a different specificity and different behaviors of single business units. In the literature it is often underlined that a small company is not a miniature of a big company⁷⁹ but is a business unit which has different rules of operation, concentrates on different values and reacts differently to external stimuli. That is why it is impossible to talk about one common way of managing a small company. The trials to characterize a specificity of the management of a small company can only try to systemize and to point at the common features and behaviors which in these companies happen more often than in others.

⁷⁹ J.A. Welsh, J.F. White, *A small business is not a little big business*, Harvard Business Review, July-August 1981, p. 18.

CHAPTER 2. Management of a small company

The way of managing these companies is generally⁸⁰:

- Simple – trying to use simplified techniques, procedures and tools as much as possible. The managers of small companies generally have neither time nor proper knowledge to implement more complex system of management. It can be also added here that they do not feel such a need,
- Centralized – in which all the decisions are taken by just one person.

An excessive centralization which characterizes the management of small and medium-sized companies often leads to their collapse. Feeling the role of “one-man band” has its advantages – the decisions are taken quickly, quickly implemented, the responsibility is clearly defined. However, in case of the development of the company, it becomes a disadvantage, a bottleneck of the system which disturbs the running activities.

Particularly important conditionings of the operation of small companies result from a series of features to which one can include⁸¹:

- Operation based only on own intuition of the owner or a hired manager,
- Relatively low level of the education of staff,
- Majority of operational decisions,
- Possibility to function without a legal personality,
- Common combination of a function of a manager and an owner,
- Operation on a small scale and mainly locally,
- Independence of the company from other business units,
- Lack of access to the sources of financing immanent for the capital market,

⁸⁰ M. Sidor-Rządkowska, *Zarządzanie personelem w małej firmie*, Oficyna Ekonomiczna, Kraków 2004, p. 17.

⁸¹ Krajewski K., *Kreowanie miejsc pracy w małych i średnich przedsiębiorstwach*, Wynagrodzenia, nr 19/1999, dodatek miesięczny, nr 9, p. 18.

- Relatively small market participation and as a consequence a weaker market position,
- Development which does not require a lot of capital,
- Taking little care of the company's image resulting in this case from a lack of knowledge on marketing,
- The management functioning on the basis of a "fire brigade",
- Hardly any export,
- Lack of tendencies to organize into local groups defending own interests,
- More susceptibility to changes taking place in the environment and a necessity to adjust quickly to these changes,
- A different structure of aims and motives of operation which often reflects the features of the owner.

Looking for the features which differ the models of functioning of small and large companies it is necessary to point at: uncertainty of operation, more likelihood of evolution and implemented changes and first of all a role of creativity and innovativeness⁸². A capacity to react quickly to the changes in environment is considered to be one of the most important features of small companies. It is a result of a flexible organizational structure, staff and technological potential thanks to which small companies are not obliged to use the strategy of survival and can compete effectively on the market⁸³.

The aforementioned features characterize the population of small companies influencing directly the way of managing them. Among the features which best

⁸² H. Skłodowski, E. Stawasz (ed.), *Psychologiczne wyznaczniki efektywności poszukiwania pracy i samozatrudnienia*, Wydawnictwo Uniwersytetu Łódzkiego, Fundacja Inkubator w Łodzi, Łódź 2002, p. 17.

⁸³ K. Safin (ed.), *Zarządzanie małym i średnim przedsiębiorstwem*, Wydawnictwo Akademii Ekonomicznej im. Oskara Langego we Wrocławiu, Wrocław 2008, p. 39.

describe the character of the management of small companies one can distinguish 10 features⁸⁴:

1. **The company is dominated by the owner's personality.** The entrepreneur can implement own ideas in the company and executes all important managing and managerial function on their own risk. As pointed by K. D. Brouthers, the activities of the entrepreneur are often not very rational e.g. without taking into consideration the information and analysis while taking decisions and are influenced by personal opinions (which are not justified by the reality)⁸⁵.
2. **The company sometimes disposes of a network of personal contacts with clients (suppliers) and a relative openness.** A small company operates in the majority of cases on a relatively economically or geographically close market. This means a necessity of close contacts with stakeholders on which the success of the company depends. The dominating way of the operation of small companies is concentrating on the needs of a given client based on a direct contact and sticking to deadlines and less often a concentration on an anonymous market with an immediate time of supply⁸⁶.
3. **The company provides services (products) according to the individual wishes of clients.** Fulfilling the individual wishes is one hand a way to be distinguished on the market (a survival) and on the other hand is a reaction for the lack of the possibilities to exert influence on the environment or on a small range of these possibilities⁸⁷.

⁸⁴ ibidem, pp. 37-42.

⁸⁵ K.D. Brouthers, F. Andriessen, I. Nicolaes, *Driving Blind: Strategic Decision-making in Small Companies*, Long Range Planning 1998, Vol. 31, No. 1, p. 137.

⁸⁶ M. Strużycki, *Wewnętrzne i zewnętrzne uwarunkowania rozwoju małych i średnich przedsiębiorstw w Polsce*, [in:] M. Strużycki (ed.), *Zarządzanie małym i średnim przedsiębiorstwem. Uwarunkowania europejskie*, Difin, Warszawa 2002, pp. 21-22.

⁸⁷ M. Mroczek, *Konkurencyjność małych i średnich przedsiębiorstw w gospodarce rynkowej*, Przegląd Organizacji, nr 4, 1998, p. 28.

4. **Non-formalized organizational structure.** Small companies, particularly in the early phases of development, are characterized by coherent and transparent organizational structures. A small number of the levels of management, a short information flow and a lack of anonymity of employees and functions causes that the small company can react quickly to new signals coming from the environment⁸⁸.
5. **Contacts between the management of the company and employees are close and non-formalized.** A small company is usually managed in a characteristic way. It is based on “paternal” relations between the owner and managers.
6. **A quick reaction for the changes of environment.** A skill to react quickly to the changes of environment is considered as one of the most important capacities of small companies⁸⁹. A possibility to react quickly is a result of a flexible organizational structure (with one decisional center), staff potential and technological potential (only having universal functions).
7. **A separate type of financial economy.** The financial basis on which the small companies are based and function are generally the saving of the owners and his family, means which are inherited or obtained by the marriages, sometimes loans from relatives or acquaintances. Such a specific character of the financial economy of small companies, rarely using the possibilities of external sources of financing are very important conditionings of their development⁹⁰.

⁸⁸ M. Mroczek, op. cit., p. 28.

⁸⁹ E. Stawasz, *Innowacje a mała firma*, Wydawnictwo Uniwersytetu Łódzkiego, Łódź 1999, p. 95.

⁹⁰ E. Stawasz, *Innowacje a mała firma*, Wydawnictwo Uniwersytetu Łódzkiego, Łódź 1999, p. 95.

8. **A small market participation.** Small and medium-sized companies do not belong to market tycoons. Their participation in sales (turnover) and a number of served clients is generally low. These companies operate mainly on small markets (very often clients limit to just one street e.g. a bakery) or regional (e.g. small construction companies). There are very few companies which are the tycoons on a national or international market⁹¹.
9. **Economic and legal independence.** Small companies almost always and the medium sized ones very often, are the units which operation is based on a private ownership and a personal work of the owner and the members of the owner's family. Such a situation is maintained as long as the size of the company (employment, size of production) or environment enable the effective solving of external problems or the competitive fight.
10. **The operation of small companies is generally connected with one product or is very little diversified.** Small companies concentrate their activities on selected markets or products. Both not numerous staff members and very limited financial and technical possibilities make them look for their chances in selected segments on market niches.

The aforementioned catalogue of ten features describes these functions, areas and ways of behaviors which do not take place in large enterprises or which are realized in them in a completely different way. A different approach is visible already on the level of the basic areas of the science of management and is reflected in the ways the management function is realized. In case of large

⁹¹ *These SMEs which decide for a global range of operation are surprisingly very successful; in the literature they are described as "hidden champions". These are the companies which take the first or the second place on the world market of their own sector and get profits from sale not smaller than 1 milliard USD and which are not very popular. See Simon H., Tajemniczy mistrzowie, studium przypadku, Wydawnictwo Naukowe PWN, Warszawa 1999.*

enterprises, the owner generally gives the tasks connected with management to specialists- managers. It results in a separation of the function of the capital owner and management function. In small companies the owner is in the majority of cases the manager that is why they should dispose of the proper knowledge and experience. Therefore in a small company the owner has a right to give guidance and orders to other people having the full responsibility for the decisions taken and the consequences of the decisions. In small companies both the functional and level division of management does not take place or takes place only partially as it is not necessary to distinguish any special functions or indirect levels of management⁹². In this way the owner independently executes the management functions that is defines the aims of activities, plans the ways of obtaining them, organizes necessary resources, divides tasks and duties and executes the control functions.

The owner implements the administrative functions which are called by H. Fayol the management functions. These are: foreseeing (planning), organizing (connected with a coordination), giving orders (deciding), controlling and motivating. In the contemporary literature such a division is considered to be too narrow, outdated, weakly underlining the role of relations between a company and its external environment.

Ch. Fournier, who is not very far from the concept of Fayol but just updates it implementing the techniques which were not known at the beginning of the century that is IT function, addresses his functions directly to the sector of small and medium-sized enterprises.

Fournier thinks that in a small company the functions can be executed by one person, in a middle-sized company- divided into a few staff members.

⁹² B. Piasecki, *Ekonomika i zarządzanie małą firmą*, Wydawnictwo Naukowe PWN, Łódź 1999, p. 153.

Depending on the company's size they can have a different meaning but they always exist. Each of them can be implemented in the different way using the different funds but not of them can be omitted. Fournier enumerates the following functions: organizational, marketing, searching new products and services, of trade, of production, supply, human relations, financial, bookkeeping, control of management, IT. It must be underlined that out of the administrative functions proposed by Fayol, Fournier accepted only the organizational and control ones and omitted planning, coordination, motivating and deciding referred not only to management but to all the areas of the company.

The further part of this chapter presents the characteristic of the basic elements of the management function from the perspective of a small company. These functions include⁹³: deciding, planning, organizing, motivating and controlling.

Deciding is a duty of every manager. While observing the work of the manager one comes to a conclusion that during one day a manager in a small company takes many different decisions as in such companies in the majority of cases there are no hierarchical structures. The owner playing at the same time a role of the manager must take both current operational decisions and the ones which refer to the future- the strategic ones. A capacity to choose one of many options influences in turn a capacity to achieve the defined aims which means that it influences directly to implement adopted plans of actions.

Planning being a "start line" function of the management is in a way a challenge for every manager both of a large and a small company. It is so because the thesis that planning is only characteristic for industrial, trade or service companies is not confirmed. Small companies must also design its future if they want to ensure development. For the usage of small enterprises a simplified

⁹³ ibidem, pp. 154-207.

model of planning can be used. It is a presentation today of the future image of the company. It is first of all necessary to define properly the aim of the future activities. In the contemporary companies strategic planning is more and more important and it is no longer only a domain of large enterprises. It results from the research that also the owners of small companies have some ideas of the development strategies but they are not as formalized as is the case of large enterprises. The consequence of the possessed plans and defined tasks is an adjustment to them of proper resources and subjects of work, engagement of financial resources for them and housing resources and first of all people that is a creation of teams for executing and managerial tasks described in the form of the organizational structure.

The process of organizing can be interpreted as a process of deciding and implementing aims. As a result of this process, a formalized pattern of order is created that is an organizational structure. In practice the following structures can be differentiated: line, functional, staff, matrix, divisional and the structures of the virtual structures. In case of small companies the functional structures which possess the following advantages are the most common:

- Each subordinate has just one superior which gives orders, tasks, guidance and to whom the employee is responsible for their execution (the rule of a single management),
- Easiness to keep discipline,
- Simplicity,
- Easiness to define responsibility for lacks, disadvantages, shortcomings.

The second category of structures, which takes place in the sector of small and medium-sized companies are matrix structures, which take place in the companies concentrating highly qualified specialists implementing projects which belong to the class of high-tech.

CHAPTER 2. Management of a small company

Regardless of the character and a size of the company, the process of its organizing is a set of many complex activities implemented on the stage of creating a company and its functioning. In both cases a skill of an efficient organization is very important for its future functioning and capacities to implement changes in order to adjust them to the changing conditions of the environment that is a capacity to reorganize.

An implementation of improvements in the small company should take into consideration the specific conditions of companies functioning in the sector. The improvements should be implemented by an external or an internal specialist but their range and cost should take into consideration the possibilities of the small company. In the small company a methodical procedure is needed and a usage of the proper tools by the consultant results from the few reasons:

1. owner/manager together with a group of people cooperating with them usually have neither time nor qualifications to evaluate a current situation and to make a diagnosis as well as to define alternative solutions on which the future of the company can depend.
2. Managing a company and knowing it very well, they come up to the problems which occur in a routinized way which means they do not have a fresh look on the current situation and on the possibility to change it.
3. Operational management and solving the problems of the everyday life do not allow for a sound and creative evaluation of chances, threats which the company faces and for an analysis of the possibilities to adjust to the challenges of environment.
4. Small companies cannot afford to delegate one qualified staff member or to employ on permanent basis the specialists in the field of organization who “on daily basis” would run research activities and would put the results in practice in the form of projects and solutions.

It is much less expensive to use consultations services of the specialists which has been used for many years in the economically developed countries in reference to small countries.

Among the functions of management proposed by H. Fayol and widely recognized one is missing to which now in practice more and more attention is attracted. This is a **function of motivating**.

Paying attention to the motives of behaviors in the human life and their skillful usage (both for the needs of staff management- that is an implementation of the company's aim and its association with the aims and needs) grow out of the social trend in the theory of organization and management. The attention started to be paid to psychological and social aspects of the engagement of a person into labor processes and it was considered that a person does not make the effort connected with executing the task not only (or just not always) because of the earning which allows to survive.

For the owner of a small company it is important to manage a company or a team of people in such a way as to motivate people to take actions in such a way as "to make things that somebody is supposed to do in an eager way and to find fun in it and as a result to improve the work many times completely devoting oneself to it"⁹⁴

A satisfaction from work influences an emotional influence of a person on it. Between the effects of work, a satisfaction and an attachment to the company there are direct links, which should be realized by managers and used to increase the effectiveness of a social functioning of the company. R. Bennet underline it in the following way⁹⁵: "An employee is motivated to work partially by the need to pay for living and partially by:

⁹⁴ T. Kotarbiński, *Traktat o dobrej robocie*, PZWS, Warszawa 1970, p. 213.

⁹⁵ R. Bennet, *Small Business Survival*, Pitmann, London 1991, p. 110.

CHAPTER 2. Management of a small company

- Psychologically-social need to have satisfaction from work,
- Professional dignity,
- Organizational safety.

Small companies are not able to provide fully their employees with the aforementioned elements and in reality even the safety of employment cannot be guaranteed.

Despite it, it is possible to:

- a) design such an organization of work which ensures a maximum diversity and is interesting for an employee,
- b) combine the results of work with a system of bonuses in such a way as to pay good remuneration without worrying that the company will go bankrupt.

As underlined by R. Bennet, in the small company an employee is the most valuable asset. It must be considered that not every employee must be so much attached to the company as an owner but still can be an excellent worker.

Controlling. Controlling closed the cycle of functions and is simultaneously a starting point of a new cycle (planning- organization- motivation- control). The essence of the control boils down to comparing the norms with reality, stating whether there are any deviations and taking correction actions. The norms, patterns of behavior or standards are in the majority of cases defined in the process of planning.

Having the norms (standards) defined, it is possible to compare them with the achieved effects, assess a deviation and introduce (or not) the changes.

In small companies the control can be done by the manager on the daily basis. Due to small sizes of such a company, the manager is able to deal with all the processes and events and to correct any deviations that may appear. However, it is recommended to separate some strategic areas, in which the control should be conducted. Such areas include first of all finances. The

research show that a lack of the control over finances is the main reason the companies' bankruptcies.

Summing up it can be stated that controlling is as important function of management as planning, organizing and motivating. As a last managerial function it is tightly connected with planning from which it derives its aims, norms and standards, which are the basis for comparisons with reality. In small companies the owner can control all the company, in the larger ones- should concentrate only on the most important areas.

2.2. Strategic management of a small company

According to David Hussey, there are five the most important determinants of a long-term strategic success: a strategic analysis, a creative strategic thinking, a strategic decisional process, an implementation of a strategy and skillful taking of decisions by the leaders of organization⁹⁶. These elements support one another creating a basis for an effective strategic planning. It enables to take justified strategic decisions, obtain competitive advantages and increase the value of the company. This also allows to detect any weaknesses and give impulses to improve a potential, a structure and a culture of the company and at the same time increases its "good adjustment" to conditions and changes in the environment.

2.2.1. A notion of strategy

In the literature and colloquially, a word "strategy" is used to define many different important strategies undertaken by the top management. A strategy can be defined as a programme of actions defining certain aims of the company and ways of achieving them. The notion of strategy was very successful in science

⁹⁶ D. Hussey, *Strategy and Planning. a Manager's Guide*, John Wiley & Sons, Chichester 2000, p. 11.

and in the practice of organization and management which is a result of a growing meaning of the correct reaction for different kinds of systems for processes and external phenomena (taking place in the environment) and internal (happening with them). An increasing interdisciplinary of the notion strategy and a scientific tradition makes it necessary to create a common, recognized and unequivocal notion although there is no coherent and complete theory of strategy⁹⁷.

In a general meaning, a notion of strategy means a leading economic orientation, social and military orientation and others which express a dominating direction of the activity of a given system. Such a leading orientation is a main line and at the same time a guideline for the behavior of the system managers (a business unit, state, army) being a result of the situations which take place in the environment and taking into consideration own staff potential, organizational, financial and technological and production potential. It is necessary to underline at the same time that the strategy in a basic dimension always has a complex character as it is a project of the future organization and functioning of the whole system⁹⁸.

The concept of the strategy together with its roots dates back to ancient Greece and its art of war. Etymologically the word strategy derives from a Greek word “strategos” and means “a plan of destroying enemies thanks to an effective usage of the possessed resources”. Such an approach in the military approach was binding until 19th century when Prussian general and military theorist Carl von Clausewitz defined strategy as an art of war meaning a creation of a war plan, defining single military campaigns and single undertaking within them⁹⁹.

⁹⁷ G. Gierszewska, *Strategie przedsiębiorstw w dobie globalizacji*, Wyższa Szkoła Handlu i Prawa, im. Ryszarda Łazarskiego w Warszawie 2003, p. 18.

⁹⁸ A. Stabryła, *Zarządzanie strategiczne w teorii i praktyce firmy*, Wydawnictwo Naukowe PWN, Warszawa-Kraków 2002, p. 39.

⁹⁹ G. Gierszewska, *Strategie przedsiębiorstw w dobie globalizacji*, op. cit., p. 18.

At the beginning of the 20th century, a possibility to use the convictions of the concept of strategy in the field of business activities was noticed particularly in the field of planning the activities of the company, which- according to R.L. Ackoff have even the more strategic dimension because¹⁰⁰:

- Planning includes more activities,
- While formulating the aims of activities and choosing the ways of implementing them more attention is paid to long-term aims.

The table below presents a list of the interpretations done by the different authors.

Table 9. Notion of strategy according to the different authors

Author	Definition of strategy
J. von Neumann and J. Morgenstern, 1944	Strategy – “a complete plan” which defines which choices will be taken by players in every situation that can be foreseen.
A.D. Chandler, 1962	SuitablesStrategy – a definition of long-term aims of the company and an adaptation of the suitable directions of activities and an allocation of sources necessary to implement these aims.
K. Andrews, 1971	Strategy – a set of aims, target parameters and basic convictions and plans necessary to achieve these aims, expressed in such a way to make it possible to define what the company deals with or should deal with and what kind of company it is or should be.
R.L. Ackoff, 1974	Strategy – long-term aims and ways of achieving them influencing the system as a whole.
K.J. Hatten and M.L. Hatten, 1974	Strategy – way of achieving organizational aims.
C. Steiner i J.B. Miner, 1977	Strategy – a creation of basis for defining a mission and aims of an organization which serve to implement policies and strategic programs and methods necessary to implement strategies enabling the achievement of aims.

¹⁰⁰ R.L. Ackoff, *Zasady planowania w korporacjach*, PWE, Warszawa 1973, p. 23.

CHAPTER 2. Management of a small company

H. Mintzberg, 1979	Strategy – a way of shaping relations between an organization and its environment: coherent sources in the streams of organizational decisions referring to the environment.
W.F. Glueck, 1980	Strategy – a supreme and interactive plan defining advantages of the company in relations to expectations and challenges of the environment.
K. Ohmae, 1982	Strategy – an approach which aim is to make a company stand out among competitors; this approach means a consolidation of all the strengths of the company in such a way which allows it to fulfill the most the expectations of the receiver.
H. Koontz, C. O'Donnell, H. Weihrich 1984	Strategy – most often a program generally directed on a full usage of the potential of a creative system in order to define the aims.
H.I. Ansoff, 1985	Strategy – a model of choice of a strategic behaviour defined by the following dimensions: 1) Business behaviour – that is such within which there are no strategic changes, 2) Strategic adaptation which is in line with the previous strategic changes (“Organization Serving Environment”), 3) Strategic discontinuity which rejects previous experience.
J.B. Quinn, 1988	Strategy – a model or a plan which integrates main aims into one totality of the organization, policy and consequences of actions. A well formulated strategy helps to obtain and allocate unique resources which enables to take an attitude based on internal competencies and drawbacks, anticipate changes in the environment and take into consideration the actions undertaken by intelligent opponents.
Dictionary of Business English, 1989	Strategy – a plan which includes all the tasks related to the functioning of the organization in the future (units of top management are responsible for implementing these tasks)
R.M. Grant, 1991	Strategy – an adjustment between internal resources and skills of the company, chances and threats which take place in the environment.
H. Mintzberg, J.B. Quinn, 1991	Strategy actually justified action, aiming to outwit the competition
P. Wright, Ch.D. Pringle, M.J. Kroll, 1992	Strategy refers to planned results (defined by the top management of the company) in relations to the mission and aims of the company.

STRATEGIC PLANNING IN A SMALL COMPANY

A.A. Thompson jr., A.J. Strickland III, 1993	Strategy is: 1) a plan of actions, 2) reflects a model of management on the market, 3) shows how to implement a vision and achieve the defined aims.
A. Miller, G.G. Dess, 1996	Strategy-a plan or actions undertaken to multiply aspirations in the achievement of defined aims.
J.A. F. Stoner, R.E. Freeman, D.R. Gilbert jr., 1997	Strategy – a wide plan of defining and achieving the aims of organization; a reaction of organization in time for the impact of its environment.
J. Jeżak, 2004	Strategy – a planned and a real coordination of main aims and activities of the company in time and space helping it to follow the changes in environment in the permanent way; ...a concept of the direction of moving the company on a scale on which its current and future, desirable positions are marked.
J. Bogdanienko, 2002	Strategy – a tool which leads to combining an effectiveness of current activities with a success in the future; a choice of areas in which the company intends to engage as well as the essence and range of this engagement, as well as ways of investing own resources in order to obtain the best competitive position taking the future conditions of environment and activities of competitors into consideration.
R. Krupski, 2004	Strategy – ideas defined ex ante referring first of all to values of innovations, occasions defined ex ante which must be used and the redundancies of costs and competencies defined which must be created as a results of opportunities and threats.

Source: own preparation on the basis of: M. Romanowska, Planowanie strategiczne w przedsiębiorstwie, Polskie Wydawnictwo Ekonomiczne, Warszawa 2009; Gierszewska G., Strategie przedsiębiorstw w dobie globalizacji, Wyższa Szkoła Handlu i Prawa, im. Ryszarda Łazarskiego w Warszawie 2003; A. Stabryła, Zarządzanie strategiczne w teorii i praktyce firmy, Wydawnictwo naukowe PWN, Warszawa- Kraków 2002; J. Rokita, Zarządzanie strategiczne. Tworzenie i utrzymywanie przewagi konkurencyjnej, Polskie Wydawnictwo Ekonomiczne, Warszawa 2005.

A review of many definitions of strategies reveals a lot of contradictions. A part of the authors and managers understand the strategy as a decision closing a lengthy process of analysing the data, forecasting changes, comparing different alternative strategies. The interest of researchers and decision-makers into the strategy ends when the strategy is chosen and transferred to different

departments to implement it. The second approach suggests that a strategy should be treated as a long-term process which never ends. The decisions are taken on the different stages of the process, the normalization actions start and the process of building and reorganizing strategy is endless¹⁰¹. C.A. Montgomery interprets these approaches as a **traditional approach** (a strategy as a ready solution) and a **modern solution** (a strategy as a dynamic process). A traditional model of strategic planning which derived from a positional way of thinking, opposes to a modern thinking in which a decision-maker never losses contact with a strategy.

A comparison of these two approaches is included in the table below.

Table 10. Traditional and modern approaches to the company's strategy

Strategy as a ready solution		Strategy as a dynamic process
Durable, long-term competitive advantage	Aim	Creation of values
President of the company and advisor in the area of strategy	Leadership	President of the company as the main strategist, in which no one can replace him
Unchangeable plan, which arises as a result of the analytical work of the left hemisphere of the brain	Form	Organic process characterized by an adaptability and a holistic approach; its result always remains an open question
Period of intense formulation of strategy followed by implementation spread over time	Time framework	Daily, continuous and endless process
Defence of once established strategy	Developing competitive advantage and develop business	Developing competitive advantage and business

Source: CA. Montgomery, *Liderzy firm muszą znów poważnie zająć się strategią*, Harvard Business Review Polska, 2008, wydanie specjalne.

¹⁰¹ M. Romanowska, *Planowanie strategiczne w przedsiębiorstwie*, Polskie Wydawnictwo Ekonomiczne Warszawa 2009, p. 17.

In turn K. Oblój¹⁰² came to a conclusion that it could be possible to unify the different approaches and maintain at the same time a methodological correctness but this would be at the expense of theoretic originality and practical usefulness. According to the author there is “better”, “real” or “proper” concept of strategy but there are different approaches and different concepts which can be grouped into four main approaches:

- The first one – the most popular, treating a strategy as a creation and implementation of a plan of actions,
- The second one – the strategy as a position of an organization against its environment,
- The third one – a strategy as a relatively durable model of an organization’s operation, as a set of certain durable rules, ways of reaction, supported by the organizational culture,
- The fourth one – a strategy as an emphasis of the meaning of the process of self-identification of organization, discovering and shaping its own ego.

The essence of the winning strategy for any company can, according to K. Oblój, be boiled down to the following statement: “it is necessary to be better than competitors or to act differently than they do and on a different market”. The desirable features of an effective strategy require first of all a primacy of: a courage of thinking about a correctness of future over current actions, external problems over the internal ones, clear priorities over a complexity of endless development and stability.

P. Skat-Rordam thinks that the strategy should be concentrated on main construction elements of the company that is its basis to run business which are: products it sells, sources of competitiveness and profits and the ways of organizing human resources, systems and technologies¹⁰³.

¹⁰² K. Oblój, *Strategia sukcesu firmy*, PWE, Warszawa 2000, p. 13.

¹⁰³ P. Skat-Rordam, *Zmiany decyzji strategicznych. Wykorzystywanie okazji rynkowych do rozwoju przedsiębiorstwa*, PWN, Warszawa 2001, p. 13.

Playing the role of a standard of actions is an important determinant of the strategy. This means that strategies shape as a rational solution (practically verified) in reference to structure, processes, approaches, behaviors and on so on. The strategies in this case have an incremental character and are not a result of a formalized planning.

The features of strategies distinguished in the definitions of this notion presented above, are characteristic mainly for big corporation. However, they can be also referred to the conditions of a small company. Taking for granted that an aim of every company, also the small one, is a survival and that the survival is a necessary condition for a development, it can be considered that the small company can have its strategy as a model of functioning and as a consequence a development. The small company also faces a problem of the allocation of resources. Although they are inherently small, taking its needs into accounts, the company trying to prepare for the changes in the environment and for the activities undertaken by the competitors take its limitations into consideration¹⁰⁴.

The decisions taken in small companies are kinds of strategic choices and they can be referred to a definition of a strategic choice used by J. Rokita which means a choice which itself takes into consideration the relations between strengths and weaknesses of an organization and the chances and threats which take place in the environment¹⁰⁵. Small companies more than the bigger ones must take the existence of environment into consideration as it exerts impact on the company's strategic choices. The owners of small and medium-sized companies in order to win on the market must be more "alert" which means that they must pay more attention to the meaning of resources and skills which make them stand out and to avoid a necessity to engage these elements of the company (undertaking) which are its weakness or even a drawback.

¹⁰⁴ J. Klimek, *Rola zarządzania strategicznego w rozwoju przedsiębiorczości*, Instytut Organizacji i Zarządzania „Orgmasz”, Warszawa 2006, p. 38.

¹⁰⁵ J. Rokita, *Zarządzanie strategiczne*, PWE, Warszawa 2005, p. 20.

The definitions of the strategies of companies, although created for the needs of large companies, define similarly a possible strategy of a small company. Regardless of the size of the company, the strategy is a central part of functioning, connecting all the important parts of the activities of every company.

The table below presents the features of economic strategy according to J.A.F. Stoner and Ch. Wankel referred to the strategy formulated for the needs of the small company.

Table 11. Features of economic strategy according to J.A.F. Stoner and Ch. Wankel

Features of strategy	Economic strategy	Strategy of a small company
1. Time horizon	A notion of strategy understood in a long-term context both in reference to planned activities and planned effects which are the derivative of the activities done in the past.	A notion of a strategy is understood in the context of defining a way of functioning in the given branch and on the given market. The time horizon is definitely shorter, dependent on the changeability of the business environment, in which the company operates and to which it must adjust.
2. Effects	Results of implemented business strategy are generally noticed after a longer period of time but their potential must be significant.	Implemented strategies (in a conscious or unconscious way) give the results in the short period of time and they have key effects and play a key role in the operation of a small company. The first decisions taken by the owners of the company have also strategic meaning e.g. a localization of the company, a choice of the market. The results of such decisions are long-term and they are one of the most important conditions of operation.

CHAPTER 2. Management of a small company

3. Concentration of efforts	<p>The effectiveness of the strategy usually requires a concentration of activities, efforts or attention on a relatively limited number of intentions.</p> <p>In large organizations the operation is mainly concentrated on a few domains and therefore a concentration on selected activities limits resources available for other sources of activities.</p>	<p>The small company generally bases its operation on one, narrow domain and an adopted strategy should concentrate on it. Thanks to a narrow field of activities, on the stage of implementing the aims of strategy, there is no threat that the resources and efforts will be dispersed. The achievement of all the aims of strategy is only a consequence of its implementation.</p>
4. Layout of decisions	<p>A wide context of the activities of large companies causes that the decisions taken on the different levels both on the substantial, time and importance level, must fall into one consequent decisional system which guarantees an implementation of defined strategic aims.</p>	<p>A limited range of operation of a small company determines the conditions of taking decisions. The implementation of a strategy (conscious or not) defines a concrete aim of the operation of the small company which means that all decisions are subordinated to one direction of development.</p>
5. Omnipresence	<p>An implemented strategy are complex activities which include the whole organization from attributing resources to everyday operations. The implementation of the strategy requires a lot of consequence to make all the levels to take proper actions in the right time, which in turn will strengthen the strategy.</p>	<p>Small company, which generally has a low potential of human resources, financial or material resources is imposed to smaller risk of a lack of adjusting them to the guidelines of the strategy.</p> <p>In the small company, due to its specificity, an omnipresence of the strategy is much more visible than in case of a large company.</p>

Source: own preparation on the basis J.A.F. Stoner, Ch. Wankel, Kierowanie, PWE, Warszawa 1992, pp. 96-97 and K. Ćwik, Zachowania strategiczne małych przedsiębiorstw i ich uwarunkowania w aspekcie teoretycznym, [in]: S. Lachiewicz, M. Matejun, Zarządzanie rozwojem małych i średnich przedsiębiorstw, Oficyna a Wolters Kluwer business, Warszawa 2011, p. 29.

As results from the divagations above, the strategy of the small company can have the same features as a strategy of a large company and it even seems that these features are more visible in case of a small company.

A large number of interpretations of strategies is a consequence not only of the different theoretic concepts but also derives from the practical experience. There are big differences in a practical way and forms of defining a strategy by companies starting from the complex economic programmes through a framework presentation of directions (general aims) of the development or restructuring of company, and finishing on a creation of a strategy in a “follower” mode (for the changing external situations and internal conditionings). Regardless of the competencies and experience of the management of company, a necessary condition (although not the only one) of staying on the market and shaping its development, is a preparation of such a strategy which will fulfill all the functions enumerated above¹⁰⁶. In a long-time perspective, a maintenance of a competitive position requires an introduction of the processes of strategic management.

2.2.2. Strategic management

Strategic management as a discipline was born and developed as an answer to the need of large enterprises, mainly the biggest corporations. Today it evaluates as an answer to the new trends of economic development not always following the needs of these companies. That is why it is even more difficult to adopt a methodology of strategic management to the specificity of small companies. One reason is that it is not completely shaped and the other that it is

¹⁰⁶ A. Stabryła, *Zarządzanie strategiczne w teorii i praktyce firmy*, Wydawnictwo naukowe PWN, Warszawa – Kraków 2002, p. 41.

not adjusted the specificity of small business units¹⁰⁷. In the classic form, a strategic management is a complex, permanent process of management concentrated on formulating and implementing effective strategies favorable to the adjustment of organizations and its environment and to achieving strategic aims¹⁰⁸. It is “a defined philosophy of the development of the company which means a dynamics and an openness required by the dynamics of social and economic environment and a character of mutual interactions on the line: a company- an environment deriving from it. Taking pro-active actions that is anticipatory from the side of management and not the ones which follow the changes in the environment (the reactive ones) is an assumption of the strategic management¹⁰⁹.

The strategic management is a key determinant of the company's activities, it decides about its survival and development. It manages all its activities, all the undertakings taken on three levels:

- The whole company (with the responsibility of the top management),
- Strategic business units (specialized units),
- Functional (that is specific key functions of the company (marketing, research and development, production, finances and so on).

They are differently defined. The most common definitions are¹¹⁰:

- Strategic management is a process by means of which managers define long-term assumptions (directives) for the company and the specific aims to be executed, develop the strategies to achieve these aims in the

¹⁰⁷ R. Krupski (ed.), *Zarządzanie strategiczne, Strategie małych firm*, Prace naukowe Wałbrzyskiej Wyższej Szkoły Zarządzania i Przedsiębiorczości, Wałbrzych 2005, p. 69.

¹⁰⁸ R.W. Griffin, *Podstawy zarządzania organizacjami*, PWN, Warszawa 1996, p. 233.

¹⁰⁹ J. Jeżak, *Strategiczne zarządzanie przedsiębiorstwem*, Wydawnictwo Uniwersytetu Łódzkiego, Łódź 1990, p. 131.

¹¹⁰ J. Penc, *Encyklopedia zarządzania*, Wyższa Szkoła Studiów Międzynarodowych w Łodzi, Łódź 2008, p. 1139.

ways which take into consideration all the necessary internal and external conditions of operation and take properly selected and planned actions to achieve them.

- Strategic management is a process of management concentrated on formulating and implementing a strategy which is favorable to a higher level of consistence of an organization and its environment and an achievement of strategic aims.
- Strategic management is a process of defining and redefining strategies in reaction to the changes in the environment or foreseeing these changes or even provoking them and a process of implementation coupled with it in which the resources and skills of the organization are disposed in such a way as to implement long-term development aims and to protect the existence of an organization in the potential situation of imperfection.
- A strategic management is a stream of decisions and actions which lead to a creation of an effective strategy or effective strategies which serve to achieve the aims of the company.
- A strategic management is a whole set of obligations, decisions and actions required if a company wants to achieve a strategic competitiveness and a profitability higher than the average one (that is a higher return on the capital invested than in case of other undertaking with a similar risk).
- A strategic management is a knowledge and an art of applying for the benefit of the organization; it means mobilizing, combining and applying the resources in order to achieve the effectiveness, efficiency and a decrease of uncertainty.

CHAPTER 2. Management of a small company

- A strategic management is a set of managerial decisions which define the functioning of the organization in the long period of time, it is an answer to the question how a company wants to achieve the defined aims.
- A strategic management is a well thought over and consciously chosen set of actions to create a desirable future of the organization.
- A strategic approach to the management of the company allows to define the key problems which it will have to solve in order to function effectively and the opportunities and threats which appear in the environment and taking actions (taking decisions, preparing strategies) which will make it possible to meet the challenges of the future¹¹¹. Due to a big changeability of the environment and a growing uncertainty of operation, this approach cannot have a single, action approach but it must become an organized process of shaping and regulating the behaviors of the company in order to ensure it a durable position among the competitors and a market success. It must take into consideration the properties managing the world of organization and to take a form of a structured management which will make it possible to foresee future possibilities and to inspire managers to use the occasions favorable to the business development.

Strategic management is therefore a way of steering the company which enables to oppose to internal difficulties and to create systemic conditions for functioning and development.

Strategic management includes three mutually dependent processes (spheres of the activities of managers) and namely:

¹¹¹ J. Penc, *Encyklopedia zarządzania*, op. cit.

1. Conducting strategic analysis (an analysis of the aims of operation, external chances and threats and internal strengths and weaknesses of the company),
2. A formulation of strategy (building a strategy of businesses, functional strategies and the strategies of the company and a choice of an optimal alternative),
3. An implementation of the strategy (an integration of strategic programmes, an improvement of organization, ensuring strategic control and strategic management).
 - Strategic management has to fulfill the following aims¹¹²:
 - Define a business organization and a strategic mission as a basis for defining where the organization is going, what it can do and which place it can take,
 - Definition of strategic aims and tasks to be fulfilled,
 - A formulation of a strategy for the achieved results and desirable results,
 - An implementation and an execution of the selected strategic plan,
 - Evaluation of the execution and taking correction decisions in order to adjust a strategy to the changing conditions, new ideas, new possibilities thanks to an experienced obtained.

Therefore the basic function of this management are: an examination of the environment and forecasting the directions of the development of processes taking place in the environment, an analysis of the situation and possibilities within the company, a development of own potential and a choice and an

¹¹² Compare: G.G. Dess, A. Miller, *Strategic Management*, Macmillan Publishing Company, New York 1993, pp. 9-15.

implementation of strategies defining the relations of the company with the environment¹¹³.

Strategic management is therefore a process by means of which the adopted perspective aims are achieved including maintaining and improving its results by means of management. A strategic management “is a process of defining aims, formulating tasks necessary to achieve them in a desirable time, giving power to these tasks and evaluating the results and the progress which can be achieved”¹¹⁴. It is trying to answer a question: how to find a proper activity, how to concentrate own resources on it together with efforts and how to operate effectively in order to achieve a desirable position on the market and among competitors and to ensure a durable existence and development despite a complexity and changeability of the environment of the organization. The process of the strategic behavior includes four basic elements. These are: a mission of the company, a strategic vision, aims and tasks and a strategy of operation.

A mission of a company is a general justification for the reason of its existence and a development of the company. It defines the main values for which the company was appointed or which it implements by means of its existence¹¹⁵. It provides a company with a direction of operation and indirectly points at those areas it should deal with. It should be formulated in such a general way in order to allow to generate the specific aims which are achievable, without killing the excessive creative activities of managers.

The mission expresses also the philosophy of the company in such issues as¹¹⁶:

¹¹³ Compare H.J. Ansoff, *Zarządzanie strategiczne*, PWE, Warszawa 1985, p. 10.

¹¹⁴ J.L. Thompson, *Strategic Management. Awareness and Change*, Chapman and Hall, London 1993, p. XIV; F.R. David, *Strategic Management*, Prentice Hall, New Jersey 1999, p. 5.

¹¹⁵ P. Dwojacki, *Składniki misji – wizja przyszłości*, Przegląd Organizacji 12/1995, p. 21.

¹¹⁶ R. Niestrój, *Zarządzanie marketingiem. Aspekty strategiczne*, WPN, Warszawa 1996, p. 134.

- A range of the served markets,
- A shaping of the product,
- An aspiration referring to market position,
- A relation of innovation and technology development.

A definition of a mission is an important step in increasing the management effectiveness and its lack can lead to a creation of conflicts in the company¹¹⁷. “A mission of the company fulfills certain functions. It allows to integrate people around the aims of the organization and defines an internal atmosphere and a climate of the organization, which in turn helps to create a defined company culture. The mission gives guidance how to attribute tasks, resources, define responsibility, allocate resources, design organizational systems (of information, decisional, control, motivational), which in turn enable to create proper organizational structures. The mission defines a general strategy on the different levels of organization and functional strategies¹¹⁸”.

A **strategic vision** is a certain image of the future of the company and its target position on the market. It is a set of aspirations connected with the operation of the company, a certain imagination of the future created on the basis of the results of the different kinds of analysis and an own imagination of the owner. The vision is not just the result of knowledge, practice, skills and a rational imagination but also an ambition or a desire to show invention. That is why it should be properly verified but not automatically transferred into an invention¹¹⁹. It should show possible results to be achieved and directions towards which the company is supposed to go in order to obtain a desired

¹¹⁷ B. Wiernek, *Misja firmy*, Businessman Magazine 5/1994, pp. 62, 64.

¹¹⁸ G. Gierszewska, *Strategia przedsiębiorstw w dobie globalizacji*, Wyższa Szkoła Handlu i Prawa, Warszawa 1998, p. 235.

¹¹⁹ J. Penc, *Strategiczny system zarządzania*, AW Placet, Warszawa 2001, p. 129.

position in the future. A meaning of the creation of vision grows together with a changeability of the environment. The practice shows that the more uncertain the environment, the quicker the changes within it and the higher level of novelty of these changes the bigger role played by a creation of the proper vision of the company development, definition of a way of realizing in and a consequent and systemic desire to achieve this vision.

The strategic vision points at new horizons, new ideas and possibilities. “It is – as noticed by M. Bratnicki – a starting point to make a company operate more quickly, in a more decided and concentrated way that is to cope with a change in order to obtain and keep a competitive advantage”¹²⁰. It is an image of the future, possible and clearly defined future created by a common mental effort. Therefore, it should not be mistaken with the notion “strategic intention”¹²¹. This notion expresses the ambitions of the company, desires, intentions. Therefore its meaning is weaker than a mission that is a publically made declaration of the company aims which have a normative character and a vision which shows an image of a realistic, trustworthy and attractive future of the organization which is a result of an unrestricted ambition and an creative thinking of its management. That is why it is a notion which is close to the notions of mission and vision but which should not be identified with them.

The vision of the future if the company has a concept of its potential, a future shape of company and its target position on the market should be based on its strategic capacity. According to G. Johnson and K. Scholes this capacity is defined by three basic factors: resources (material, human, financial and non-material) available for the company, competencies with which the actions are

¹²⁰ M. Bratnicki, *Transformacja przedsiębiorstwa*, Akademia Ekonomiczna, Katowice 1998, p. 42.

¹²¹ See. D.F. Channon, Blackwell, *Encyclopedic Dictionary of Strategic Management*, Blackwell Business, Oxford 1999, pp. 247-248.

taken and a creation of new occasions as well as a balance of resources, activities and business units operating in the organizations¹²².

For a vision – according to D. Hahn – is an indicative value for reasoning, decisions and behaviors in the company, influences a choice and a development of staff, shaping of informational systems and encouraging the staff and other staff members to entrepreneurship¹²³. A convincing vision provide people with a feeling that they do something important for the whole company. It helps to eliminate unproductive activities and concentrate on what is the most important for the company. Its meaning increases nowadays in the conditions when the number of levels in the hierarchy are reduced and the process of taking decisions is more centralized. A clear vision is for a company a kind of a compass and enables to take the right decisions even if there is a lack of formal rules and an indirect supervision.

The vision of the company should be based on the principles of marketing management and aim at adjusting a company to the market reality and changes taking place in the environment so to speeding up the changes modernizing the system of management. Giving a priority to marketing, it must take into consideration all the areas of the company's activities (production, research and development, environmental protection and so on) as one integral system.

While considering **aims and tasks** it is necessary to take into consideration everything that the company wants to achieve in the future and what it must do in order to ensure the conditions of a long-term existence and to achieve these aims. These aims can refer to the different issues e.g. an achievement of a defined profit, profitability, market share, financial fluidity, usefulness

¹²² G. Johnson, K. Scholes, *Exploring Corporate Strategy*, Prentice Hall Europe, London 1999, pp. 149-153.

¹²³ D. Hahn, *Tendencje rozwojowe zarządzania strategicznego*, Organizacja i Kierowanie 2/1993, p. 25.

of products, environmental protection and so on. What is more the aims can be defined both for the whole company and its single strategic areas of activities¹²⁴. They must be based on a vision of the future, supported by a good analysis of reality and possibilities connected with a given need for which they were defined¹²⁵.

Therefore while considering the aims and the tasks it is necessary to take into consideration what the company wants to achieve in the future and what it must do in order to achieve these aims and to ensure the conditions of survival in the long period of time. The definition of the main aim implies many aims and minor tasks. The most important is of course the main aim included among the long-term aims.

While creating the future of the company it is particularly important to define (quite precisely) the strategic aims. These are future possible to foresee and desirable conditions of the company and the environment which reflect the agreed interests of the main stakeholders, positioning the company in time and space in reference to its life cycle¹²⁶.

The strategic aims should be formulated in such a way to define a desirable level of expected results in a specific period of time. The strategy of the company should ensure its realization. The aims have the following features¹²⁷:

- Are mainly defined in the relations of the desired cross-section with the surroundings, but also determine the internal structure of the desired company,

¹²⁴ I. Penc-Pietrzak, *Strategie biznesu i marketingu*, Wydawnictwo Profesjonalnej Szkoły Biznesu, Warszawa 1998, p. 13.

¹²⁵ J.D. Antoszkiewicz, *Metody skutecznego zarządzania*, op. cit., p. 76.

¹²⁶ J. Penc, *Strategiczny system zarządzania*, AW „Placet”, Warszawa 2001, p. 152.

¹²⁷ S. Kielczewski i inni, *Zarządzanie strategiczne*, Akademia Ekonomiczna, Wrocław 2000, p. 68.

- Have the character of the final aims which means that in the longer period of time they cannot be treated as a way to achieve other aims,
- Refer mainly to development problems but they do not omit functional issues,
- They constitute the basis for defining tactical and operational aims of the company and its single subsystems (they create a basis for the construction of a hierarchy of aims in the company).

The aims fulfill four important functions:

- They are a guidance and give one direction to the activities of employees of the company. The defined aims allow to understand where the company is going and why it is so important to achieve a desirable state.
- The practice of defining aims influences planning. An effective definition of aims is favorable to a good planning which in turn facilitates an establishment of the aims in the future.
- The aims can be the source of motivation for employees of the company particularly when the achievement of the aims can be awarded.
- They provide an effective mechanism of evaluation and control. This means that it will be possible to evaluate the future results on the basis of the level of implementation of the aims defined nowadays¹²⁸.

A strategy of operation is the most important element of the concept of company management which is a result of the mission, vision, aims and tasks. It is at the same time one of the basic instruments of management. Many companies owe its success and an achievement of the defined aims to a well prepared strategy¹²⁹.

¹²⁸ R.W. Griffin, op. cit., pp. 200-201.

¹²⁹ J. Penc, *Strategiczny system zarządzania*, AW „Placet”, Warszawa 2001, p. 155.

CHAPTER 2. Management of a small company

The essence of strategy boils down to actions which aim is to precise the tasks and allocate resources necessary to adjust a company to the changing environment. Its concept gives an answer to the question about the concrete possibilities of actions today and in the future which can ensure company a durable existence and advantages deriving from the cooperation with the structure of environment and as a consequence a creation of its desirable future. It includes the details how a company intends to direct and use its resources and efforts in order to make its future real so to answer a question what the management wants to do in order to make this future happen.

Despite the fact that there are considerable differences in defining strategies by the different authors, one can distinguish basic features which the strategy of the company should have. These features are presented in the following way¹³⁰:

- A continuity which means an existence of a logic relations between the programmes of actions of the different time horizons,
- A complexity which means a range of the strategy in the whole organization, including in the program of development all the areas and subsystems of organization,
- A coherence of the strategy understood as a substantive compliance of the development programmes referring to different time horizons and different subsystems of the organization,
- A flexibility of the strategy which means a capacity to adjust the pace and ways of development to current conditions,
- A reality of the strategy that is adjusting it to the current and future conditions of functioning.

¹³⁰ G. Gierszewska, M. Romanowska, *Myślenie strategiczne*, Przegląd Organizacji, nr 6, 1988, p. 25.

The strategy of operation consists of four basic elements¹³¹:

- Field of activity. It defines first of all where and whom the company intends to sell its products (services). It is mainly connected with defining in which area of activities (on which market) a company wants to operate in the future; whether it will remain in the old (current one) or will enter a new area and will develop it. The company without its own market and clients is a company without identity. That is why it should try to create own markets and own clients.
- A strategic (competitive) advantage. It means that within the chosen are the company should be a more attractive partner than other companies. The advantage decides about the competitive strength of the company (that is decides that the company is better than competitors), which is important for clients.
- Strategic aims. These are elements to supplement the choices connected with the area and a strategic advantage over competitors. The aims define what the company really wants to achieve and allow to measure whether a company is achieving a success.
- Functional programmes of operation. They are the translation of the concept of strategy into concrete actions at each work station, the daily behavior of each employee. The implementation of these programs determines whether the strategy is consistently implemented.

The company can formulate strategies on the level of company, unit or on the functional level. The strategies prepared on the single level differ as for the range, aim, way of allocating resources, sources of competitive advantage and main decisional areas. These differences are presented in the table 12.

¹³¹ K. Obłój, *Strategia sukcesu firmy*, PWE, Warszawa 1998, pp. 34-35.

Table 12. Characteristics of the company strategy

Specification	Global strategy of the company	Strategies of strategic business units (business)	Functional strategies
Range	<ul style="list-style-type: none"> - A choice in which areas of business activities the company should be placed, - A strategy of the company development 	<ul style="list-style-type: none"> - A choice which products and on which markets should be sold, - A strategy of the development of the area of business activities, 	<ul style="list-style-type: none"> - A definition of the target market, - Wideness and depth of assortment, - Policy of product brand, - Withdrawal of products.
Aims and tasks	<ul style="list-style-type: none"> - Aggregated aims of company operation (e.g.. development, profitability, profit per 1 share). 	<ul style="list-style-type: none"> - Limited by the aims of the company - Aggregated around products/markets (e.g. an increase of sale, profitability, cash flows). 	<ul style="list-style-type: none"> - Limited by the aims of the company - Aggregated around a concrete product/market (sale, market share, satisfaction of customers).
Allocation of resources	<ul style="list-style-type: none"> - Allocation between different fields of allocation, - Allocation between functional units working for the different areas of company's activities (e.g. research and development). 	<ul style="list-style-type: none"> - Allocation between products, markets within a given SBU, - Allocation between the functional units within one SBU 	<ul style="list-style-type: none"> - Allocation between the instruments of marketing mix for every product/market
Sources of competitive advantage	<ul style="list-style-type: none"> - Mainly thanks to financial and human resources, a better organization and management, synergic effects. 	<ul style="list-style-type: none"> - Mainly thanks to a competing strategy, competencies of a given SBU in relations to competitors 	<ul style="list-style-type: none"> - Mainly thanks to an effective placement of the product on the market, a superiority of one of the elements of marketing against the actions of competitors.

Main decisional areas	<ul style="list-style-type: none"> - Financial policy, - Issues of the organization, - Diversification of activities, - Technologies. 	<ul style="list-style-type: none"> - Design of a production system, - Assortment policy, - Market development, distribution policy. 	<ul style="list-style-type: none"> - Price policy, - Promotion, - Shaping supply
-----------------------------	---	--	---

Source: L. Garbarski, I. Rutkowski, W. Wrzosek, *Marketing*, PWE, Warszawa 2000, pp. 575-576.

Even in 2000 the strategic management was considered the most important element of the management knowledge and its further expansion in the world was foreseen¹³².

It was thought that is discounts the achievement of the management sciences and provides a concrete amount of knowledge necessary for an effective management of the company. It is treated as a “stream of decisions and actions which lead to the development of effective strategies in order to ensure an achievement of the aims of the company”¹³³.

The strategic management nowadays should be based on a reliable and many-sided knowledge. It is so due to the fact that both the environment and the interior of the organization are becoming more predictable. A feeling of uncertainty is created and a reluctance to think and act strategically increases. However, small companies are more and more often trying on their own to formulate and implement a strategy either for external requirements or from their own need. It turns out to be difficult both because the methodology is not adjusted to the needs and possibilities of such companies and because of

¹³² B. Gliński, B.R. Kuc, H. Fołtyn, *Menedżeryzm, strategię, zarządzanie*, Key Text, Warszawa 2000, pp. 291-294.

¹³³ L.R. Jauch, W.F. Glueck, *Business Policy and Strategic Management*, McGraw – Hill, New York 1988, p. 5.

numerous, deeply-rooted stereotypes which refer to the possibilities of strategic management of small companies. These stereotypes are¹³⁴:

Stereotype 1. Small companies need long-term strategies due to their natural flexibility.

An exceptional flexibility of small companies cannot be discussed as it is one of their main competitive advantages. Small companies are characterized by an enormous skill to adopt to new conditions which is a basic difference between them and large enterprises. That is why it seems justified to answer positively the question formulated above. First of all even the biggest flexibility of the company leads to imitative strategies which in current turbulent conditions seem to be less and less satisfactory also for small companies. It happens mainly because the chances to catch up with the pioneers are decreased. If the time of creating and then launching of new products to the market, against the increasing technological and marketing challenges cannot be considerably shortened, a life cycle of single products is dramatically shortened and following the leaders become more and more often impossible. If in many factors within the first 6 months one third of all the profits from a given product are obtained a company following a different company is always exposed to a delay. A lack of a long-term strategy of operation showing a possibility of a creative imitation defining the “shortcuts” following the pioneers is for small companies a definite way to a disaster.

Stereotype 2. Small companies completely do not need long, formalized plans of actions.

Even if the dilemma whether to create or not a long-term future in small companies is solved in favor of the strategic management, this does not mean an

¹³⁴ A. Kaleta, *Zarządzanie strategiczne w małych przedsiębiorstwach – stereotypy a rzeczywiste potrzeby*, [in:] *Zarządzanie strategiczne, strategie małych firm*, R. Krupski (ed.), Prace naukowe Wałbrzyskiej Wyższej Szkoły Zarządzania i Przedsiębiorczości, Wałbrzych 2005, pp. 71-80.

automatic acceptance of a need to create formalized development plans. This strategy does not have to take the form of a formalized document. The sense of creating such documents in small companies is doubted.

Such companies generally minimize the documentation due to the fact they do not dispose of staff and organizational units which would be able to design it. An outline of the plans of activities is a task which requires a lot of work and time. However, there are even more problems connected with a need to keep on updating it. It is obvious that a plan prepared once, particularly in a small company, is likely to get outdated very quickly. A lack of a capacity to correct it in the due time in the best situation causes that it will become a “dead” document which does not have an impact indirectly on a real functioning of the company. In the worst case the determination in the implementation of non-updated plans can take the flexibility of small companies making them similar to the large units.

As an answer to the aforementioned conditionings, a conviction starts that small companies, if they create a strategy, should refrain from formalizing it. It is better if it remains a general vision, a superior idea created and remained in the head of the boss than a document which is written down.

Is such a situation correct and possible to be accepted? Should small companies deal without strategic plans which are written down? It seems that no or at least not really. **Small companies need a documentation of the strategy, or at least its key elements.** It is worth to write down in it the vision of the future or at least formulate clearly the mission or long-term development plans. It is really desirable to divide the development concept into the priority programmes of implementation with a definition of their timetables, criteria of evaluating the level of implementation and the appointment of responsible people.

CHAPTER 2. Management of a small company

Without giving a strategy a formal status it will not start functioning in the company. It is difficult to refer to it also in everyday activities. The strategy which is not formulated and remaining only in the thought of the boss shows a natural tendency to an uncontrolled evolution. If a strategy does not constitute a well-established “spine” around which a development of the company is concentrated, if it is not possible to refer to it comparing the implemented activities with the intended ones and it is not possible to expect that the difficult development project will be implemented. The strategy which is not fixed evaluates generally towards more comfortable activities proving the strategic sense of their realization. The managers can be even unaware that it is an expression of their opportunism, fear against changes or even laziness. They do not notice differences between a defined and implemented concept. Each recording of a strategy is a factor introducing discipline. It does not mean to make the modification difficult or impossible but to make them in a conscious way.

Stereotype 3: Small companies do not have access to professional strategic analysis and that is why they must greatly base on the intuition of entrepreneurs.

What became a standard of functioning of large enterprises and namely professional strategic analysis, wide achievement of primary sources, deep and in the majority of cases expensive research on the opinion of clients and competitors seems to be unobtainable for small companies. Without disposing of the proper financial resources to outsource these activities to specialists and without proper staff who will implement such activities, these companies are supposed to recognize the conditions of development on the basis of intuition. It is considered that in case of the operation on small markets, often well recognized during the previous activities, these are sufficient basis to manage the development of small companies.

In such a case it seems justified to ask a question whether such a situation can be accepted? It seems that no. **Small companies must nowadays take the efforts of the professionalization of strategic analysis in order to obtain basis to do more rational strategic choices.**

This results from the stronger and stronger impact of more and more changeable, diversified and difficult development conditions and a particular susceptibility of small companies to them. It is enough to change one legal provision (e.g. an elimination of some tax relief), an introduction of a new formal requirement (e.g. a required HACCP standard in the food industry) or an appearance of a new, important competitor on the local market (particularly a big one introducing new marketing and technological possibilities) to deprive of the development chances the company which is not prepared for it. Without disposing of the proper reserves, it is not able to absorb the shock and its only chance is an activity which forestall a threat.

In such conditions the reliable and deep research is priceless as well as forecasting the development conditions although small companies will never be able to implement it just as is the case of small and rich concerns. The cost of obtaining information would be higher than financial capacities and potential benefits of applying them. However, small companies are able to engage own employees (e.g. sales representatives using their contacts on the market or administrative employees searching the Internet and press) to analyze the development conditions. There are large possibilities of cooperation in running common research undertakings e.g. co-financing such actions. Different organizations, branch associations or regional associations can be also more widely used. It is very important to run strategic analysis in an organized, systemic way and not and random, as single “actions”.

CHAPTER 2. Management of a small company

Small companies cannot afford neither for serious mistakes or excessive “extravagance” in this area.

Stereotype 4. In small companies the developed procedures of taking developed strategic decisions, consulting them, monitoring implementation processes are not needed as everything falls within the responsibility of the manager-entrepreneur.

In large enterprises with complex organizational structures, complex competence and decisional systems, strategic management generally takes the form of formalized procedures, whereas in small, simple companies it is generally considered redundant. With a small scale of the company’s operation, the owners and managers relatively easy manage all the phenomena in the company. They are able to take relatively easy the strategic decisions based on their own knowledge, without negotiating or consulting them with anybody. Later they discipline the employees, making them implement the strategy. This kind of “natural”, holistic approach to the strategic management, without a complicated division into stages, organizational procedures is treated as the most proper for small companies. Each different approach is treated as a potential threat for a coherence and a dynamism of this kind of enterprises.

It seems justified to ask a question whether such a model of the procedure of strategic management is really optimal for small companies. In such a case, just as in the previous situations it seems that the hackneyed opinion and the opinion based on it is neither fully proper nor effective. **Also in small companies it is worth to a certain extend formalizing the procedures of strategic management taking for granted the stages of this process and engaging more and more participants in its single phases.**

Staging the process of strategic management should take into consideration the specificity of the single phases. It is something different to formulate the convictions, aims, vision which greatly differ from the processes of strategic

analysis, preparation of strategic decisions and taking them and then enforcing them. Single stages are governed by the different rules and their participants can be different, the time and information requirement can be different. Even in a small company it is worth engaging a wider group of employees as providers of information, ideas that can live the different phases of strategic management positively influencing the final effects. On the other hand, by setting arbitrary methods of operation in other phases (especially strategic choices, monitoring and accounting) one can provide rate decisions and their consistency important for small companies.

A proper procedure of the strategic management should also protect against a danger typical for small companies of putting the problems of the strategic management in the background by the problems of daily management. People who manage small companies, contrary to the managers of large enterprises, generally do not dispose of personnel whom they could delegate to operational management. It generally leads to a situation when the daily management takes the majority of the working time leaving little space for strategic conclusions. The strategic management takes then the occasional and action character and as a consequence is of a minor importance. The condition to obtain a proper dynamics and continuity of strategic management is an adoption of the formal procedures of behavior which allows to maintain a proper self-discipline and will induce a proper organization of work for people managing a small company.

Stereotype 5: the strategic choices of small companies are dominating in the level determined by its specificity making them choose only some types of strategies.

It seems natural that every company, wanting to achieve a success in a more and more competitive economy, should use in the maximum way all its assets. Only a creation of competitive advantages on the basis of own, specific predispositions can be effective. Small companies thanks to their specificity are

predestined to certain types of strategies, concentration and particularly to the strategies of market niches. It is easy to show many examples of small companies which achieve spectacular successes and encourage them to adopt a similar model of development.

A choice of the standing out strategy, qualitative advantage rather than costs strategies are thought to be equally beneficial and natural for small companies. The strategies of the lowest unit costs are often reserved for large enterprises, basing on the effects of scale and as a result unattainable for small companies.

A defense strategy and a market penetration strategy are considered to be typical for small companies rather than the strategies of expansion and growth. If a small scale is a valuable asset of the company which allows to control more effectively the activities and to react more effectively to challenges, there is no need to decide for a growth which will prevent the advantages. What is more, a way to replace the advantages of a small scale of operation with the advantages of the big scale can be quite unreal for a small company. If one takes for granted that the biggest chances to succeed have the companies which are diametrically different- either specialist niche companies or tycoon operating on the most massive scale, for many small companies an option of a considerable growth of companies seem to be not really pragmatic or even dangerous.

In such a situation, one can doubt whether it is useful to look for new, more beneficial strategic concepts. If the success depends on the effective actions, what is the sense of having an elaborated strategic management.

Against the practical experience, an excessive determination in the strategic choices is not fully justified. **Small companies while choosing their strategy should use a whole range of solutions and avoid choices which are stereotypical as in the concrete situations very different solutions can prove to be not only real but also optimal.**

There are no reasons to resign in advance from the strategy of the aggressive growth. A contemporary capital market, possibilities of mergers and acquisitions and chances of speed up organic development do not take small companies the chances to become global tycoons within a few years' time. If many of them managed to implement such a strategy, why to resign in advance from such an opportunity. In some cases strategy of the diversification of activities can give small companies more attractive perspectives of development than a specialization in a traditional market niche. In this way new possibilities of development can be discovered and the very versatility can be an important asset increasing the flexibility of the company.

It is not really justified why small companies should avoid cost-price competition. Resigning from the expansion costs, winning new geographic markets they can compensate the lack of the effects of scale and become new costs leaders, even on local markets.

That is why small companies while taking strategic choices should rather use concrete development possibilities characteristic for the situation of the sector they operate in than to join with its not always beneficial tradition. The wider the choice of solutions, the bigger the chance to choose an optimal solution in the given circumstances.

The aforementioned divagations show the following, the most desirable directions of the development of strategic management in small companies¹³⁵:

- They should create their future in the longer time perspective, creating the concepts of adopting strategic initiatives, which is a necessary condition of adaptation to quickly growing development conditions,

¹³⁵ A. Kaleta, *Zarządzanie strategiczne w małych przedsiębiorstwach*, op. cit., p. 182.

CHAPTER 2. Management of a small company

- It is necessary to write down the basic elements of the strategy which enable the communication and the effective implementation on condition that it is updated regularly enough,
- A condition to make rational strategic choices is the information gathered and professionally processed with the developed strategic analysis,
- The processes of strategic management should be organized in a conscious and purposeful way with the usage of the different methods of work, typical for single stages and the engagement of as big part of participants as possible,
- It is necessary to use development concepts from a possibly wide choice of solutions avoiding stereotypes taking into consideration the chances of their implementation in the given circumstances.

The recommendations for strategic management formulated above are greatly convergent with the model of the contemporary strategic management in large enterprises. The differences have rather quantitative than qualitative character. It is rather a scale of operation and its intensity which differentiates the strategic management in small companies from a prototype in the large organizations.

There is a common conviction that the factor which decides about a success of the small company is the person of the owner who plays at the same time the function of the manager. The number of the owners-managers in the sector of SMEs, particularly in the population of micro and small companies is a dominating group which decides about the potential and a condition not only of the companies which are managed by them but the whole sector of SMEs. The owners are first of all craftsmen, shopkeepers, small wholesalers, restaurateurs, etc. the owners- managers are also described as entrepreneurs. It is

accepted in an everyday speech but referring the notions of manager, owner-manager and an entrepreneur to the theory, each of these notions has its definition and are characterized by slightly different features but all of them refer to the personality and psychological features concentrated around the organizational activities. Table 13 presents the basic differences among a manager and an entrepreneur.

Table 13. Entrepreneur and manager-basic differences

No.	Manager	Entrepreneur
1	Acts for a different person, their duties result from the work contract	Is the owner of the company and operates on the basis of own right
2	Is temporary connected with the company	Is connected with the company in a permanent way
3	Works on someone's behalf and risk, receives remuneration for their work	Responsible for the company assets and runs economic risk
4	Is responsible for a specific image of a business (often very large), is controlled	Is the highest institution in the company
5	Cannot claim the right to profit but can participate in it.	Has a right to profit and faces the consequences of losses
6	Appreciates true friendship, cleverness, pleasure.	Appreciates the respect for oneself, freedom, awareness of achievements
7	Administrative and executive features are dominant	Concept and creative features are dominant

Source: J. Hejduk, *Kierowanie małą firmą, Personel, nr 2, 1996, p. 21.*

A notion **manager** is in the majority of cases referred to people who execute managerial functions. The manager is an employee employed to fulfill a defined function taking their professional preparation into consideration and defining this person as a professional manager. Whereas an entrepreneur is somebody who is responsible for the whole exchange and circulation of goods in the

country. It is somebody whose profits are not secure and connected with the search of market chances¹³⁶.

There is still a notion of the **owner-manager** which refers to a person possessing property rights thanks to which the different agreements can be concluded, decisions taken and decisional powers transferred, who can freely divide a profit and transfer partially or fully the rights and duties to other people¹³⁷.

Despite the existing differences, the interchangeable usage of the notions entrepreneur and "owner-manager" is so far justified. In Poland in the Act of 2nd July 2004 on Freedom of Economic Activity, Article 4 states that an entrepreneur shall denote natural person, a legal person, and a non-corporate organizational unit with legal capacity under provisions of a separate Act conducting economic activity of its own behalf¹³⁸. The notion of entrepreneur has a wider meaning than "an owner-manager". However, if one takes into consideration a dominant in the sector of SMEs number of business units with the status of a natural person employing few employees, then the notion of the "owner-manager" and "entrepreneur" are almost equal¹³⁹. Bearing it in mind, for the needs of this dissertation, it was adopted that the notions: manager, owner-manager and entrepreneur will be used interchangeably and will define a person who is the owner of the company employing not more than 49 people, excluding people on the so-called self-employment who fulfill the managerial functions in companies.

¹³⁶ K. Safin (ed.), *Zarządzanie małym i średnim przedsiębiorstwem*, Wydawnictwo Akademii Ekonomicznej im. Oskara Langego we Wrocławiu, Wrocław 2008, p. 22.

¹³⁷ R. Borowiecki, B. Siuta-Tokarska, *Problemy funkcjonowania i rozwoju małych i średnich przedsiębiorstw w Polsce*, Difin, Warszawa 2008, p. 20.

¹³⁸ Ustawa z dnia 2 lipca 2004 r. o swobodzie działalności gospodarczej (Dz.U. z 2004 r., nr 173, poz. 1807).

¹³⁹ Ibidem, p. 21.

While trying to define the role that the owner plays in the process of management, it is worth referring to the **notion of entrepreneurship**. Among many interpretations in the literature, one can point at two basic approaches¹⁴⁰:

The first approach – of attributes – takes entrepreneurship as a set of human features connected with e.g. activity, inclination to risk, innovativeness as a starting point.

The second approach – of actions – takes as a starting point entrepreneurship as activities connected with starting business activities, setting up a company, looking for chances.

According to the first approach, a society is divided into two categories of people- those who are active, dynamic (or just entrepreneurial) and those which constitute the majority and are the passive executors who appreciate safety.

An entrepreneur is characterized in the majority of cases by the first set of features although it cannot be taken for granted that active people are always entrepreneurs. Contrary to a dynamic person, a passive observatory is a person who is static, reluctant to take risk preferring the “peace of mind” to life “in motion”, conservative¹⁴¹. Therefore, a person who is entrepreneurial, is characterized by independence, creative thinking and a readiness to take risk. The table below presents a wider list of features defining an entrepreneur.

The contemporary elaborations often present the division of the features of the entrepreneur based on three roles the entrepreneur-owner plays in their company:

- A craftsman that is a person who is interested in paying (to oneself) a remuneration, which is due for the done work,

¹⁴⁰ K. Safin (ed.), *Zarządzanie małym i średnim przedsiębiorstwem*, Wydawnictwo Akademii Ekonomicznej im. Oskara Langego we Wrocławiu, Wrocław 2008, p. 21.

¹⁴¹ T. Gruszecki, *Przedsiębiorca w teorii ekonomii*, Cedor 1994, p. 33.

CHAPTER 2. Management of a small company

- A classic entrepreneur whose aim is to maximize the profits achieved thanks to a company which is run,
- A manager whose activities are concentrated on the improvement of the company and achievement of benefits for a long period of time.

Table 14. Characteristic and features of owners-managers

No.	Characteristic	Features
1	Belief in own strengths	Self-confidence, optimism and enthusiasm, independence, individualism.
2	Orientation on tasks, result	The need for achievement, profit orientation, perseverance, persistence, determination, energy, consistency, initiative.
3	Taking risk	The ability to take risks, the ability and willingness to take challenges.
4	Leadership	Leadership behaviors, good cooperation with people, responding to the suggestion and criticism.
5	Originality	Innovation, creativity, “an open mind”, resourcefulness, versatility, the pursuit of “being well informed.”
6	Orientation on the future	The ability to predict perception.

Source: G. Bratnicki, T. Kraśnicka, *Przedsiębiorczość jako siła motoryczna małej firmy*, [in:] *Zarządzanie małą firmą*, H. Bieniok (ed.), Wydawnictwo Akademii Ekonomicznej w Katowicach, Katowice 1995, p. 65.

This division is justified as both the function of the entrepreneur, their personal features and ways of operation are only partially consistent with the functions, features and way of operation of managers and the more so craftsman. Its genealogy can be derived from a division which has lasted for more than years by A. Smith who divided the owners-managers of the companies into the owners-managers that is craftsman-entrepreneurs and entrepreneurs using occasions.

The possession of the features enumerated above allows an entrepreneur who operates in the small company to “enter” more easily into the different roles

and to fulfill the functions depending on the market situation. The first symptom and at the same time the most visible sign of the possession of these features and at the same time a sign of the company's activities is setting up a company by means of which own undertakings can be implemented. One is fully responsible for the effects. New undertakings are often associated with the new, small companies. Generally new companies are supposed to bring some novelties, differences, a strength changing or transferring the current values. Then the differentiator of the activities of the company is the element of novelties and changes implemented in the activities. Such an approach to the notion of the manager allows to call him a creator or an innovator as a creation of a new economic reality is a basis for its actions, decisions taken. In its routine activities, the entrepreneur gets a series of roles which are presented in table 15.

An entrepreneur as a person taking risk is probably the function which is the most often enumerated. Nowadays taking risk by the entrepreneur is understood twofold: as a danger of a failure in the activities or as a chance for a better phenomenon than it was supposed. Additionally it is considered that avoiding risk by the entrepreneur can deprive the manager of the chances to succeed and taking risk in a too easy way can lead to a quick bankruptcy. The difference between a classic approach to an entrepreneur risking and its current presentation is a scale of risk and the range of responsibility. Traditionally it is considered that an entrepreneur is a person who takes all the risks for the effects of activities and they cannot be transferred to somebody else. Today an entrepreneur can transfer a part of risk and responsibility to third parties – the shareholders (minority shareholders)¹⁴².

¹⁴² W. Grzybowski, *Przedsiębiorczość i ryzyko w gospodarcze rynkowej*, UMCS, Lublin 1994.

Table 15. Roles of entrepreneurs in running business

No.	Content of concept	Spokesmen of the concept
1	Entrepreneur as a person taking risk and acting in the conditions of uncertainty	R. Cantillon, H. von Mangoldt, J.S. Mili, F. Knight, L. von Mises, G.L.S. Shackle
2	Entrepreneur as a person delivering financial capital	A. Smith, A.C. Pigou, L. von Mises
3	Entrepreneur as an innovator	N. Baudeau, J. Bentham, W. Sombart, M. Weber, J. Schumpeter
4	Entrepreneur as an industrial leader	J.B. Say, F. Walker, A. Marshall, W. Sombart, M. Weber, J. Schumpeter
5	Entrepreneur as a user of production factors	J.M. Keynes
6	Entrepreneur as a decision maker	R. Cantillon, A. Marshall, C. Menger, J.M. Keynes, G.L.S. Shackle, I. Kirzner
7	Entrepreneur as a peacemaker	R. Cantillon, I. Kirzner
8	Entrepreneur as a manager or supervisor	J.B. Say, A. Marshall
9	Entrepreneur as organizer or coordinator of economic resources	J.B. Say, J.S. Mili, A. Marshall
10	Entrepreneur as the person making the allocation of resources to use them in the alternative way	I. Kirzner
11	Entrepreneur as an owner	F. von Wieser, A.C. Pigou
12	Entrepreneur as a contractor	J. Bentham

Source: A. Marcinkowski, *Przedsiębiorca w zwyczajnym języku, teorii i badaniach empirycznych*, [in]: *Kapitalizm po polsku*, A. Marcinkowski (ed.), Kraków 1996, p. 76.

Entrepreneur as an investor (capitalist). The entrepreneur in the role of the investor is not connected with any specific area but provides capital for specific undertaking (projects). “Engages less in management and rather takes

care how in the proper time to use or withdraw own capital if the company is not likely to succeed¹⁴³. A particular case of the entrepreneur is an investor as an “opportunity hunter”. In such a case the entrepreneur is only interested in such short-term undertaking which will give exceptional profits. Liquid capital kept in readiness is used only when there emerges an occasion to obtain unexceptional profits.

Entrepreneur as an organizer or a coordinator of economic resources of the company. The function of the entrepreneur as the organizer of production is treated as the most important one. Its role means a combination of the different resources (personal, material and financial) in the creative ones. However, this function as a differentiator of the entrepreneurial attitudes refers rather to a creation of new combinations. Then, when it is connected with current activities of the company, it is only a routine. The importance of this function results mainly from a necessity to solve three main problems¹⁴⁴:

1. A creation of new combination means abandoning the established patterns of behavior. The entrepreneur must possess a lot of creative imagination, undisturbed belief in the rightness of evaluation and connections as well as skills of executing the adopted intentions [...].
2. Entrepreneur must overcome one's thinking schemes with own intellectual routine.
3. A necessity to overcome resistance of those whose positions can be in danger; overcoming routine and inertia of teams.

¹⁴³ K. Safin (ed.), *Zarządzanie małym i średnim przedsiębiorstwem*, Wydawnictwo Akademii Ekonomicznej im. Oskara Langego we Wrocławiu, Wrocław 2008, pp. 24-26.

¹⁴⁴ K. Safin (ed.), op. cit., pp. 24-26.

Entrepreneur as innovator. The elements of innovativeness (novelties) are present already while describing other roles of entrepreneur. The innovation can be:

- Launching a brand new product or a service into the market,
- Introduction of a new production method,
- Opening of new markets,
- Introduction of new organizational forms.

The entrepreneur is therefore a person who in the search of the outstanding profit implements innovations. It is accompanied by a large but normal risk while implementing innovations. It is an entrepreneur who is exposed to risk. It is not a type of a follower, copying somebody's solution but a pioneer of many solutions, very valuable for the economy. The entrepreneurs such as: Gates or Ford went into history, many got defeats but they always led to a civilization progress (a process of organizing an innovative idea for a market product is considered a core of the company).

It results from the set of the definitions and roles of the manager that¹⁴⁵:

1. The entrepreneur plays many roles at the same time- is very often a founder of the company and the organizer, innovator, employer (manager), takes innovative actions and so on,
2. The entrepreneur is differentiated neither by the very ownership (as it is possible to rent halls, lease machines and so on) nor by human resources management and management of the company (it is also done by the manager),
3. The entrepreneur is differentiated by a right to manage resources on its own cost and risk and to appoint a manager or to eliminate them (which provides a right to dispose of the risk),

¹⁴⁵ K. Safin (ed.), op. cit., pp. 28-29.

4. Entrepreneurial behaviors can be shown not only by those who are called entrepreneurs as such activities are possible on the different stages of management also in large enterprises; one can therefore talk about the entrepreneurship of managers (entrepreneurial managers) or about intra-entrepreneurs (internal entrepreneurship),
5. The entrepreneurship can be gradual which means that one can be more or less entrepreneurial.

Besides the aforementioned features and the roles of entrepreneurs which influence the functioning of the small company one key aspect for the way of functioning was not mentioned- that the owner-manager in the small company is the person who is responsible for the implementation of the style of managing the company. This style is conditioned by: a size of the company, a branch of activities, a market situation, qualifications of employees and so on. However, it is necessary to remember about the features of the owner among which the most important ones are¹⁴⁶:

- Personality features,
- Current professional experience,
- Motives which were the basis for setting up a company,
- A level of education, level of knowledge in the field of management and a skill to apply this knowledge in practice.

The contemporary literature in the field of the management styles is full of numerous publication about it. It can be stated that the style of the management of employees adopted in the practice by the owners of small companies generally takes one of the three forms¹⁴⁷:

¹⁴⁶ M. Sidor-Rządkowska, *Zarządzanie personelem w małej firmie*, Oficyna Ekonomiczna, Kraków 2004, p. 20.

¹⁴⁷ Z. Sufin, *Styl właściciela, czyli problemy zarządzania personelem w małych firmach*, Personel, 1-31 lipca 2000.

CHAPTER 2. Management of a small company

1. Autocratic style it derives from a conviction that employees must be managed “in a tough way”. The features of this way of behaving can be defined in the following way:

- Keeping distance toward the employees,
- Issuing arbitrary commands and ruthless enforcement of their implementation,
- Disregarding the opinions of employees;
- Preventing any attempts of objection.

It is difficult to deny that a certain level of autocracy proves to be successful in many situations related to the management of a small company. However, it easily transfers in such a way of behavior which can be called “motivation by frightening”. The negative effects of such a behavior are obvious- a frightened employee concentrates all the energy on trying not to get into the “manager’s bad books”.

2. A participatory style this style of managing employees is widely appreciated. It is underlined that it is used by managers with specific features of personality among whom a kindness towards people and a capacity to cooperate with others play an important role. The features of participatory style of management are:

- Basing relations with employees on the rules of honesty and openness,
- Reliable information about the situation of the company and the features of the tasks undertaken,
- Trying to solve together all the problems of the company, including employees in the process of taking decisions,
- Creating for employees the possibilities to increase professional qualification, taking care of the proper usage of the skills possessed by the employees.

The effect of such a behavior is the engagement of employees in the company's issues and identifying with the company. It helps to achieve the stabilization and the development of staff.

The praises addressed towards participative style of management are definitely right. Such a behavior results in an authentic desire of the employees to achieve the aims of the company. It is even difficult to imagine different kind of management for lawyers employed in law offices or for the consultants of the agencies of personal advising.

It is worth noticing that the participatory style of management which essence is sharing with the personnel the care about the existence of the company is also used by the managers who are not sure of their role or who have problems taking decisions. It serves then not only for the professional development of employees but as a kind of a blurring responsibility for the results of the activities taken.

Therefore, stating that the participative style of management is the only proper one is an exaggeration. The choice of the style of management is a resultant of many conditionings; the arguments for both the options signalized so far were presented in the table below.

Table 16. Choice of the style of management in a small company

Features of a small company	Arguments for the choice of	
	Authoritarian style	Participation style
Size of the company	We are too small to create large centers of power	We are so small that we can take the decisions together.
Ownership	The company has the owner responsible for the decisions so there is no justification to share power when there is no risk division	The company has the owner whose rights are indisputable so there is no need to worry while transferring a part of power
Availability of resources	Rational economy in the conditions of limited resources requires a centralized decision on the way of using them	Limited resources cause it is necessary to increase them by improving the knowledge and professionalism of employees

CHAPTER 2. Management of a small company

Function of the owner	Allowing workers to decide means a decline in the meaning of entrepreneur as the central decision-making	Allowing employees to have powers is a possibility to verify the decisions on an introductory level, a limitation of negative verification by the market.
-----------------------	--	---

Source: K. Safin, *Zarządzanie małą firmą*, Wydawnictwo Akademii Ekonomicznej im. Oskara Langego we Wrocławiu, Wrocław 2002, p. 170.

3. Paternalistic style – this style of managing a company is assessed really negatively by Ch. Fournier who was quoted earlier not only as the one having negative consequences for the company but causing also a “learned helplessness” of employees. Such an ambiguous assessment is a simplification. Paternalism in management is a way of managing employees in a way similar to how a father deals with their kids. Fathers are different. The ways of behavior of people using this style of management are also different- from a total incapacitation of employees to being a real authority and an advisor to them. In reference to many companies, particularly the craft ones, employing employees with a relatively low level of education and professional experience, an attitude of a clever, severe but fair father who is gradually increasing a range of independence of people can prove to be the best choice.

It is necessary to take into consideration that the adopted in practice styles of management should be always adjusted to specific conditionings being a derivative of employees in the company, a range of the operation of the very company or the atmosphere of work. It is really likely that within one company, in relation to the different superiors, different styles of management must be applied as only such a solution can ensure a functional functioning of organization.

CHAPTER 3. Strategic analysis in a small company

3.1. Essence of strategic analysis

The company in order to function should have a prepared strategy of external and internal factors describing the conditions of its operation. Therefore, a strategy should mean ambitious but possible to be achieved market aims and the ways of implementing them, making a company a competitive one. The very formulation of the market strategy is a difficult and complex process requiring a complex consideration of the conditions in which it operates. It requires a detailed recognition of external and internal factors deciding about a possibility of the company's development and its achievement of a market success. Due to a large number of factors and dependencies between them, the analysis cannot happen in a chaotic way but must be systemized in a logical series of actions enabling to draw conclusions and define the desirable directions of the company's development. such an approach synthetizing the image of the organization and its position in the environment is ensured by the application of the strategic analysis.

Strategic analysis is the first stage of the strategic management conditioning the success of the following stages which are: a formulation and an implementation of the strategy. It is a process of a complex monitoring of the environment and the very company taking into consideration an early recognition of chances and a detection of all the threats and irregularities and taking proper actions on their basis.

G. Gierszewska and M. Romanowska define the strategic analysis in terms of the functionality and utility. In the functional term it is a set of activities diagnosing the organization and its environment enabling in a way a creation of

a strategic plan and its implementation. In the utility sense it is a set of the methods of analysis which allow to check, evaluate and predict the future conditions of the selected elements of the company and its environment from the point of view of its survival and development¹⁴⁸.

L. Berliński considers in a similar way the strategic analysis as the basic methodological tool of formulating an economic strategy. It allows to identify both the external and internal factors allowing for the identification of external and internal factors determining both positively and negatively the shape of the strategy the shape of the strategy and on the evaluation of their impact on the company¹⁴⁹.

J. Antoszkiewicz and Z. Pawlak notice also the meaning of this notion understanding it as the document containing materials and conclusions from the process of diagnosing the company and its environment¹⁵⁰.

Taking all these aspects into consideration, the strategic analysis can be defined as: **actions which aim is to identify and evaluate the processes taking place nowadays and in the future in the environment and an own potential of the company and the definition of their tendencies in reference to the different scenarios of economic environment. It constitutes a basis for formulating a competitive market strategy.**

Taking into consideration the assumptions of the effective strategy according to the concept of the E-V-R Congruence such an approach to the strategic analysis thanks to using three types of variables allows to build durable and competitive strategic plans. These variables are¹⁵¹:

¹⁴⁸ G. Gierszewska, M. Romanowska, *Analiza strategiczna przedsiębiorstwa*, PWE, Warszawa 1998, pp. 17-18

¹⁴⁹ L. Berliński, *Zarządzanie strategiczne małym przedsiębiorstwem*, OPO, Bydgoszcz 2002, p. 145

¹⁵⁰ J. Antoszkiewicz, Z. Pawlak, *Techniki menedżerskie*, Poltext, Warszawa 2000, p. 137.

¹⁵¹ I. Penc-Pietrzak, L. Berliński, *Inżynieria projektowania strategii przedsiębiorstwa. Konstrukcja i technologia*, Wydawnictwo Politechniki Łódzkiej, Łódź 2004, p. 174.

- occasions, threats and limitations imposed by the environment,
- recognized values and convictions,
- resources and skills.

The bigger the consistency between these elements the more probable the success of the company and the more effective its strategy¹⁵². A proper application of a strategy understood in this way can greatly speed up and facilitate the creation of the strategic market strategy.

Generally the strategic analysis is characterized by certain features which distinguish it from other analysis applied in the management of the company. The first features is a combination of two ways of looking at the management and two ways of information: simultaneous testing environment and the very organization and confronting the results of the research results. The second feature is an interdisciplinary character of this analysis, a usage of both quantitative and qualitative features from the field of economy, finances, sociology, psychology, statistics and marketing¹⁵³. The third important feature is the fact that this analysis refers both to the past and the future¹⁵⁴. For the proper conducting of them the teams of people with the different qualifications and skills are needed as well as a well-functioning system of strategic information.

The aim of strategic analysis is first of all¹⁵⁵:

- Identification of the chances and threats generated by the environment in the context of the further development of the company,

¹⁵² J. Machaczka, *Podstawy zarządzania*, Wydawnictwo Akademii Ekonomicznej w Krakowie, Kraków 2001, p. 85.

¹⁵³ G. Gierszewska, M. Romanowska, *Analiza strategiczna przedsiębiorstwa*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2003, pp. 17-18; J. Antoszkiewicz, Z. Pawlak, *Techniki menedżerskie*, Poltext, Warszawa 2000, p. 137.

¹⁵⁴ Compare: E. Frąckiewicz, J. Karwowski, M. Karwowski, E. Rudawska, *Zarządzanie marketingowe*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2004, p. 47.

¹⁵⁵ I. Penc-Pietrzak, L. Berliński, *Inżynieria projektowania strategii przedsiębiorstwa. Konstrukcja i technologia*, Wydawnictwo Politechniki Łódzkiej, Łódź 2004, p. 175.

CHAPTER 3. Strategic analysis in a small company

- A possible early detection of all the irregularities in the functioning of the very company and its sources and reasons,
- A self-definition of the company and defining its place on the market in relations to the main competitors (an evaluation of identity and the image of the company),
- A creation of substantial and pragmatic basis for undertaking necessary actions aiming to boost the company and start all the necessary development processes,
- Confrontation (balance) of threats and chances placed in the environment as well as strengths and weaknesses of the company in order to define the variations of the strategy and development and as a consequence plans and programmes of the strategy of development and as a consequence plans and programmes of the strategy of management¹⁵⁶,
- Identification of strengths and weakness of the company taking into consideration the creation of competitive advantage,
- Optimizing the production portfolio and a general evaluation of the risk connected with running the different kinds of activities,
- A definition of the possibilities to create an added value for clients and other stakeholders.

The strategic analysis should be conducted in a systemic and consequent way in order to confirm the current aims and a direction of the company operation or to lead to its further redefinition. Only a clash of the results of all the stages of the strategic analysis gives a full picture of the current strategic situation and the probable changes in the environment which allows to start the process of the strategic planning.

¹⁵⁶ H. Bieniok, G. Gruszczyńska-Malec, *Rola analizy strategicznej w zarządzaniu przedsiębiorstwem*, Organizacja i Kierowanie 2/1996, p. 84.

The analysis of macro environment is an identification of “macro” conditions of the operation of all the companies functioning on the market.

The entrepreneur chooses the macro environment only once- when decides where to set up a company. Not only the climate, economic situation of the country or the region, condition of the infrastructure and law, but also the preferences of the population, cultural norms which influence the behavior of consumers and many other factors are connected with the place and the time of operation. In order to conduct the analysis of the macro environment it is divided into homogenous segments and only within them the chances and threats for the company are searched. The most common segmentation of the macro environment was presented in the picture below.

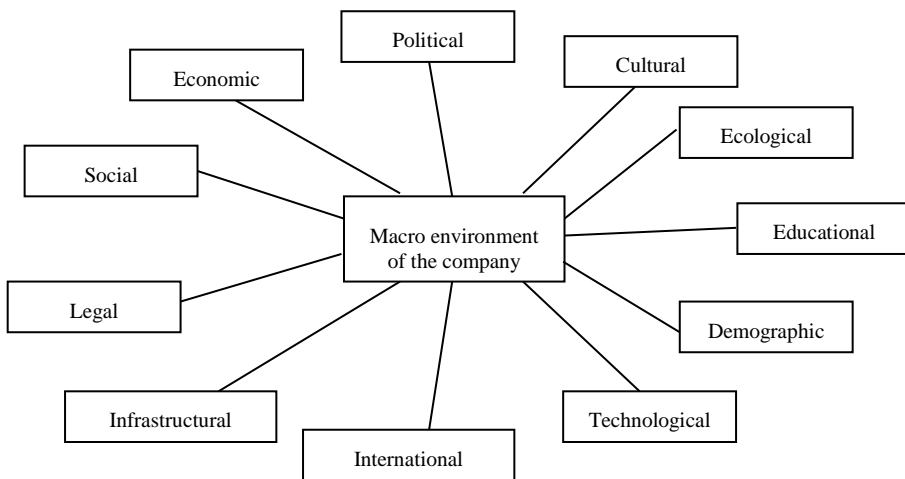


Figure 1. Segmentation of the macro environment
Source: own preparation.

The analysis of the competitive environment is an identification of the “micro” conditions in which the companies operate. The competitive environment is created by all the stakeholders with which the company has any business links that is first of all clients, suppliers, competitors as well as associations and

branch chambers, scientific institutes and other organization connected with the given branch. The relations between the participants have either a character of a competition or a cooperation within which they can mutually help or be detrimental one to another. Each organization has here a certain impact on the behavior of the remaining participants of the competitive environment – the bigger the influence the stronger the position in the environment. Taking into consideration the nomenclature adopted in the strategic analysis the level of the sector analysis is considered as a proper one for the analysis of the company. The sector is a part of industry (branch) grouping the companies producing products or services with a similar usage and sold on the same geographic market. The criterion of separating a certain sector from the branch is the usage by all the participants of the same sources of supply and a satisfaction of the same needs of clients. The limits of the sector should be also defined by a description of the geographic range on which the products or services are sold, sometimes by the definition of the segments¹⁵⁷.

In the field of **the analysis of the potential of the company** the actions happen which aim is to evaluate the **strategic potential of the company** that is an identification of the assets and weaknesses of the company. As the result of the analysis of the strategic potential it is possible to state whether a company is able to function and to take competition in the sector of its operation. It is important to give an answer to the question whether a company has capacities to use the chances that appear in the environment or if it is able to protect oneself against the threats. The evaluation of the strategic potential of the company has always a relative character, is done by the prism of the external conditionings taking into consideration other competitors in the sector. A comparison of companies has only the sense within one sector, then we search the ways of showing the different skills of coping in the similar conditions created by the

¹⁵⁷ ibidem, p. 39.

environment. In the sectors which are attractive, developing and profitable, where the competition is moderate, even a weak company will manage to survive. In the sectors which are not attractive, where there are few threats, a company, in order to survive must have a bigger strategic potential, more skills to cope with the difficulties.

The last stage of the strategic analysis of the company is **the evaluation of the strategic position**. This activity means a definition whether an organization under research has a sufficient potential to survive and develop in the environment in which it operates. The effect of the evaluation of the strategic position is qualifying a company into one of the following categories: development, non-development or with a different development possibilities. Another step of the evaluation will be starting to build a strategic plan suitable for a given strategic position.

A definition of the strategic position means a comparison of the results of the analysis of the environment with the analysis of the potential of the very company, preferably using the SWOT method. Only such a comparison gives basis for a complex (systemic) diagnosis of the strategic position of the company and then designing chances that are the foundations for the new strategy. Only after making a current and a future diagnosis of the market situation, it is possible to start designing the variations of the strategy and then choosing an optimal way.

In the process of conducting a strategic analysis the system of strategic information which updates current, properly selected and aggregated information which is a starting point for the undertaken analysis has a very important impact on its quality and effectiveness.

Such an **informational system** is a purposefully organized structure of people, equipment and procedures of gathering, processing and dividing

information for the need of the different decision centers in the company¹⁵⁸. The information in the business – as pointed by J. Lewandowski – includes all the streams of the data within an organization and between the organization and external centers that is clients, suppliers or government agencies. A good information is definitely one of the most important assets in the company; however, it is not possible to calculate its value nowadays. It is possible to encounter an opinion that all the assets which are not booked are the information. What is more it is possible to distinguish three groups of information and information flow presented below¹⁵⁹:

1. External information (flowing into the market):
 - integrated information about the client: their needs and preferences,
 - technical knowledge and skills: knowledge of equipment and materials,
 - distribution channels: their existence and capacity,
 - network of clients: their existence and openness to information.
2. Collective information (going outside):
 - reputation,
 - advertisement,
 - marketing,
 - trade mark.
3. Internal information:
 - collective culture, e.g. the kind and the effectiveness of the information flow,
 - managerial skills e.g. interpretations and a capacity to react,
 - international management, e.g. a knowledge of other habits and cultures.

¹⁵⁸ J. Penc, *Leksykon Biznesu*, Agencja Wydawnicza Placet, Warszawa 1997.

¹⁵⁹ ibidem, p. 13.

The managers defining the strategies of their companies perceive a particular role and a meaning of information. In the process of the strategic management, the role of information means a reduction of uncertainty, evaluation of the scale of risk and the chances and threats connected with the adoption of the strategy of the company's operation¹⁶⁰. That is why an information system in the field of strategic management should be adjusted to the single phases of the strategic management and namely:

- Conducting strategic analysis (an analysis of strategic aims of operation, external chances and threats and internal strengths and weaknesses of the company),
- Formulation of the strategy (a creation of the strategy of businesses, functional strategies and strategies of the company and a choice of the optimal alternative),
- Implementation of the strategy (an integration of the strategic programmes, improvement of organization, ensuring strategic control and strategic management)¹⁶¹.

The strategic decisions are taken ones so it is difficult to define the categories of information needed to take them. While taking a decision what kind of information should be given to the manager, we do not know what kind of decisions they will be taking. That is why it is impossible to define precisely the kind of the desired information and as a result every information will be delivered on time. The disadvantage of collecting the information on this level is the fact that they can be delayed. This can have serious consequences for the organization. However, on the other hand, a smaller deficit of information is better than flooding the managers with the data that maybe one day will be used.

¹⁶⁰ G. Gierszewska, M. Romanowska, *Analiza strategiczna przedsiębiorstwa*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1999, p. 222.

¹⁶¹ Compare G.G. Dess, A. Miller, *Strategic Management*, Macmillan Publishing Company, New York 1993, pp. 9-15.

collected It is necessary to look for the compromise between these two situations. However, the information which is the most important for the company should be gathered and published as standard reports, additional data will be collected if needed¹⁶².

In case of micro and small companies the information which will play the most important role will be the information on competitors, clients, economic situation and the data coming from the interior of the organization.

Conducting professional strategic analysis requires a definition of the informational needs and a preparation of the system of gathering and processing and protecting information¹⁶³. The information needs to be understood as the reported requirements referring to the information necessary to take decisions¹⁶⁴ which are effective and following the aims are the important issues.

In case of the strategic analysis the recognition of the informational processes can be connected with the features of the areas with which the main strategic analysis deal.

The characteristic of information refers to the characteristic of the macro environment, analysis of the competitive environment and an analysis of the potential of the company. That is why it is possible to identify the information needs in the form of:

- Information about a macro environment,
- Information about a competitive environment,
- Information about the company.

¹⁶² J. Lewandowski, *Projektowanie systemów informacyjnych zarządzania w przedsiębiorstwie*, Wydawnictwo Politechniki Łódzkiej, Łódź 1999, p. 20.

¹⁶³ G. Gierszewska, M. Romanowska, *Analiza strategiczna przedsiębiorstwa*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1999, pp. 17-18.

¹⁶⁴ K. Woźniak, *Zaspokajanie potrzeb informacyjnych na szczeblu zarządzania strategicznego*, [in:] *Doskonalenie systemów zarządzania w społeczeństwie informacyjnym*, tom II, A. Stabryła (red.), Akademia Ekonomiczna w Krakowie, Kraków 2006, p. 478.

The field of informational interest can be divided also for the sources of the originality of the information that is internal and external information. The information of the internal character can refer first of all to the resources of the company among which the following ones can be considered as the basic ones¹⁶⁵:

- Financial resources – any financial resources, profits which are kept,
- Material resources – buildings,
- Structures, buildings, machines, materials, production lines, etc.
- Market resources – trade mark, reputation, channels of distribution, contracts, loyalty of clients,
- Intellectual property – patents, copy rights, trade-marks, registered brands, trade secrets, know-how,
- People – their knowledge, experience, intelligence, managerial skills, divided values,
- Organizational resources – the system of management, organizational structure, organizational processes, culture, system of communication,
- Relational resources – reputation among partners and a society, business contracts, capacity to build durable relations with customers, partners and other stakeholders of the environment.

Table 17 presents the characteristic of the basic sources of information in the context of preparing a strategic analysis. The different groups of information were compared taking into consideration the area of strategic analysis and a character of information. As it results from it, the spectrum of obtaining information for a strategic analysis is very wide and the range of its usage depend only on the activity and engagement of the management of the company.

¹⁶⁵ R. Krupski, *Zarządzanie strategiczne. Koncepcje – metody*, Wydawnictwo AE we Wrocławiu, Wrocław 2003, p. 136.

Table 17. Characteristic of the sources of data in strategic analysis

Source of data	Characteristic of data/information that can be obtained from a given sources	Area of strategic analysis	Characteristic of the source of information
Company	<p>Information with the basic meaning for effective strategic management. It provides the information about the functioning of all the functional units of the company and basic processes realized in them.</p> <p>The data can derive from the following sources:</p> <p>Board and headquarters-in the form of the annual reports, planning documents, financial reports, financial plans, marketing plans, plans and programmes of actions and business plans. The development programmes, investment programmes and technical and economic analysis of investment programmes seem to be particularly important in the context of the strategic analysis.</p> <p>Sale and marketing units- documents referring to the dynamism, size and sale structure of the single products and trade products. The materials from the market research are also important.</p> <p>The basic source of information are the current and the previous marketing plans and the reports from their implementation. The mailing lists of the previous, current and potential clients are the elementary source of information.</p> <p>Bookkeeping and economic services- documents providing information about the financial situation and the results of activities, e.g. an economic analysis. The important source of information is also the data referring to production of a unit cost, profitability, prices of the purchase of materials and raw materials or the</p>	<p>Analysis of the potential of the company, particularly in preparing the analysis of the resources of Hofer-Schendel, factor analysis of PIMS model, a definition of key success factors, analysis of a chain of values. The selected groups of data serve also to prepare the portfolio methods or elements testing the conditions of the environment of the company, e.g. the scenarios of the environment.</p>	<p>Information often with the internal character, with confidentiality clauses such as strategic plans, development plans, financial data.</p>

	<p>prices of selling raw materials for single groups of receivers, Supply units, production units, research and development units- documents informing about a supply side of the sector, including technic, technology and a production. The following data seem to be particularly important: mailing lists and files of suppliers, requests for proposals from potential suppliers, complaints documents, reports from visiting suppliers, reports from fairs and exhibitions.</p> <p>In case of research and development units, the important data can be the information on technical and technological novelties.</p>		
Competitors, clients, suppliers	<p>Activities of competitors must be monitored on the current basis in order to allow quick reactions allowing to maintain a market position. Main documents from which is possible to get information about the competitors are: price lists, offers, web sites, speeches and communicates, products specifications, expenditure on advertisement and promotion and so on. The monitoring of receivers having the biggest influence on the future strategic decisions, is very important. It is particularly important to monitor the preferences referring to the products of the company, expectations referring to price, quality and functionality of current and future products, advantages and disadvantages of products offered by the competitors.</p> <p>The most popular ways of obtaining information from clients are the different kinds of surveys, conversations, interviews and so on. The companies are dependent on the cooperation with suppliers both in terms of products, raw materials, semi-processed products and services.</p>	<p>Analysis of the sector environment, particularly in the field of preparing scoring of sector attractiveness, analysis of 5 strengths of Porter, map of strategic groups. The selected groups of data referring to competitors, clients and suppliers serve also to evaluate the potential of the company.</p>	<p>Information with an external and internal character.</p>

CHAPTER 3. Strategic analysis in a small company

	<p>The examples of strategic information which sources are: suppliers, offer, prices, investing intentions, technological inventions, quality of the products and services delivered, changes in the system of management.</p>		
<p>Government inst Government institutions</p>	<p>Within this group of the stakeholders the following should be differentiated: Parliament, Government and its agencies, , Center for Strategic Studies, National Bank of Poland, Central Statistical Office and other offices such as: patent office, inland revenue, custom office and so on. The data coming from these sources will first of all refer to: changes in the tax systems, planned macro-economic factors in the state budget, exchange rates, information about an adjustment to the international law, concessions and limitation in the operation of companies, labor code, trade code and so on.</p> <p>In terms of information which refers to versatile topics, the informational resources of Central Statistical Office must be appreciated. These are demographic information and economic information about the results of activities of the single sectors of economy, public finances, labor market.</p>	<p>Analysis of macro environment, particularly: PEST analysis, PRESTCOM, ETOP, scenarios of environment, stakeholders analysis.</p>	<p>Information with an external character in the form of reports, development programmes, prognosis, reports.</p>
<p>Non-government institutions</p>	<p>In this group of stakeholders, it is necessary to distinguish first of all: financial institutions, research and development institutions, Chambers of Commerce grouping entrepreneurs and consumers organizations.</p> <p>The information available from the financial institutions that is the offer of financing investment, interest rates of credits and bank deposits, prices of shares of competitive companies are particularly important from the point of view of the strategic decisions.</p>	<p>Analysis of the sector environment in preparing the analysis of stakeholders, scoring of sector attractiveness and analysis of macro Environment in preparing the scenarios of PEST analysis, PRESTCOM, ETOP.</p>	<p>Information with an external character in the form of reports, development programmes, prognosis, reports.</p>

Consulting companies and credit information agencies	Consulting companies provide an offer which means not only a delivery of strategic information (referring to market, competitors and so on) but very often participate as consultants in taking strategic decisions. The main aim of credit information agencies is to provide information about other economic stakeholders, referring both to widely available information such as: address, form of ownership, range of operation, structure of income and costs, connections with other stakeholders as well as information on solidarity, capacity to fulfill obligations.	Development of consulting companies can refer to all the fields of strategic analysis.	Information with an external character in the form of the market analysis, strategic analysis, business plans and so on.
Mass media	All mass media such as: Internet, radio, television, press including the branch press. They can provide information referring e.g. to: a dynamics of changes of economic and political situation, technological changes, legal changes, demographic trends, fashion, national and international markets, branches and economic sector. As the source, they are characterized by a low cost and a speed of access to information. However, their reliability, accuracy and frequent simplifications of the content remain important issues.	Analysis of macro environment and competitive environment.	Information with an internal character in the form of press communicates, TV and radio programmes.

Source: own preparation on the basis of: K. Woźniak, *Zaspokajanie potrzeb informacyjnych na szczeblu zarządzania strategicznego*, [in:] *Doskonalenie systemów zarządzania w społeczeństwie informacyjnym*, tom II, A. Stabryła (ed.), Akademia Ekonomiczna w Krakowie, Kraków 2006, pp. 481-484 oraz G. Gierszewska, M. Romanowska, *Analiza strategiczna przedsiębiorstwa*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1999, pp. 224-259.

The so-called signs which can be defined as natural technical, physical, social and economic phenomena which from their nature are not purposefully generated in order to conduct some information but perceived by the receivers

are important, particularly for small companies which are the carriers of information.

E.g. a rapid decrease of the product sale can be a sign that a new competitor entered the market and so on. The observation of the economic environment and catching the signs important for taking decisions on the strategic level will be an important role of the information system. While analyzing and interpreting the signs, it must be remembered that there is not always a relation of a reason-result type between a phenomenon and a sign which is to point at it. It is often the case that a sign of the existence of some phenomenon (e.g. an information about an approaching oil crisis causes a rapid decrease of demand for oil products, growth of prices and the very crisis that is a self-fulfilling forecast. It also happens that a sign and a phenomenon only co-occur and it is impossible to reveal and identify the relations of reason-result type between them. The aforementioned issues must be taken into account while building the simulation models, prognosis and economic plans as an improper research approach can cause a faulty interpretation of the gathered information and as a result decrease the effectiveness of the decisions taken¹⁶⁶.

The effectiveness of the methods applied in the strategic analysis of the company greatly depends on the quality and timeliness of the delivered information. The meaning of the information in the process of preparing a strategic analysis was best characterized by M.D. Skipton stating that "A strategic plan is as good as the information on which it is based"¹⁶⁷.

¹⁶⁶ K. Woźniak, *Zaspokajanie potrzeb informacyjnych na szczeblu zarządzania strategicznego*, in: *Doskonalenie systemów zarządzania w społeczeństwie informacyjnym*, tom II, A. Stabryła (ed.), Akademia Ekonomiczna w Krakowie, Kraków 2006, p. 485.

¹⁶⁷ G. Gierszewska, M. Romanowska, *Analiza strategiczna przedsiębiorstwa*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1999, p. 29.

The proper decisions, particularly with a strategic dimension, require a creation of the informational system which will serve on daily bases the streams of information entering and leaving a company, the system which will ensure each user of the results of the strategic analysis a different set of information.

3.2. Review of the methods of strategic analysis

The literature in the field of strategic management and an economic practice provide a series of methods thanks to which it is possible to examine the environment and the very company. Within the available methods they are divided into those which serve to examine a general environment, sectorial environment and evaluating the condition and a potential of the company. Below in an illustrated form the selected methods of strategic analysis put into the fields of analysis are presented.

In the analysis of the company's environment it is possible to use a few methods from the field of strategic analysis that is PEST analysis, scenario analysis, stakeholders' analysis, method of five strengths, and scoring of sector attractiveness. If needed these analysis can be supplemented with the methods which fall into marketing research concentrating mainly on examining the needs and preferences of clients (surveys, tests, interviews, experiments and so on).

One of the relatively simple in application and allowing to concentrate the attention of the company on the most important external relations is **PEST** (STEP) analysis and its variations that is: **SLEPT**, **PESTER** and **PRESTCOM**. **PEST** analysis means an identification and analysis of the potential changes of political, economic, socio-cultural and technically-technological factors¹⁶⁸. This

¹⁶⁸ G. Johnson, K. Scholes, *Exploring Corporate Strategy*, Prentice Hall Europe, London 1999, p. 104; D. Faulkner, C. Bowman, *Strategie konkurencji*, Gebethner i Ska, Warszawa 1996, p. 77.

method is sometimes called STEP analysis in which the examination of the single groups of factors is done in the reverse order¹⁶⁹.

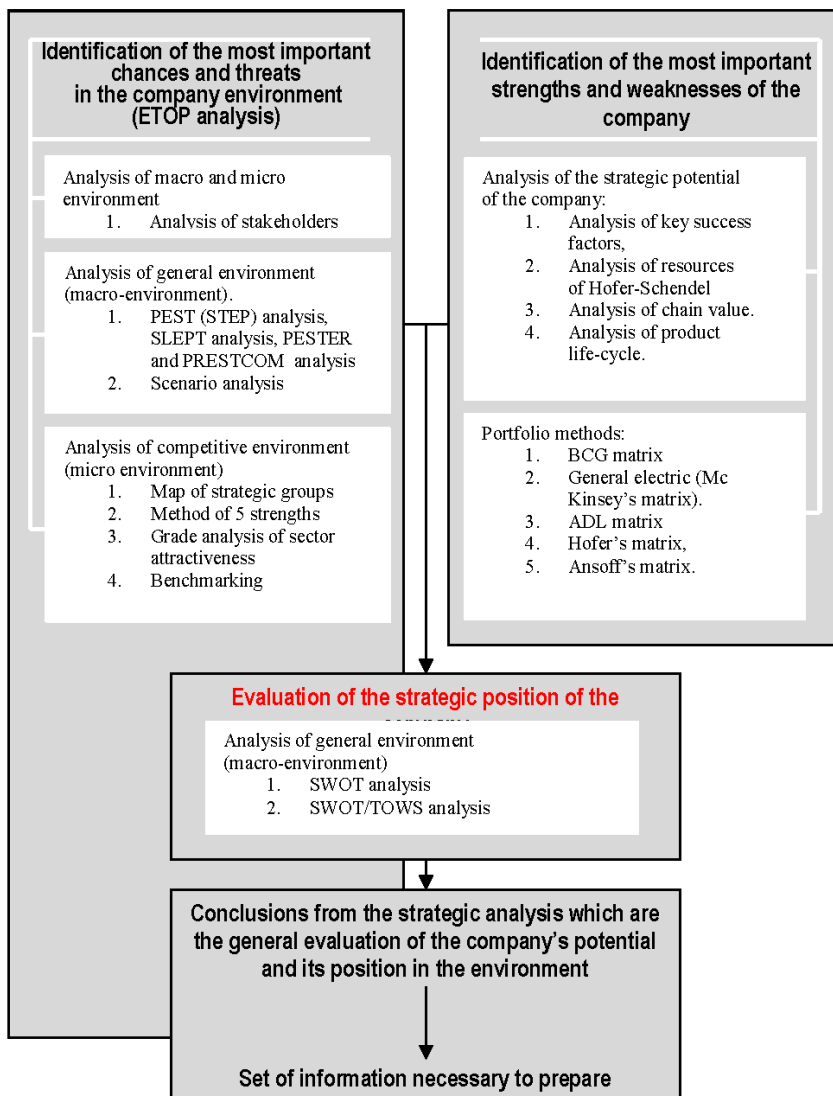


Figure 2. Selected methods applied in the process of conducting an analysis
Source: own preparation.

¹⁶⁹ G. Stonehouse, J. Hamill, D. Campbell, T. Purdie, *Globalizacja. Strategia i zarządzanie*, Felberg SJA, Warszawa 2001, pp. 81-82.

In the literature, among the political factors one distinguishes the legislative or legal factors obtaining in this way SLEPT analysis. The order of the letter show examining the following group of factors: social (socially-cultural), legislative, economic, political and technological¹⁷⁰. In order to widen the range and specify the results obtained one includes also ecological aspects and conducts PESTER¹⁷¹ analysis. In turn PRESTCOM analysis widens the range of analysis including the competitive, organizational and market factors. This analysis allows to identify those areas or tendencies to which much more attention should be paid both in designing the areas or tendencies which should be developed in order to face the challenges created by the environment. The bulleted list of the single factors, similar to PEST method, should be supplemented with a detailed description of the most important ones.

While doing PEST, SLEPT, PESTER or PRESTCOM analysis, it is necessary to take into consideration that many factors will be shaped in the different way depending on the country or a region in which a given company operates. In case of the company operating globally, it is necessary to conduct such an analysis separately for every country or an area of operation.

PEST, SLEPT, PESTER or PRESTCOM is a good introduction to prepare a scenario of environment as well as to apply a SWOT analysis and more precisely take its part defined as an ETOP analysis. By collecting the data from the market on the different factors it provides the information about the chances and threats taking place outside the company, particularly if supplemented with an analysis of the influence of stakeholders that is stakeholders' analysis. The confrontation of these strengths and weaknesses with internal assets of the company allows to draw conclusions as to the further directions of its operation on the market.

¹⁷⁰ I. Markiewicz, *Jak stworzyć skuteczny plan marketingowy?* Marketing Serwis 2002, nr 12, p. 39.

¹⁷¹ *Zarządzanie informacją i komunikacją*, Z. Martyniak (ed.), Wydawnictwo Akademii Ekonomicznej w Krakowie, Kraków 2000, p. 204.

CHAPTER 3. Strategic analysis in a small company

The data obtained thanks to conducting PEST analysis is a good basis to prepare **scenario methods**. They are applied both in strategic management on the level of the company and a regional or national economy. Such scenarios are built for the time horizon of 5-15 years although they can take into consideration a longer period. It is difficult to define a certain optimal time horizon with which the method gives the best results as the speed of changes of the factors included in scenarios depends on an examined region, country, industry or sector. The basic dependence is such that the more changes there are in the examined area, the more quickly they take place and the more complex they are the shorter the period for which the scenario is prepared is. The idea of the scenario planning is a creation of many visions (alternative images of the futures) and a design of a proper reaction of the company allowing to use best a given situation or to avoid threats connected with it. The existence of such scenarios enables to take decisions by a proper attitude to the situations described in them, which give answers to the questions referring to the future conditions of operation¹⁷². It is important while making the scenarios to monitor permanently the environment, follow the events taking place in it and to refer them to the situations described in the scenarios with an aim of their earlier identification¹⁷³.

Table 18. Advantages and disadvantages of scenarios methods

Advantages of scenario methods	Disadvantages and limitations of scenario methods
<ul style="list-style-type: none">• Help to define the aims of operation,• Increase the accuracy of the taken strategic decisions• Discover the mechanisms of the dynamics of the company,	<ul style="list-style-type: none">• Are mainly used in large enterprises,• Are expensive,• Generally require big experience of own specialists and help of experts from outside,• Teams preparing scenarios must dispose of talents, invention, intuition and imagination,

¹⁷² L. Fahey, *Scenario Learning*, Management Review, March 2000, p. 30.

¹⁷³ P. Justison, J. Harrison, T. Pullin, K.E. Anderson, *Lessons in Scenario Planning*, Health Forum Journal May-June 2000, p. 44.

<ul style="list-style-type: none"> • Are an instrument of the active shaping of the future of the company, • Inevitably stimulate the process of changes, • Generate new ideas, enable a free activity of imaginations, usage of invention and creativity, • Discover chances and threats. 	<ul style="list-style-type: none"> • It happens that not all of the scenarios “suits” the reality of the created situation. • Disposing of scenarios does not guarantee the effectiveness of the strategy prepared on their basis (this effectiveness depends on many factors e.g. on the proper moment of implementing the strategy).
--	--

Source: Podstawy zarządzania przedsiębiorstwem, cz. II, H. Bieniok (ed.), Akademia Ekonomiczna w Katowicach, Katowice 1999, pp. 14-15.

Another method of the environment analysis is a preparation of the **map of strategic groups**. This analysis allows to define a distribution of competition in the sector which can take place both inside the groups and between them. The competition between the groups is often quite big as the companies forming it are generally the closest competitors. It results from the definition of the strategic groups defining them as companies which use similar competition strategies (e.g. use the same distribution channels, run an intensive promotional campaign), have similar assets and skills and are characterized by the similar features (e.g. a size, an aggression towards competitors)¹⁷⁴. Thanks to preparing a map an owner of the company has a possibility to recognize the participants in a given strategic group, the number of companies operating within a given sector and to evaluate the chances and threats connected with the functioning in a given group. The method of the map of the strategic groups allows also to identify potential market niches inside the sector. The preparation of the map of strategic groups is quite a simple undertaking which provides important information needed for further analysis. This research should be updated from time to time as the connections and the dependencies inside the sector undergo permanent changes. The pace of these changes depend mainly on the level of the

¹⁷⁴ D. Aaker, *Strategic Market Management*, John Wiley & Son, New York 1992, p. 65.

competition among the companies in the sector, a size of the served market and a phase of the life cycle of the product.

While examining the environment, both the external one (the closer and the further one) and the internal one¹⁷⁵, it is necessary to take into consideration the relations of the company with the different people and groups of interest – **the analysis of stakeholders** is used for it. The stakeholders of the company are, among others, shareholders, employees, a board or a direction, clients, suppliers, intermediaries, competitors, collaborators, investors, banks, media, politicians and many other governmental, social and political organizations. These are groups or people who can exert influence on the decisions of the company or can be dependent on these decisions towards whom the company has certain obligations and who can give it support¹⁷⁶. These stakeholders directly or indirectly get profits or have costs connected with the functioning of the company and are able to positively exert pressure on it¹⁷⁷. Stakeholders can greatly shape the market image of the company and that is why the company should take into consideration the influence of these groups both when defining the mission and building a strategy and planning its current activities¹⁷⁸. The analysis of stakeholders has generally a qualitative character. It is necessary to identify “the interested ones” and to evaluate their type and a strength of the pressure exerted by them on the company.

¹⁷⁵ Otoczenie wewnętrzne to inaczej środowisko organizacji, obejmujące przede wszystkim zarząd, pracowników i kulturę tej organizacji (A. Wajda, *Organizacja i zarządzanie*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2003, p. 17).

¹⁷⁶ G. Dess, A. Miller, *Strategic Management*, McGraw-Hill, New York 1993, p. 4.

¹⁷⁷ B. Olszewska, *Współczesne uwarunkowania zarządzania strategicznego przedsiębiorstwem*, Akademia Ekonomiczna we Wrocławiu, Wrocław 2001, p. 27.

¹⁷⁸ S.G. Scott, V.R. Lane, *a Stakeholders Approach To Organizational Identity*, Academy of Management Review 2000, No. 1, p. 48; Clark S., Considering your stakeholders: Don't forget, you are not alone, Houston Business Journal, 31.12.1999, p. 16.

Besides the methods evaluating strictly the conditioning of the operation of the company in the general environment, the methods of the analysis of the competitive environment are also available. **The method of five strengths of M. E. Porter** is one of the most often described in the literature and used in practice methods. This means an evaluation of the sector on the basis of five different criteria (strengths) proposed by M.E. Porter. These strengths define the intensity of the competition in a given sector, its profitability and a financial attractiveness for investors. These factors include:

- Bargaining force of suppliers,
- Bargaining force of clients,
- Intensity of competition among the companies in the sector,
- Threat of new entrances,
- Threat of the appearance of substitutes¹⁷⁹.

The analysis of five strengths allows to evaluate the market potential of the sector or serves to compare the sectors taking into consideration their business attractiveness. Thanks to this analysis one obtains information about the chances and threats resulting from the functioning in the given sector or connected with starting activities on the new markets. While analyzing the sector by means of this analysis, it is possible to identify the barriers and costs connected with entering and functioning in the given sector.

An evaluation of the sector attractiveness is another method. This method means an identification of the most important features of the given sector and an evaluation of each of them according to the adopted scales and then summing up all partial evaluations. In this way the objective value of the sector which does not take into consideration the position which a given company occupies or

¹⁷⁹ M.E. Porter, *Strategia konkurencji*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1998, p. 23.

wants to occupy. Whereas wanting to evaluate the subjective value of the given company (subjective value) it is necessary to take into consideration the values attributed to single factors. These values are multiplied by the evaluation of the factors and then one adds the values obtained in this way getting a total value of the sector. In practice the subjective evaluation is more needed.

The method of sector attractiveness can be also used to examine a branch in which the company currently operates and to define the value of the potential area of operation. The company can examine a few sectors and then choose the one which creates the biggest possibilities of its development. While comparing the sectors, it is necessary to keep the same kind of criteria with the same wages.

The advantage of this method is its simplicity and a transparency of the obtained results. The disadvantage is its subjectivity in the choice of the criteria and defining their importance for the company. What is more the very same factor will be differently evaluated by the company which already operates in the given sector and differently by the potential investor. That is why the results of the research of the same sector by the different stakeholders can be different.

Benchmarking is a following method of examining the sectorial environment which means a creative adaptation in own company of the solutions worked out by other companies better in its class. This requires a permanent observation of competitors and also other companies from outside the sector taking into account their application of the best practices that is the ideal solutions which after a proper modification taking the specificity of own organization into consideration, can improve its operation. In other words it is a process of the permanent measurement and a comparison of processes taking place in the company with the analogic processes in organizations considered to be an example of excellence in obtaining the information which can help to

precise and implement improvements¹⁸⁰. This method is considered to be a carrier disseminating innovations in the branch¹⁸¹.

The practical usage of benchmarking must serve such aims as¹⁸²:

- A definition of the clients' requirements,
- A definition of effective aims and intentions,
- A definition of the best patterns in a given field,
- A preparation of the temporary productivity criteria,
- Obtaining a bigger productivity.

There can be any range and subject of benchmarking. It is used both in case of organizing the functioning of the company (e.g. motivational and informational systems), production processes, ways of designing and implementing new solutions, values of the product and project solutions and other aspects of the functioning of the companies such as marketing, service or staff management¹⁸³. It is possible to use one excellent company (benchmark) for the whole company or find such benchmarks for the different areas of activities or functions. The benchmarks can be direct and potential competitors, collaborators or companies from the different sectors.

For the full recognition of the conditionings of functioning in the given sector, **an analysis of the key success factors** seems to be necessary. This method is based on the rule: "80-20" according to which 20% of events decide about 80% of effects. It is necessary to select 20% of the factors with strategic meaning, check how they are developed in the company and on this basis

¹⁸⁰ B. Andersen, *Industrial Benchmarking for Competitive Advantage*, Human Systems Management, No. 18, 1999, pp. 287-288; E. Morphy, *Best Practices Made Perfect?* Global Business May 2000, p. 62.

¹⁸¹ Ph.B. Schary, T. Skjott-Larsen, *Zarządzanie globalnym łańcuchem podaży*, PWN, Warszawa 2002, p. 242.

¹⁸² M. Urbaniak, *Benchmarking – sztuka kopiowania*, Manager, nr 1 1999, p. 20.

¹⁸³ Cz. Rychlewski, *Wygrać mogą mądrzy i leniwi*, Prawo i Gospodarka 1998, nr 1, p. 2.

evaluate their strengths and weaknesses. In this method there is no one, universal list of success factors. This list is different in every sector and it must be constructed at first and on its basis it is necessary to do the evaluation of the company. A definition of the list of key success factors for a given company is one of the most important and difficult tasks of strategic analysis.

Basic methods of the analysis of the company's potential

In order to identify and carefully analyze its potential, the company can apply such methods as: an analysis of resources, a strategic balance, a chain of values, an analysis of product life cycle and portfolio methods. Just as in case of the methods of the environment analysis, the company can choose only some of the described analysis or to apply them sequentially according to the proposed procedure.

The analysis of resources of Ch. W. Hofer and D. Schendel is a simple method which means an identification and a description of the existing resources in the different functions implemented by the company. For the needs of the analysis the resources possessed by the company are evaluated in the functional layout and in the division for the financial, material, physical, material, human and technological resources.

The financial potential is treated as the most important one as its possession enables to obtain a different kind of resources. The analysis of the functions and resources is easy to be applied and it is a good starting point to conduct further analysis evaluating the potential of the company.

The examination of the company is also possible thanks to an **analysis of the chain of values** of M.E. Porter. It serves to examine the internal and external conditionings of the effectiveness of the given company and creating on this basis a competitive advantage¹⁸⁴. The aim of this analysis is an identification and

¹⁸⁴ J. Penc, *Zarządzanie w warunkach globalizacji*, Difin, Warszawa 2003, p. 179.

a proper allocation of resources (material, human, financial and informational) and a proper coordination of single aspects of the operation of the company in such a way as to ensure a production of products or providing services which have the biggest value for clients. This value is defined on the basis of the market price of this product which reflects the value perceived by the client¹⁸⁵. This also includes an element of the added value which enables an achievement of a competitive advantage by the company. The added value is a difference between the cost of external supply of the processes (among others: raw materials, materials, energy, capital and services) and the sale price¹⁸⁶. Its source can be an increase of the level of fulfillment of single functions or a decrease of total costs. The value can be created in the different spheres of the functioning of the company in which the single actions can lead to strengthening its relative cost position and create bases of differentiating the product. The chain of values shows the adding of the values of the product starting from the changes on the entrance to the system by creative operation up to a sale and post-sale services¹⁸⁷.

While examining the potential of the company the **analysis of the product life cycle** is also useful thanks to which it is possible to define a phase of the life cycle in which the products or brands of the given company or its strategic business units are placed.

The analysis of the life cycle of products allows a company to take marketing actions suitable for the phase in which a given product or a service are placed. Thanks to conducting this analysis it is necessary to lengthen a product

¹⁸⁵ M. Marchesnay, *Zarządzanie strategiczne*, Poltext, Warszawa 1994, p. 110.

¹⁸⁶ A.K. Koźmiński, *Zarządzanie międzynarodowe*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1999, p. 61; J. Kay, *Podstawy sukcesu firmy*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1996, p. 8.

¹⁸⁷ *Zarządzanie informacją i komunikacją*, Z. Martyniak (ed.), Wydawnictwo Akademii Ekonomicznej w Krakowie, Kraków 2000, pp. 173-174; O. Lundy, A. Cowling, *Strategiczne zarządzanie zasobami ludzkimi*, Dom Wydawniczy ABC, Kraków 2000, p. 126.

life cycle and to evaluate the correctness of the structure of the portfolio of activities¹⁸⁸. As the result of the conducted analysis, the information necessary to conduct other methods of strategic analysis e.g. portfolio methods is obtained. What is more, thanks to knowing the life cycle of the product, the company creates a possibility to¹⁸⁹: define a situation on the market in a given moment against the different competitors, define a life cycle of competitive products; foresee a moment of launching new products by competitors.

The usage of the different kinds of matrixes called also **portfolio methods** is a popular way of presenting the strategic position of the company. These methods are the relatively simple ways of aggregated evaluation of the different areas of activities within one company¹⁹⁰. The rule is that one of the coordinated axis measures a feature of the environment e.g. an attractiveness of a phase of the sector life cycle and the second one is one of the features of the company e.g. a competitive position or a market share. The most widely applied matrixes are: BCG matrix, General Electric (McKinsey's), ADL matrix.

The oldest and the simplest portfolio method is **BCG matrix** (Boston Consulting Group) that is a growth-share matrix. It is constructed by means of two variables which are: a relative market share and a pace of the growth of sale. It is based on a conviction that the bigger the market share of the company, the more profits it generates. The matrix also considers the differences in the dynamics of sale and profit resulting from the product life cycle¹⁹¹.

Knowing the phase of the life cycle of every product or the group of products, the dynamics of their sale and the participation in the income of the

¹⁸⁸ D. Waters, *Zarządzanie operacyjne*, PWN, Warszawa 2001, p. 102.

¹⁸⁹ M. Kwieciński, *Wywiad gospodarczy w zarządzaniu przedsiębiorstwem*, PWN, Warszawa-Kraków 1999, p. 82.

¹⁹⁰ J. Duraj, *Podstawy ekonomiki przedsiębiorstwa*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2000, p. 100.

¹⁹¹ M. Romanowska, *Planowanie strategiczne w przedsiębiorstwie*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2009, p. 59.

company, it is easy to point in a relatively easy way simple way the products or groups of products which are mature products or groups of mature products, with a decreasing dynamics of sale but with a big market participation (cash cows), products with a big dynamism of sale but still requiring investment (starts), young products, still requiring big investments (question marks) or products with marginal meaning which should be withdrawn from the production when they stop being profitable (dogs, also known as pets).

GE Matrix (McKinsey), defined also as a matrix of the industry attractiveness, is based on two variables: a competitive position of the company and industry attractiveness (sector) measured in a long period of time. However, these are not one dimensional variables as in case of BCG matrix but multidimensional ones taking the different factors into consideration. There can be any number of factors; in the majority of cases the ones which takes into consideration a dozen of solutions choosing the ones important from the point of view of the specificity of the sector and a position of the company in the sector.

ADL matrix (Artur D. Little) is constructed using two variables: a competitive position of the company in the given area and the phase of the sector life cycle. The first variable is therefore the same as in case of GE matrix. This means that it is defined on the basis of the set of criteria which give proper weights and evaluations in the adopted scale.

The difference means that ADL matrix differentiates not three but four possible levels of the competitive position of the given unit on the market: a dominating position, a strong position, a favorable position, an average position and a weak position. The life cycle of the sector is based on the classic life cycle of the product which consists of four phases: an introduction (experimental), a growth (expansion), a maturity and a depression¹⁹².

¹⁹² N. Piercy, *Market-Led Strategic Change*, Butterworth-Heinemann, Oxford 1992, pp. 122-123; W. Wrzosek, *Funkcjonowanie rynku*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1998, p. 71.

CHAPTER 3. Strategic analysis in a small company

As it was already mentioned the portfolio methods are relatively simple, has been used since many years in the practice of management and are the solutions which facilitate the evaluation of the competitive position of the companies on the market. They do have some disadvantages which must be realized by the companies. A comparison of the strengths and weaknesses of the most popular methods that is matrixes: BCG, GE, ADL is presented in table 19.

Table 19. Comparison of four most popular portfolio methods

	BCG matrix	GE matrix	ADL matrix
Strengths	<ul style="list-style-type: none">• Simplicity and practicality (a definition of the participation of the company in the market and the level of sector growth is easy in the majority of the diversified companies, there is no need to conduct detailed research)• Referring to the notion of the effect of experience, which allows to take e.g. a decision whether to keep on investing or to stop investing in a given activity• Application of a financial approach which makes it easier to balance a portfolio of production	<ul style="list-style-type: none">• Evaluating the position and competitiveness of the company and sector attractiveness in the qualitative categories• A bigger realism and universalism of the model due to the application of multidimensional variables (based on key success factors)• An assumption that a company should operate first of all in the more attractive sectors in which it has a better competitive position	<ul style="list-style-type: none">• Evaluating the competitive position of the company in the qualitative categories,• An assumption that the competitiveness of the company is not defined by the costs and its market strength• A better capturing of the dynamics of the competition due to the fact that in each phase of the sector life cycle there are certain financial characteristics, structure of competition and proper strategic actions,• A bigger flexibility and realism of the model due to the application of the multidimensional variables

STRATEGIC PLANNING IN A SMALL COMPANY

Weaknesses	<ul style="list-style-type: none"> • Excessive simplification of the model; a limitation of the analysis only to two sectors, • Effect of experience can be fully used when the factor which decides about the competitive position of the company are the low costs • Static model, which reduces tracking the dynamics of competition • More usefulness in the analysis of large diversified companies • Examination of units independent which does not allow to take into consideration the relations between them. 	<ul style="list-style-type: none"> • A considerable subjectivity while choosing and evaluating the factors creating variables, • A stability of the model which limits following the dynamics of the competitiveness, • A bigger usefulness in the analysis of large diversified companies • Examination of units independent which does not allow to take into consideration the relations between them. 	<ul style="list-style-type: none"> • A considerable subjectivity while choosing and evaluating the factors and creating variables, • Difficulties, which can take place while identifying the phases of the life cycle of the sector if the sector does not develop according to the typical model, • More usefulness in the analysis of large diversified companies • Examination of units independent which does not allow to take into consideration the relations between them.
Areas of application	<ul style="list-style-type: none"> • A large, diversified companies, better operating in the areas based on a large volume of production, 	<ul style="list-style-type: none"> • Diversified companies facing a problem of selecting the activities (cutting off, recentralization) or the choice of the new activity (diversification) 	<ul style="list-style-type: none"> • A strongly diversified company, operating in many sectors

*Source: Strategor, Zarządzanie firmą, PWE, Warszawa 1997, pp. 139-142;
G. Gierszewska, M. Romanowska, Analiza strategiczna przedsiębiorstwa, PWE,
Warszawa 1994, pp. 148-152.*

The final stage of the strategic analysis of the company is an **evaluation of the strategic position**. It is based on the information obtained at the stage of the analysis of the potential of the environment and the potential of the company. Thanks to an evaluation of the strategic position it is possible to define a potential of the company and to answer a question: is the company able to survive and develop in the environment in which it operates. A following stage after finishing the evaluation of the strategic position is a creation of a strategic plan suitable for a strategic position. The most widely applied methods of defining the strategic position of the company are the different variations of SWOT analysis.

SWOT analysis is the most disseminated method of the strategic analysis. It has been applied for many years also by the Polish companies but in the majority of cases in the simplest form.

This method derives from the concept of the space warps of K. Lewin serving to examine the conditionings of organizational changes, that is the factors favorable and unfavorable to changes¹⁹³. This allows to define which internal and external factors enable a company to develop and improve the competitive position and which create the obstacles and limitations. Thanks to examining the environment of the company and its internal potential and a clash of opportunities and threats with strengths and weaknesses of the company we get a “picture” of the difficulties the company must face and the challenges connected with the operation of competition, market, micro environment.

The SWOT analysis has a very wide application in the strategic management. Its usefulness results first of all from the fact that¹⁹⁴:

¹⁹³ W.M. Grudzewski, A. Karst, *Zastosowanie metody SWOT w ocenie strategii*, *Ekonomika i Organizacja Przedsiębiorstwa* 1999, nr 5, p. 10.

¹⁹⁴ W.M. Grudzewski, A. Karst, *Zastosowanie metody SWOT w ocenie strategii*, *Ekonomika i Organizacja Przedsiębiorstwa*, nr 5, 1999, p. 12.

- It defines a place of the company in the environment as well as available development possibilities,
- It allows to concentrate the attention on the most important factors,
- It is a universal method; depending on the preparation of people who use it and the needs, it can be very simple and very complicated,
- It allows to move easily from the stage of the strategic analysis to the stage of strategic planning,
- The scheme of SWOT analysis makes it necessary to perceive inside the organization both the strengths and weaknesses to which the managers do not want to confirm,
- It allows to differentiate the factors on which the company has the influence and on which it is necessary to concentrate and the factors independent on the company but which must be taken into consideration while defining the strategy,
- While analyzing the chances and threats well in advance, the company gets time necessary to make proper preparations (technological, staff, organizational) for entering a market with a new product, launching a new production, obtaining new markets, withdrawing from the less attractive sectors, entering strategic alliances and so on.

Strategic SWOT analysis is a next stage following the SWOT analysis in the simple form. This means a comparison of four groups of factors and drawing conclusions as to the further direction of the development of the company. The conclusions respond to four strategic variants which are¹⁹⁵:

- SO strategy (aggressive, maxi-maxi), which aim is to use chances taking place in the environment by means of the assets of the company. It is

¹⁹⁵ Por. K. Oblój, *Strategia organizacji*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1998, pp. 182-183.

CHAPTER 3. Strategic analysis in a small company

a strategy of development, investing, widening the area of operation and improvement of the competitive position,

- WO strategy (competitive, mini-maxi) which means overcoming weaknesses of the company by using the chances created by the environment. This strategy can be implemented by reducing costs, improving products, increasing the effectiveness, entering strategic alliances and so on.
- ST strategy (conservative, maxi-mini), meaning the usage of the assets of the company in order to avoid or reduce the threats. It is connected with such actions as: an elimination from the market or overtaking the competition, entering new markets, costs reduction, preparing own patents and so on.
- WT strategy (defensive, mini-mini) which aim is to limit the internal weaknesses and avoiding threats from the environment. It can be implemented by the reduction of costs, stopping investment or decreasing production capacities.

The SWOT analysis done in this way shows the mutual relations between internal and external factors informing which strengthen and which weaken them. It allows to draw conclusions and plan concrete actions adjusting them to the changes in the environment.

The most complicated form of SWOT analysis is **SWOT/TOWS analysis** which consists of eight tables. It starts with making an analysis of the simplest form so from enlisting the chances, threats, strengths and weaknesses of the company. Then one checks the dependencies between the threats and chances and between strengths and weaknesses of the company:

From the side of environment (TOWS analysis):

- Do the threats weaken the strengths of the company?
- Do the given chances increase the identified strengths?

From the company's side (SWOT analysis):

- Will the identified weaknesses prevent the usage of the chances which may happen?
- Will the identified strengths allow to overcome the threats that may appear?
- Will the identified strengths increase the impact of the possible threats?

Summing-up SWOT/ TWOS analysis look for an answer to the questions: how to use strengths and weaknesses of the company in order to weaken the impact of threats, use chances and improve current weaknesses. Finding the answers to this question is an idea for the strategy of the company¹⁹⁶.

3.3. Models of strategic analysis of the small company

The conditionings of the functioning of small companies determine the range and the details of the strategic analysis. Depending on the character of the company, the information need will be differently defined serving the owners to take decisions, a mode of taking these decisions and their strategic dimension will be also different.

The selected methods of strategic analysis presented in the previous chapter were prepared for the needs of large enterprises operating on many markets and in many sectors. The analysis in the large company supports the important decisions referring to creating or restructuring the portfolio of activities, changes in the international strategies, a choice of the level of horizontal integration and finally for every kind of activities the choice of the competitive strategy and a model of operation within a sector. This means big informational needs and a necessity to apply complex methods of strategic analysis. The strategic

¹⁹⁶ M. Romanowska, *Planowanie strategiczne w przedsiębiorstwie*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2009, p. 59.

management in a large enterprise is very difficult because of the complexity of this process. However, the large enterprises have well educated employees specialized in gathering information, effective systems of gathering the data supported by the IT programmes. What is more generally in case of unrepeatable and difficult strategic decisions they employ consulting companies and buy the important sets of information outside.

The implementation of the strategic management in a small company is much easier. This results from the specificity of small companies described in chapter two which is characterized by a narrow product specialization, most eagerly within one sector, within the market they know very well- the most commonly on the local market and the range of their operations does not impose on the owner a necessity to build complicated procedures and structures.

However, there exist factors which make it impossible to implement a strategic dimension of management in the small company. Among them it is necessary to enumerate taking strategic decisions during the strong stress when a possible strategic mistake can mean an end of activities for the company. The owner of the company has a personal risk of bad decisions. What is more, a small company does not possess any supplies that professor Obłój called a long time ago “organizational fat”. One mistake or a wrong decision can mean a bankruptcy¹⁹⁷. A lack of proper education, qualified employees, data bases or resources to employ a consulting company are important limitations of strategic management in the small company.

Summing up, the specificity of a small company allows to state that informational need (in the context of strategic information but not only) of small companies are considerably smaller than in case of large enterprises. However,

¹⁹⁷ M. Romanowska, *Analiza i planowanie strategiczne w małej firmie*, [in:] R. Krupski (ed.), *Zarządzanie strategiczne. Strategie małych firm*, Prace naukowe Wałbrzyskiej Wyższej Szkoły Zarządzania i Przedsiębiorczości, Wałbrzych 2005, p. 97.

taking into consideration the identified limitations and difficulties, the possibilities of satisfying them are small.

The basic barrier in the creation of the strategic plan and a main source of risk in the economic activity is a necessity to forecast the changes in the environment of the company in the long time perspective. Some theoreticians of management state that in the conditions of turbulent environment there is neither a possibility nor a need to forecast and build the plans for a longer period of time than two-three years. This opinion cannot be accepted. Is it possible to take an investment decision which results will be felt in the coming dozen of years without a trial to forecast the changes in the environment at least in this time perspective? This barrier of risk resulting from not recognizing the future changes in the environment at least during this time perspective? This risk barrier resulting from not recognizing the future changes in the environment is particularly perceived in small companies. Large enterprises have two ways of dealing with the uncertainty¹⁹⁸:

- They can apply professional scenario methods transferring uncertain decisions into the risky ones and apply the procedure of the flexible adjustment of plans to the changes of scenarios – this requires specialist knowledge and specialists employed in the unit of strategic planning as well as a usage of the expensive expertizes,
- They can in some extent control the changes of political and legal environment by lobbying and competitive environment by a control of actions done by the competitors and consolidation,
- They can also use expensive strategies decreasing risk such as investing in innovations, diversification, internationalization.

¹⁹⁸ *ibidem*, p. 97.

CHAPTER 3. Strategic analysis in a small company

A small company does not dispose of any possibility of coping in a turbulent environment and a horizon of forecasting changes and a strategic planning is not shorter for a small company. Similarly, just as is the case of the big company, entering a given market or starting a production of a given product expects the return of the expenditure in a few years or more and more profits from the activities.

The strategic analysis of the small company should provide a basis to answer 5 strategic questions¹⁹⁹:

1. How to build a portfolio of products?
2. How to choose a target segment of clients and a territorial range of operation?
3. What competitive advantage to choose and in what way?
4. How to solve corporation problems?
5. How to finance the development of the company?

The answers to these questions require a big intellectual effort mainly at the stage creating a new company. Then the adaptive decisions are taken adjusting a strategic plan to the changes in the environment and the aspirations of the management. Conducting a strategic analysis using its selected methods helps to answer the questions formulated in this way. While making a choice it is necessary to take care of the fact that the methods qualified for analysis should provide necessary information and simultaneously should be simple and not require a professional preparation of people using them. A limitation of a set of the methods of a strategic analysis for a small company does not mean a resignation from examining some of its resources. The information referring both to a competitive environment, micro environment and a strategic potential of the examined company or its closest competitors is important.

¹⁹⁹ ibidem, p. 98.

J. Klimek²⁰⁰ has a similar opinion when he states that the methods of strategic management e.g. a method of strategic analysis, although they are created for large enterprises, after some modifications can be applied to small companies. However, they will be a certain simplification of what was prepared thinking about large enterprises. He does not point at a complete model of conducting a strategic analysis but only points at some selected methods which can be applied in the conditions of the small company. Among these methods J. Klimek points at SWOT analysis for which there are no particular limitations referring to small companies. Secondly, he points at a matrix method – BCG matrix which he recommends for small companies with diversified activities. SPACE analysis is the third of the methods which he pointed out. The possibility of applying this method in the small company is connected with the modifications of variables describing each of the evaluated dimensions in such a way that it follows a specificity of functioning of the small company.

The examples of the stages of conducting a strategic analysis in the conditions of the small company are presented by M. Romanowska²⁰¹:

Stage 1. The definition of the sector in which the company operates, a definition of technologies applied in it, the assortment of products, typical segments of clients and a geographic range of the operation of sectors. The definition of the economical parameters of the sector such as: a size and a value of the yearly sale, a profitability, a phase of the sector life cycle, a place in the international life cycle of the product, globalization tendencies.

Stage 2. The evaluation of the attractiveness of the company's operation on the basis of 5 strengths of Porter that is defining the sector in the economic way, a segmentation of suppliers and clients of the sector and their strength in

²⁰⁰ Klimek J., *Rola zarządzania strategicznego w rozwoju przedsiębiorczości*, Instytut Organizacji i Zarządzania w Przemysle „Orgmasz”, Warszawa 2006, pp. 63-65.

²⁰¹ ibidem, p. 99.

influencing the sector, a definition of the number of competitors, an existence of substitutes and a threat caused by them, an analysis of the barriers and entering and leaving the sector and the threats of the appearance of new candidates.

Stage 3. The preparation of the maps of strategic groups in the sector and a detailed strategic analysis in which a company under research is placed, strategies used in it, barriers of entering the group and a possibility to move towards a more attractive group.

Stage 4. The definition of the processes in the macro environment which have a strategic influence on the sector in which the company operates. The definition which of these processes have a character of chances and which threats. Forecasting the most probable chance of these prognosis in the perspective of 10 years. Preparing a future list of chances and threats, their influence on the sector and a company and activities which must be taken in the company in order to weaken the impact of influences and allow to use the existing chances.

Stage 5. The evaluation of the strategic potential of the company using the list of key success factors or an analysis of the chain of values. A comparison with other companies from the same strategic group and a leader preferably with the usage of the competitive profile. The definition of strengths and weaknesses of the company.

Stage 6. A definition of the strategic position of the company. The analysis of the strategic decision should be dynamic – coming from a current situation to a forecast one. It is possible to use here the sheet of SWOT analysis in two versions today and in 5-10 years' time with a conviction that the current strategy will be continued, BCG matrix, or eventually ADL matrix also with a prognosis of changes.

In order to serve this range of the strategic analysis it is necessary to train one employee in the company in the range of the methods of strategic analysis and an implementation of the system of strategic information in at least a minimum range.

On the basis of the current divagations within the current paper, a model of the strategic analysis for the small company was prepared. Taking into consideration the following stages and the different methods of the strategic analysis, a model being a sequence of the basic methods of examining the potential of the company and its environment was prepared. The methods of strategic analysis which are taken into consideration in the proposed model were adopted with the assumptions of some simplifications and modifications enabling their application in the small company, particularly in the limited access to the information.

In the proposed procedure of the strategic analysis the accent was put on an analysis of the environment, particularly the sector environment. Such an approach is justified as a small company must carefully observe a general environment which is the main framework of operation for it. Such factors as: economic, administrative, legal and demographic define the situation of a small company and that is why it must keep on monitoring them and adjust them to the upcoming changes. The small company has a slightly bigger influence on the sector environment.

By the direct relations with clients, suppliers, competitors the company shapes its market position, can also take activities which aim at building its competitiveness. Such an approach is in line with the postulates with the diachronic analysis, underlining the changes in the environment and their role in managing the company²⁰². The scheme of the model of strategic analysis for the small company is presented in figure 3.

²⁰² Por. G. Nizard, *Metamorfozy przedsiębiorstwa*, PWN, Warszawa 1998, p. 11.

CHAPTER 3. Strategic analysis in a small company

STEP I

DEFINITION OF RANGE AND A PROFILE OF THE ACTIVITY OF SMALL COMPANY

A preparation of the general characteristic of the conducted activities and of the company based on the set of questions. Pointing at the stakeholders of the company. The information obtained will be used for the methods of the strategic analysis used in the further actions.

STEP II

ANALYSIS OF THE SECTOR OF OPERATION OF THE SMALL COMPANY

Analysis of competition
Map of strategic groups
Analiza pieciu sil M. Portera

Characteristic of the sector environment on the basis of the information gathered in the first step and selected methods of the strategic analysis. A differentiation of strategic groups and a definition to which an examined company belongs. An identification of the direct competitors. Detailed definition of five strengths defining the sector potential. Obtaining information in the form of a comparison of changes and threats and their potential influence on the company.

STEP III

ANALYSIS OF THE MACRO ENVIRONMENT OF THE SMALL COMPANY

Analiza PEST

A preparation of the characteristic of the general environment on the basis of the information gathered in the first step and conducting PEST analysis. An identification of the most important factors, economic, socio-cultural and technological creating framework conditions for the company's operation.

STEP IV

ANALYSIS OF STRATEGIC POTENTIAL OF A SMALL COMPANY

Analysis of resources
Analysis of the chain of values
BCG matrix

A preparation of the characteristic of the company's potential on the basis of the information gathered in the first step and applying selected methods of strategic analysis. Identification of the possessed resources. A definition of the possibilities to improve within the single functions (basic and supporting ones) and a coordination between a company and suppliers and receivers. Obtaining information in the form of a comparison of chances and threats and their potential influence on the market.

STEP V

ANALYSIS OF STRATEGIC POSITION OF A SMALL COMPANY

SWOT analysis
SWOT/TOWS analysis

A definition of the company's position from the point of view of the possibilities of using chances and strengthening own assets, avoiding threats and reducing weaknesses.

Figure 3. Model of the strategic analysis for the small company

Source: own preparation.

In the presented model the strategic analysis of the company starts with a survey which aim is to gather the basic information about the profile and the range of operation of the company. Taking such an activity is justified by the numerous research results which clearly show that the majority of small companies does not possess any informational system so it can be taken for granted that in the company there is no basic strategic information.

On the level of **STEP I** it is necessary to give answers to the questions:

What kind of company do I run?

What kind of products do I offer to customers?

Who are my clients?

Where is the market located?

Which distribution channels are used by the suppliers?

Who are my competitors?

What offer do my competitors possess?

How big is the sector of my operation, how many direct competitors do I have?

What yearly turnover is generated by the sector in which I operate?

Who are the stakeholders of my company?

The information which is obtained will constitute the informational input in the realization of the following stages of the strategic analysis. The information gathered on clients, competitors, a size and a sector potential will be a basis to create an informational system about the sector environment which should be later supplemented, updated and analyzed.

In the first stage of the strategic analysis it is also necessary to point at all the stakeholders who have influence on the functioning of the company. In order to do it, it is necessary to conduct the analysis of stakeholders. As the result of conducting the **analysis of stakeholders** the owner of the small company should obtain a detailed description of all people interested in the activities of its

CHAPTER 3. Strategic analysis in a small company

company, both legal stakeholders (offices, public institutions, collaborators, competitors) and so on and individuals (clients, neighbors, employees).

In the analysis it is necessary to point which of the identified participants of the markets belong to the supporters of the company and which to the opponents. It is necessary to access the possibility of their impact on the activities of the company and an intensity of the pressure they can exert on the company. The analysis of stakeholders can be prepared for the needs of the whole company but it can be also applied for specific undertakings planned for the realization in the company.

The results of the analysis of stakeholders can be presented on the basis of the form presented figure 4.

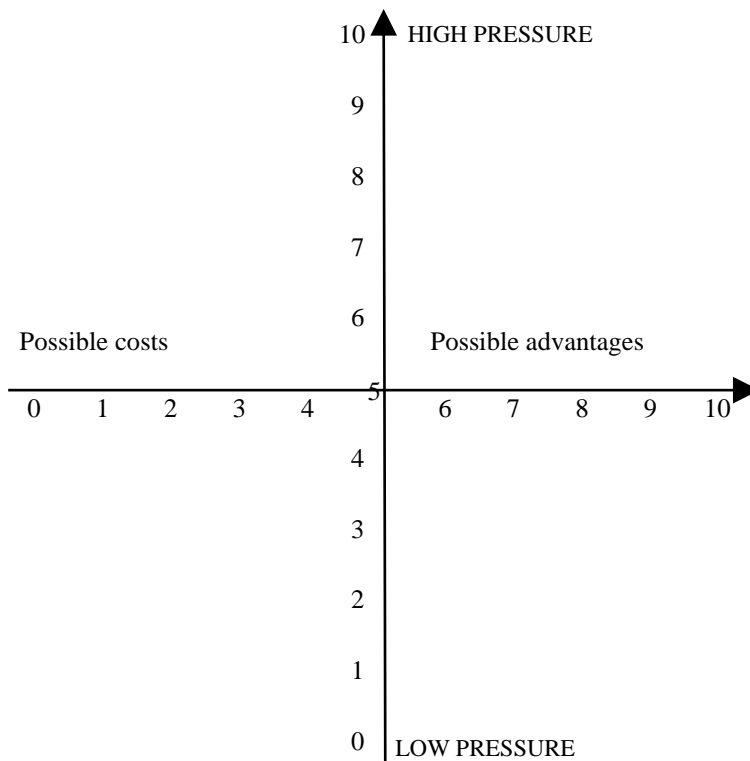


Figure 4. A form of the map of stakeholders
Source: own preparation.

The analysis of the stakeholders has generally the qualitative character. In the first phase it is necessary to identify “people interested” in the activities of our company and then to evaluate their:

- Attitude to the analyzed company, taking for granted that they can have costs related to their activities (value “0”) or get profits (value “10”),
- A power of pressure, adopting a scale from 0 to 10, where “0” is a very low level of influence on the operation of the company, “10” very high, a strategic character of the impact on the activities of the company.

The analysis in this form allows to build an estimated hierarchy of the importance of stakeholders showing as the consequence the owners of small companies whose interests and preferences they should mostly take into consideration²⁰³. Eventually, it enables the owners of small companies to prepare the scenarios of dealing with specific stakeholders, taking preventive actions and at the same time significantly limiting the result or the likelihood of the critical situation and conflicts.

STEP 2 of the model is the analysis of the sector of the operation of the company. In order to compete effectively and to achieve satisfactory results the small company must know the character and the structure of the sector in which it operates. A proposed procedure takes into consideration a preliminary analysis of the competition on the basis of the information from the first and a preliminary analysis of the competition, an application of two methods of examining the sector of activities: a map of strategic groups enabling a recognition of the structure of competition in the sector and defining a position of the examined company as well as the method of “five strengths” allowing to define a level of main competitive forces (bargaining force of suppliers, bargaining force of clients, level of competition in the sector, a possibility of the

²⁰³ K. Obłój, *Strategia organizacji*, PWE, Warszawa 1998, pp. 112-113.

substitutes that may appear and a threat of entering the market by new clients). The analysis of the sector of operation of the small company allows also its owner to distinguish a key competitor who will be a point of reference and to deliver model solutions.

The analysis of competition is applied while the analysis of strengths and weaknesses in the sector of operation. While analyzing the competition it is necessary to get familiar with the offer and actions of the competitors and to evaluate its market position, thanks to which a proper analysis of own activities will be possible. While analyzing the competitor it is necessary to take into consideration the same factors which will be the subject of the analysis of own activities.

The map of strategic analysis is a method of the analysis of the internal structure of the competition in the sector basing on the concept of strategic groups. In case of small companies, operating generally in a limited way a strategic group can be created by the companies which use the same distribution channels, run similar advertising activities, have similar features such as: a size, a height of turnover, a value of the possessed property, which offer is directed to the same group of clients.

A preparation of the strategic groups is connected with a division of companies operating in the sector into a few groups which differ among themselves taking the adopted criteria into consideration. For the analysis it is necessary to take a company defined as a competitive one on the stage of the preliminary survey prepared in the first step.

The process of constructing the maps of strategic groups consists of the following activities:

- Identification of criteria which differentiate the company in the sector. These criteria can be e.g. a width of the assortment, a range of the served market, a quality of products, a level of costs or process, a level of the realization of a service, a diversification of activities, technologies

applied, a way of diversification, an access to raw materials, an aggression of the advertising activities,

- A preparation of the different variations of strategic maps with the usage of a list of criteria characterizing a company,
- Defining a place for the analyzed company and competitive companies in the strategic space,
- A definition of the strategic groups by closing the companies in the wheel which on the graph are close one to another. The size of the wheel should be proportional to the share of sales of a given strategic group in the sale of the analyzed sector.

A preparation of the map of strategic groups shows a distribution of the competition in the sector, which can take place both inside the groups and between them. The competition inside the group is often big as the companies forming it are the closet competitors.

A preparation of the proper map allows a company to get to know a certain number of groups and companies forming them, define what competitive strategies are applied by the companies in the single groups and which chances and threats are connected with remaining in a given group and a result, which of them ensures better conditions of the development. It is also possible to state whether in the sector there are profitable market niches which so far were not in the interest of any of the groups. The map also shows in which group the examined company is placed and what their direct competitors are. Depending on it, the company has three strategies to choose: strengthen its competitive position in a current group, move to a different group properly adjusting the strategy or creating a following group using a gap in the map of strategic groups²⁰⁴.

²⁰⁴ Marie G. de Sainte, *Kierowanie małym i średnim przedsiębiorstwem*, Poltext, Warszawa 1993, p. 48.

Taking a map of the strategic groups is a relatively simple method of the analysis of the sector providing information necessary to formulate a strategy and enabling taking decisions connected with the allocation of resources²⁰⁵. The analysis should be updated from time to time as a system of competitive strengths between companies and between groups change. The pace of these changes depend mainly on the level of competition in the sector, a size of the market served and a life cycle of the sector. Below a hypothetical map of strategic groups for the branch of Internet shops was created which used two criteria that is a width of assortment and the average time of realizing an order.

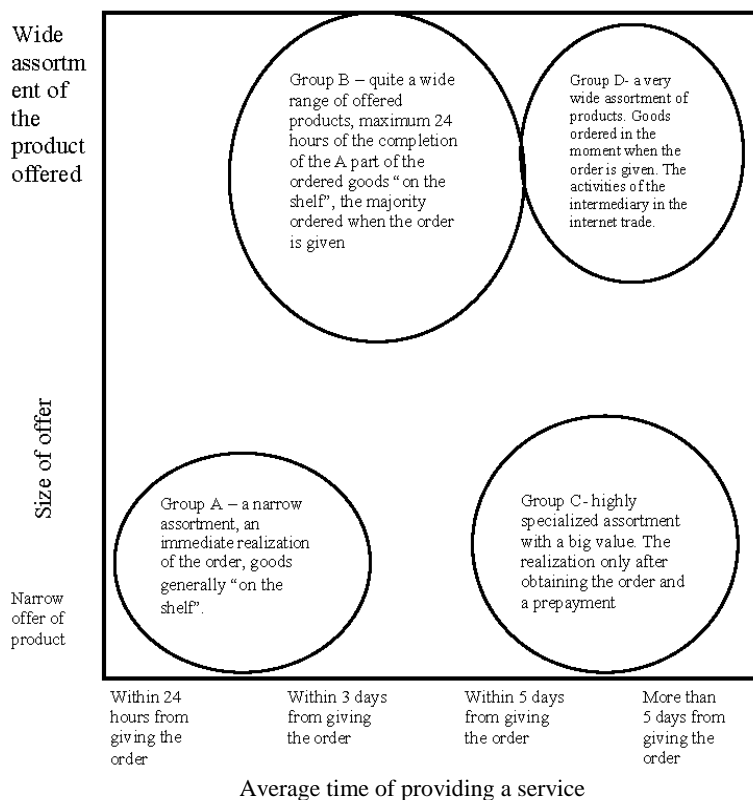


Figure 5. Hypothetical map of strategic groups for the branch of e-commerce
Source: own preparation.

²⁰⁵ I. Penc-Pietrzak, L. Berliński, *Inżynieria projektowania strategii*, op. cit., p. 228.

On hypothetical map of strategic groups presented in figure 5, the activity of the strategic group is characterized by a concentration of serving a small segment of the market, offering a limited assortment of products and on a quick realization of the orders which were given. In the biggest strategic group there are companies concentrated on a sale of a relatively wide assortment, serving a big number of clients. Due to a wide offer, a medium time of the realization of order in this group is maximum 72 hours. This limits the costs of storage, a part of goods is offered by the producers in the moment of having an order and a shipping is done directly from a supplier to a client giving an order. It decreases the cost of serving the customer and the transport costs. The company operating in group C is a segment of highly qualified, expensive products. The offer is narrow and the time of realizing an offer long. Group C is the group of the highest profitability. In the strategic group D there are companies having a wide assortment of goods, operating as intermediaries in the electronic branch. This analysis points at the market niche in the sector, in the form of the wide assortment of products simultaneously with a short period of realizing orders.

The method of five strengths of M. Porter proposes an analysis of the sector of the company's activities by examining five factors defining its attractiveness both for current members of the sector and stakeholders interested to join it. These factors are:

- A bargaining force of suppliers,
- A bargaining force of clients,
- A intensity of competition between the companies in the sector,
- A threat of new entries,
- A threat of the appearance of substitutes²⁰⁶.

The dependencies between a sector attractiveness and the aforementioned forces are inversely proportional. The smaller the development possibilities of

²⁰⁶ M.E. Porter, *Strategia konkurencji*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1998, p. 23.

CHAPTER 3. Strategic analysis in a small company

the sector, the bigger the strength of a possibility of new producers entering the market or an appearance of substitutes and the sharper competitive fight between the companies in the sector. Each strength consists of many different economic and technical features of the sector specified by M.E. Porter.

Table 20. A list of the main factors taken into consideration
in the analysis of the competition

Threat of new entrances is high when:	high	low
Economy of scale is		
Product differentiation is		
Capital needs is		
Costs of the change of the supplier\by the sector client is		
Control of the distribution channels by the companies in the sector is		
Exclusiveness of the production technique in the sector is		
Companies' access to raw materials is		
Usage of state subsidies by the companies in the sector is		

Bargaining force of clients is high when:	high	low
Concentration of clients in relation to the sector is		
Volume of purchase is		
Participation of the sector in the creation of the costs for clients is		
A differentiation of the products bought from the sector is		
A threat of the backwards integration of clients is		
Knowledge of the structure of the sector costs by the clients is		
Profits of clients are		

Bargaining force of suppliers is high when:	high	low
Concentration of suppliers in relation to the sector is		
Availability of substitutes is		
The importance of the sector as a client for suppliers is		
Diversification of products and services providers is		
Switching suppliers costs for the sector are		
The threat of forward integration of suppliers is		

Level of rivalry between competitors is high when:	high	low
Number of competitors is		
Growth rate of the sector is		
Fixed costs are		
Storage costs are		
Product differentiation is		
Costs of changing a supplier for the clients of the sector are		
Abrupt increase of production capacities is		
Diversity of competitors is		
Entrance barriers are		
Strategic rates to which the game in the sector refer are		

A threat of the appearance of substitutes is high when:	high	low
Profitability of sectors producing substitutes is		
The effectiveness of replacing the goods of the given sector in terms of prices and effectiveness of the substitutes is		

Source: I. Penc-Pietrzak, L. Berliński, *Inżynieria projektowania strategii*, op. cit., p. 228.

It is important that in some cases a defined force is increased by a low intensity of the given factor and in some cases a high intensity of the factor (e.g. a big concentration of suppliers compared to the companies in the sector increases a bargaining force of suppliers)²⁰⁷.

Due to the fact that the dependencies taking place in this method have a slightly complicated character, for the needs of the small company, the analysis of five strengths can be done in a descriptive way. In such an approach one factor after another is analyzed and its impact on a given strength is defined. Having counted the factors increasing and decreasing the intensity of the given strength, it is possible to draw conclusions whether it is weak, average or strong. At the end the evaluation of the given situation in the sector is done. The table presented below which compares all five strengths and the factors inside them can be helpful in the descriptive analysis.

The table allows to present in a synthetic way the strengths operating in the sector and for a quick conclusions as to the attractiveness of the given branch. It can be supplemented by a detailed description of the single factors and their influence on the distribution in the sector.

²⁰⁷ M.E. Porter, *Strategia konkurencji*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1998, pp. 21-45; M.E. Porter, *Porter o konkurencji*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2001, pp. 23-39.

CHAPTER 3. Strategic analysis in a small company

In the literature, it is pointed that such a form does not ensure a precise definition of the value of strengths. For a more detailed analysis of the strengths influencing the sector one can use a point-based method can be used but taking into consideration a range of operation of small companies, a limited access to information, a shorter horizon of planning. The analysis of five strengths of M. Porter in the qualitative version should provide sufficient information on the sector.

The analysis of five strengths allows not only to define an attractiveness of a single sector in which the company currently operates or which it intends to enter but also enable to compare the sectors among themselves. It shows what chances and threats are connected with remaining in the current branch or starting activities in the new branch. It also allows to estimate the height of the entrance barriers, the costs connected with it and a risk which the company functioning in a given sector has. The advantages of the model of M. Porter for small companies are: its simplicity (in case of the qualitative-descriptive method), a possibility to formulate a general evaluation of the examined branch and making a list of chances and threats connected with it.

STEP 3 in the proposed model of the strategic analysis in a small company is an analysis of a micro environment which examines the general ones and identifies the factors shaping its structure which creates the framework conditions of the operation of the company. The procedure of the analysis of macro environment is done on the basis of PEST analysis. The analysis of the environment done in this way allows to distinguish the most important chances and threats which can take place as the results of the changes taking place in it so also to identify the areas of activities in which the company occupies a beneficial space or has real chances to achieve it.

PEST analysis means an identification and analyzing the already happening and potential future chances of factors in the general environment taking into consideration their impact on the company.

Within it, one examines in the order²⁰⁸:

- Political factors such as: anti-monopoly legislation, provisions referring to running economic activities, labor law, creation of economic spheres, stability of the state policy, regulations referring to internal trade and international trade, adjustment to the regulation of the European Union, level of export, level of taxes, interest rates, exchange rates and so on,
- Social-economic factors – a structure of population according to gender, age, income and education, lifestyle, social mobility and so on,
- Technological factors such as: a technological level, applied technical and technological solutions in the branch, quality certificates, technology transfer in the country and from abroad, an infrastructure or a level of informatization of companies.

Table 21. Exemplary set of factors for PEST analysis

Factors			
Political	Economic	Socially-cultural	Technological
Banking and financial system	The rate of economic growth	Size of population growth	The growing automation
Substantive law	The pace of investment growth	The growth rate of labor force	Changes in the organization of production
Law on Public Procurement	Interest rate	The deployment of geographic population	Energy-saving technologies, ecological
Legislation concerning monopolies and anti-competitive practices	Availability of credit	The age structure of the population	Shortening the life cycle of technology
Anti-corruption acts	Rate of exchange inflation	The structure of education	Shortening the innovation process
Adjusting the official prices	Budget deficit	The gender structure	The advent of technology substitution
Customs regulations	Rising unemployment	Migration and Immigration	computerization
	Gross Domestic		Polish and EU pressure

²⁰⁸ I. Penc-Pietrzak, *Planowanie strategiczne w nowoczesnej firmie*, Wolters Kluwer, Kraków 2010, pp. 75-76.

CHAPTER 3. Strategic analysis in a small company

Customs Code Regulations on foreign investment Government control of foreign capital Provisions relating to foreign trade Labor Code Tax policy Environmental regulations Formal and legal regulations in the EU Share of public sector Size of public procurement Expanding global markets Membership in the EU Competition in developing countries International politically-legal regulations Political and legal situations in other countries Economic systems Situation on world markets Touristic exchanges Armed conflicts	Product The decline in domestic demand Seasonality Foreign trade turnover level of duties VAT rates The level of expenditures on science The level of expenditure on health care High fuel prices and energy	Values, attitudes, believes increase in consumption The influence of fashion on lifestyle Creating a new quality of life Lifestyle and cultural traditions Level of education and training Wealth society Individual consumption The tendency of society to take credit Raising awareness of the economic The increase in the value of work Amount of free time Low social mobility within the country Consumer lifestyle Environmental awareness The emphasis on ethical behavior in business High aspirations of staff; high susceptibility to salary incentive Shaping the tastes of customers in the media The vulnerability of consumers to promote Organizing trade fairs and other similar events	for innovation Systems and telecommunications technologies Cyberspace The quality of the scientific and research transport infrastructure The level of engineering and technical staff Quality standard ISO 9000 Innovation and modern technology Expenditures on research and development "Clean" technology Transfer of technology in the industry, the country and abroad The degree of computerization of major companies industry Enterprise management Support systems
--	--	---	--

Source: own preparation on the basis of: I. Penc-Pietrzak, Planowanie strategiczne w nowoczesnej firmie, Wolters Kluwer, Kraków 2010, p. 73.

A catalogue of factors which should be the subject of the evaluation in case of PEST analysis is presented in table 32. In practice, PEST analysis is prepared for a large enterprise supplemented by a detailed description of the factors, their range, time of duration, influence on the company and a possibility of changes.

However, it seems that in case of small companies, this catalogue can be more modest, individually adjusted to the needs and informational capacities of a concrete company. In this analysis it is necessary to pay a particular attention to the following factors enumerated in table 22.

Table 22. PEST analysis of the small company

Political environment	<ul style="list-style-type: none"> • Acts and national and European regulations which define the rules of operation of a given sector, branch, • Concessions, permissions, licenses to run an activity, • Tax system, labor code.
Economic environment	<ul style="list-style-type: none"> • Unemployment rate, structure of unemployment in municipality, • Average income per habitant in the municipality, • Number of businesses operating in the same sector in the municipality, • Average level of income in the municipality • Number of financial institutions in the municipality, • Geographic location, • Natural resources, • Exchange rates.
Socially-cultural environment	<ul style="list-style-type: none"> • Number of inhabitants in the municipality, • Level and structure of education of the citizens, • Style / quality of life residents of the municipality, • Number of cultural institutions, • Number of social institutions: schools, hospitals, etc.
Technological environment	<ul style="list-style-type: none"> • a level of automatization in the branch of operation, • the newest technological solutions available in the branch, • level of technology in the branch, • level of infrastructure of transport, energetic, water supply, telecommunications, • level of technology in the branch.

Source: own preparation.

CHAPTER 3. Strategic analysis in a small company

The advantages of PEST analysis in reference to the specificity of the operation of small companies are as follows:

- It concentrates the attention of owners of small companies – generally concentrated on the operational activities – on wider changes taking places in the environment,
- It provides information on possible threats for the activities generated on the level of legislation, policy or on the socio-cultural level,
- It helps better to understand internal conditionings of the activities and the development of a small company on the market.

The owners of small companies conducting PEST analysis obtain the information on these elements of the environment which must be considered both while designing the strategy of operation and a current operation. Conducting analysis helps to take a decision which resources and aspects of the operation of the company should be developed and which must be modified. Many factors can be shaped differently depending on the state and a region and that is why in case of small companies a choice of the factors and a range of PEST analysis has an individual character. What is more, although on the given area the conditions which are created by the company seem to be the same for all the stakeholders, in reality for the different companies certain elements have the different meaning. PEST analysis is very useful in scenario planning, as well as in preparing the scenarios of the conditions of the environment.

STEP 4 is an analysis of the strategic potential of the company. The identification of the resources of the small company and the ways of implementing single functions is necessary for using the chances appearing in the environment. In the procedure it is proposed to start an analysis of the potential of the company from using the analysis of resources of Hofer and Schendel which enables an evaluation of financial resources, material resources, human, organizational and technological resources in a functional way.

The usage of this method is a good basis for conducting an analysis of the chain of values which allows to improve the basic and supporting functions, a proper coordination of activities between them and a coordination of activities between the companies and other stakeholders which are the previous or the following elements of the chain of values. In small companies which run diversified activities, it is also justified to apply BCG portfolio method. Conducting an analysis of the potential of the company enables to define its strengths and weaknesses.

The analysis of resources of the small company can be conducted on the basis of a slightly modified analysis proposed by Ch. Hofer and D. Schendel. In its original form, the analysis means an identification and an evaluation of the possessed resources from the point of view of the different functions realized by the company. One examines here: financial resources (cash in cashbox, bank accounts, securities, cash flow, debt capacity, return on equity, debt level, liquidity, etc., physical that is material (buildings, land, plant, machinery, equipment, etc.) and technological (quality standards, brands, patents, know-how)²⁰⁹. The authors of this method state that the financial resources are the most important ones as a possession of a proper level of financial resources allows to ensure different kinds of resources. All these resources are analyzed in the functional overview so from the point of view of production, marketing, finances, management, research and development.

Below in the table 23 the range of analysis of functions and resources according to Hofer-Schnadel is presented.

In the conditions of the small company in which one often does not differentiate the functional structure in which the tasks in the field of marketing,

²⁰⁹ H. Steinmann, G. Schreyögg, *Zarządzanie*, Oficyna Wydawnicza Politechniki Wrocławskiej, Wrocław 1995, pp. 129-131; J. Machaczka, *Podstawy zarządzania*, Wydawnictwo Akademii Ekonomicznej w Krakowie, Kraków 2001, p. 93.

CHAPTER 3. Strategic analysis in a small company

management and production are not clearly divided and the research and development activities are generally omitted conducting an analysis of human resources requires a resignation from a functional division and boils down to an analysis of resources including a whole range of the company and namely:

1. Permanent resources in the forms of:
 - Financial resources (profitability, fluidity, credit worthiness and so on),
2. Immaterial resources in the forms of :
 - Technological resources (trade secrets, copyrights, patents, brand etc.),
 - Resources in the form of reputation (brand, relations with the environment and so on),
3. Human resources (skills/know-how, capabilities for communication and collaboration, motivation etc.),
4. Organizational resources – organizational capacities.

Table 23. Matrix of functions and resources according to Hofer-Schendel

Function and resources	Research and development	Production	Marketing	Financial economy	Management
Allocation of financial resources (budget of the previous year) organizational resources and organizational skills.	Basic research, development of new products, improvement of products and technologies.	Factory halls, equipment, materials salaries.	Sales and promotion distribution, service, market research.	Cash, acquisition, capital allocation of capital, settlement.	System of planning, Informational system of the sphere of management, personnel development, development of organization.
Material resources	The size, age and location of laboratories and equipment.	The size, age and location of the workshop, the level of automation, production type.	The number and location of offices and sales outlets and service points.	The number and types of computers, other equipment	Equipment of central administration

STRATEGIC PLANNING IN A SMALL COMPANY

Human resources	Number of posts, qualifications, specialties of scientists and engineers, a level of fluctuation.	The number and age of core staff, fluctuations rate.	The number, qualifications and age of major retailers and the marketing department, fluctuations rate.	The number and age of core staff, fluctuations rate.	The number and age of managers, style of management, motivation, level of fluctuation.
Organizational resources	The monitoring of progress and evaluation of development.	The type and complexity of the supply system, production planning and control, inventory system.	Type and complexity of the systems: - Distribution - Service - Pricing - Market research.	Type and complexity of the systems: - Cash management - Financial planning - Accounting.	Type of organizational culture, management model, systems of communication
Technological resources	Number of patents and new products, a percentage of turnover attributable to new products.	The ability to dispose of raw materials, productivity, capacity utilization, development of production costs.	The share of marketing costs in unit costs, loyalty to the brand, the ability to dictate prices and the impact on demand.	The share of marketing costs in unit costs, loyalty to the brand, the ability to dictate prices and to have impact on demand.	The prestige of the company, relations with the departments of public relations, specific know-how

Source: H. Steinmann, G. Schreyogg, Zarządzanie, Oficyna Wydawnicza Politechniki Wrocławskiej, Wrocław 1995, p. 130.

The analysis of resources should enable a definition of strengths and weaknesses of the small company. The company should answer a question where the reserves are, which of the resources are “bottlenecks” of the activities of the company, which are a basis for building a competitive position. Conducting analysis of the resources by comparing resources, defining the way of combining them allows to define what a small company can do.

The analysis of resources is quite time consuming and laborious but easy and simple to apply. It is a good starting point to conduct a more advanced analysis of the potential of the company e.g. an analysis of the chain value.

The analysis of the chain of values is a method used for the analysis of the internal and external sources of the competitive advantage and to creating

a proper strategy allowing to succeed on the market. According to this concept, a company can be divided into strategic areas of operation (“the activities creating values”). Using the model of the chain of values (the figure below) it is possible to present in a simplified way a company as a sequence of activities (phases happening one after another) from transferring raw materials, material, a purchase of technologies and services up to the sale of final goods.²¹⁰

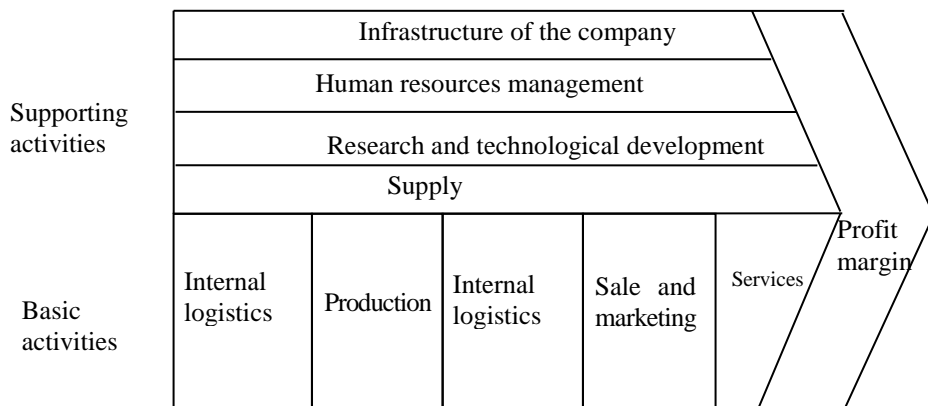


Figure 6. Chain of values according to M. Porter

Source: L. Berliński, *Zarządzanie strategiczne małym przedsiębiorstwem*, OPO, Bydgoszcz 2001, p. 185.

The model of the diagnose of the company based on the analysis of the chain value is a basis for searching successes and failures of the company. In an effectively operating company, a sum of the values generated by single elements of the chain is higher than the total costs. Badly coordinated elements of the chain value are the weaknesses of the company which make it difficult to use the potential of other elements.

²¹⁰ L. Berliński, op. cit., p. 158.

The effectiveness of the whole chain of the company can be improved by using three ways²¹¹:

- Optimizing certain activities,
- A coordination between activities,
- An internal coordination.

In case of optimizing certain activities it is mainly necessary to identify those functions which greatly lead to a creation of the competitive advantage and in turn to a creation of the profit. The company can come to a conclusion that these effects will be achieved concentrating on the function of sale and improving marketing strategy without any changes in the technology and in production.

An improvement of the coordination inside the value chain is a source of creating a competitive advantage. It turns out that a common source of high costs and a lack of adjustment to the markets is a lack of coordination and cooperation between a function of sale and a function of the purchase of material and raw materials. The improvement of the activities forming these functions, supported with training for people employed in these units, changes in the system of motivating should lead to a satisfaction of quality and price requirements of the clients of products.

A coordination of activities with external partners of the company (suppliers, clients, competitors- as far as strategic alliances are concerned) is also an effective way for building a competitive advantage. The example can be the system of delivery just in time.

In practice the changes in the traditional model are often introduced which result from a character of the company's activities, opinions of managers and

²¹¹ Strategor, *Zarządzanie firmą*, PWE, Warszawa 1997, pp. 64-67; M.D. Hutt, T.W. Speh, *Zarządzanie marketingiem*, PWN, Warszawa 1997, pp. 276-281; M.E. Porter, *Przewaga konkurencyjna*, Helion, Gliwice 2006, pp. 78-79.

a specificity of the branch or a region in which a given company operates. These changes can refer to a modification or an introduction of the different basic and auxiliary functions. E.g. in one of the consulting companies the following basic actions were differentiated: a configuration of services, marketing and sale, gathering data, data analysis, interpretation and giving orders, reports and communication, putting into actions, service and evaluation. The supporting activities include: data infrastructure, development and human resources management, advising technology as well as a supply of material and human resources²¹².

The name **portfolio methods** derive from a financial analysis of the portfolio of securities possessed by the company. These analysis served to a financial planning and taking allocation decisions. Their basic aim was to obtain a balanced set of assets. The common features of these methods are as follows²¹³:

- A complexity of approach,
- “External” glance on “internal” situation of the company,
- Trying to balance the resources “coming into” the company and “coming out” of it.

The most well-known and practically applied ones are:

- Growth-share matrix (Boston Consulting Group); BCG,
- Portfolio of economic achievements (General Electric); Mc Kinsey; GE,
- Matrix of the directions of economic policy (Shell company),
- Matrix of market evaluation (A.D. Little’s); ADL.

²¹² A. Payne, *Marketing usług*, PWE, Warszawa 1997, p. 132.

²¹³ L. Berliński, *Zarządzanie strategiczne małym przedsiębiorstwem*, OPO, Bydgoszcz 2001, p. 207.

The literature showed that among the aforementioned methods **BCG matrix** is the most useful and easiest method to be applied in small companies.

Conducting and analyzing the potential of the small company by means of BCG matrix has both its advantages and disadvantages. Among the disadvantages it can be enumerated that it is necessary to concentrate the attention of the owner of the small company on the different kinds/ areas of activities of the company. The aim of this analysis is also a possibility to use the analysis results to planning marketing activities. Among the disadvantages of the described method it is necessary to mention a limitation of the analysis only to two indicators and the difficulties connected with the point and placing SBU in the proper part of the matrix.

Conducting the analysis on the basis of **BCG matrix** is first of all based on the definition of the so called strategic business units (SBU). The concept of SBU was designed in 1971 by the Consulting Company McKinsey conducting at that time the research in General Electric. The idea of SBU means a differentiation, an identification and an evaluation of the development chances of certain areas and kinds of the company's activities and on ensuring their development by a separate management, planning, shaping production and marketing activities. The separation of SBU takes place when²¹⁴:

- Products satisfy a certain kind or a group of the needs of one market segment,
- They possess common technological features and sources of supply,
- They possess identifiable competitors and have towards them the same competitive assets,
- They give a possibility of covering them with strategic planning, marketing and financial planning,

²¹⁴ T. Sztucki, *Marketing w pytaniach i odpowiedziach*, Agencja Wydawnicza Placet, Warszawa 2001, p. 209.

- They allow for an organizational and functional differentiation,
- Their manager has relatively big independence in shaping and implementing the strategy.

Since it can be very difficult to distinguish the SBU defined in such a way in case of a small company as some of the aforementioned conditions mentioned above may be not fulfilled in the small company, it can be taken for granted that a strategic business unit is a part of the small company which can be differentiated which is offered on an external market, has common technical and technological features, sources of suppliers, individual competitors. Therefore in the practice of the small company the SBUs can be single products, groups of products (sale departments e.g. in a general store: shoe department), concrete brands of products.

Having the strategic business units defined in such a way, it is possible to start a preparation of **BCG matrix**. It is the simplest and the most often used portfolio method described also as a matrix of the growth of market share. The example of BCG matrix is presented in the picture below. The matrix is built on the basis of two variables. The first one is a relative market share, calculated as a relation of sale of a given product of the company to a sale of a given competitor (or to a sale of three selected competitors). Then the following formula is applied²¹⁵:

$$\Delta U = S / S_c$$

where:

ΔU – relative market share,

S – size of sale of a given company (SBU),

S_c – size of sale of a selected competitor or a total of sale of selected competitors.

²¹⁵ M. Dolińska, *Projektowanie systemów informacyjnych na przykładzie zarządzania marketingiem*, Agencja Wydawnicza Placet, Warszawa 2003, p. 146.

According to the recommendations of BCG group, a relative market share is defined in the scale 0-10 and the scale is logarithmic allowing to keep a consistence with a pace of changes characterized by an experience curve²¹⁶. In case of such a scale, the border limit is 1 which means that the analyzed business unit has the same market share as in case of a competitor's business unit. A market share below 1 is described as small, above 1 as big.

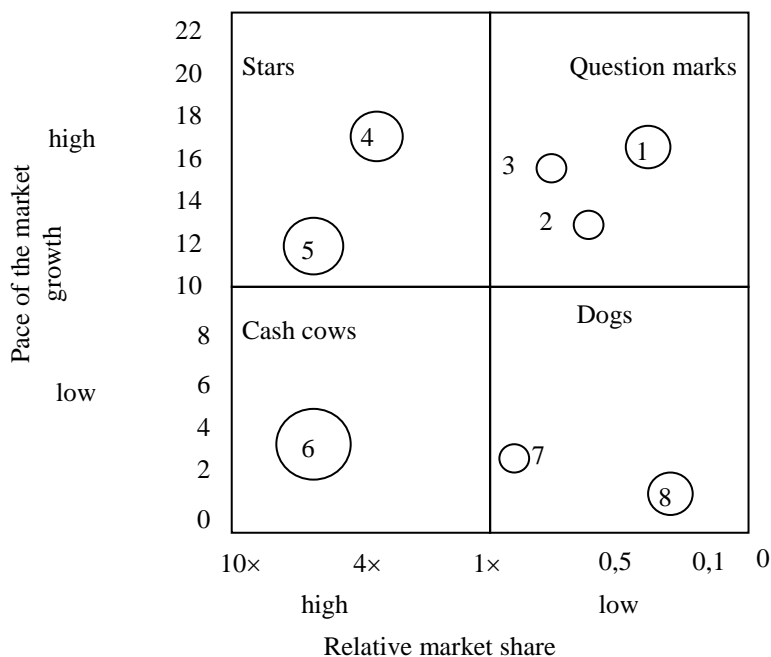


Figure 7. BCG matrix

Source: own preparation.

The second variable is a pace of sale growth which is described as an average yearly increase of sale and is calculated on the basis of the following formula²¹⁷:

²¹⁶ M. Rajzer, *Strategie dywersyfikacji przedsiębiorstw*, PWE, Warszawa 2001, p. 111.

²¹⁷ M. Dolińska, *Projektowanie systemów informacyjnych na przykładzie zarządzania marketingiem*, Agencja Wydawnicza Placet, Warszawa 2003, p. 146.

$$\Delta P = S_c - S_p / S_p$$

where:

ΔP – pace of the growth of sale,

S_c – sale in the current year,

S_p – sale in the previous year.

According to BCG company, the limit of the division of the market should be a pace of the increase of sale 10% which means that below 10% there is a market with a low increase of above- with a high growth of sale. However, it is quite a high value causing that in the sector developing more slowly or in the times of slump almost all the analyzed units fall into the area of a low pace of sale growth or are included into “Cash cows” or “dogs”. That is why the better effects are brought by a definition of the limit on the level of the growth of the given sector in the previous year or on the level of the pace of the increase of gross national income.

The units are put on the matrix in the form of wheels whereas a size of the wheel is proportional to the size of sale of the given unit on the market.

The surface of the wheel can be defined roughly or precisely according to the formula²¹⁸:

$$P = S_o * 100/S$$

where:

P – wheel surface,

S_o – sale of products of own unit on the market,

S – total sale of products of this type on the market

and that is why a radius of the circle:

$$r = \sqrt{P/\pi}$$

where r – radius of a circle and its coordinates,

²¹⁸ M. Dolińska, op. cit., p. 146.

$$x = 1 + \log (S_o/S_c)$$
$$y = G$$

where:

S_o – sale of products of own unit on the market,

S_c – sale of products of the biggest competitor of a given unit on the market,

G – market growth in percent, calculated for a given period of time e.g. a year.

In practice, it is very often taken for granted that the size of the wheel meaning a given unit is proportional to its share in the structure of the assortment of the company.

The matrix includes four characteristic quarters on which the organizational units are placed and namely:

- In the first quarter (from the top) the organizational units which have a big share in growing market are placed in the leading sectors and are characterized by a quick growth are called the **stars**,
- In the second quarter the organizational units which have big market shares and enough of cash (this results from the economy of scale) called **cash-cows** are placed. They are a source of capital for other domains,
- In the third quarter the organizational units which have small market shares in the growing market but which are characterized by a big growth called **questions marks** or problem children are placed,
- In the fourth quarter the organizational units which have a low share in a slowly developing market characterized by a slow growth called **dogs** (or pets) are placed. Due to a small or negative profitability, their actions cannot be justified.

Defining in this way a position of the different units enables to see the dangers and risks and an adoption of the correct strategy of activities towards

competitors²¹⁹. It is best to conduct the analysis of the units of the company from two points of views: a development and a rate of balancing a portfolio. The development portfolio means that the company ensured “rejuvenation” and the future income by replacing gradually old products with the new ones which are developing. It requires permanent investing in “question marks” out of which only a part will do well on the market and will move to the category of “starts” and then to “cash cows”. The balanced portfolio in turn means that income generated by profitable products, first of all by “cash cows” and mature “stars” allow to invest in young products which so far do not have yet a big market share (“question marks”, young “stars”) and the company brings profits despite these investments.

The most beneficial is the portfolio which is at the same time developing and balanced. It should not include “dogs”. In practice the company can have a declining portfolio which is balanced and can generate high income although it is not developing. It can also possess a young portfolio, which is developing but unbalanced and will probably lead to a financial crisis.

The last **STEP 5** of the model of strategic analysis in the small company is an analysis of the strategic position of the small company. In order to do it, a SWOT analysis will be conducted or in justified, more complex cases TOWS/SWOT analysis.

In case of both kinds of analysis the results of the analysis of environments (sectorial and micro environment) are compared together with a potential of the company, in the form of chances and threats resulting from external factors and strengths and weaknesses which are a derivative of factors with an internal character.

²¹⁹ A. Sznajder, *Strategie marketingowe na rynku międzynarodowym*, PWN, Warszawa 1995, p. 57.

The results of this analysis are supplemented with the results of the detailed analysis which are a basis to do a general evaluation of the competitive position of the company in the environment and at the same time formulating a project of the strategy of operating on the market.

SWOT analysis is the most popular and one of the simplest method of assessing the position of the company in its environment to use in the small company supporting the decisions with the developing character or a choice of the best strategy of operation. It is an estimation how the resources of the company respond to the needs and requirements of the environment in which it operates and competes. Its application in small companies is justified as it allows in a laborious and simple way to get to know well an analyzed stakeholder and its environment and its character is universal.

The term SWOT comes from the first letters of the factors which are considered: strengths, weaknesses, opportunities and threats and simultaneously points at the order of their analysis. This order can be of course reversed and to examine the threats and opportunities created by the environment in reference to strengths and weaknesses of the company. The analysis will then be defined as TOWS. In practice a combination of both ways of conducting analysis is also used in the form of TOWS/SWOT analysis.

The following catalogue of questions can be an introduction to SWOT analysis in the small company. Answering them one should not use the information obtained during the examination of the company by means of the methods presented in the four steps.

The catalogue of auxiliary questions is as follows²²⁰:

In case of examining strengths and weaknesses:

- Does the company possess resources or a potential sufficient to compete?
- Can the company be perceived as a market leader?

²²⁰ L. Berliński, *Zarządzanie strategiczne małym przedsiębiorstwem*, Aspekty praktyczne, Wydawnictwo OPO, Bydgoszcz 2006, p. 193.

CHAPTER 3. Strategic analysis in a small company

- Does the company use modern or own technologies?
- Are the experience or skills of managers sufficient to run a company?
- Is a level of marketing good?
- Is an economic position of the company good and particularly profitability and costs?

The answers “yes” are included into strengths and “no” into weaknesses.

In case of examining chances and threats:

- Did new groups of clients appear?
- Is it possible to enter new markets?
- Does the growth of the market take place?
- Is the competition of the market limited?
- Is there a market gap for the created products?
- Is there a beneficial impact on eco system?
- Is there any environmental tradition?
- Are there favorable legal solutions?
- Are there favorable systemic solutions (e.g. referring to a fiscal system)?
- Is here a favorable market situation (e.g. exchange rates, inflation)?

The answers “yes” are treated as chances and “no” as threats.

SWOT analysis on its simplest form is a table including all the strengths, weaknesses, opportunities and threats. The simplified analysis is presented in the table below.

Chances	Strengths
1. Chance 1	1. Strength 1
2. Chance 2	2. Strength 2
3. Chance 3	3. Strength 3
Threats	Weaknesses
1. Threat 1	1. Weakness 1
2. Threat 2	2. Weakness 2
3. Threat 3	3. Weakness 3

Figure 8. Example of SWOT analysis

Source: own preparation.

Conducting a simplified SWOT analysis in a quite simple way makes the owner understand which aspects of the functioning of organization must be improved, on which assets the activities of the company should be based and which situation and processes in the environment are favorable to the company and which are detrimental to it. This comparison is supposed to state:

- Which assets allow to use the chances appearing in the environment of the company?
- Which weaknesses can be limited or eliminated by using opportunities?
- Which strengths will help to overcome threats?
- Which weaknesses of the company can increase the threats from the environment?

The answers to these questions can be obtained conducting a more complicated analysis which can be also conducted in the small company TOWS/SWOT. Its usage, according to K. Obłój, requires the following stages²²¹:

1. A definition of the list of chances, threats, strengths and weaknesses of the company.
2. Attributing wages to single chances, threats, strengths and weaknesses defining their importance from the point of view of the influence of these factors on the possibilities of the development of organization. The wages of all the threats should sum up to 1,00.
3. Examining the dependencies between chances and threats and strengths and weaknesses of the company.
4. Creating for all of them 8 questions in a proper table examining the relations between single factors. The table is fulfilled in the following way:

²²¹ K. Obłój, *Strategia organizacji*, PWE, Warszawa 1998, pp. 183-184.

CHAPTER 3. Strategic analysis in a small company

- If between a considered pair of elements there is an interaction, one puts 1 in the table; if there are no connections between them – 0.
- After defining a relation between the single elements one sums in the columns and in lines the number of interactions and then a result which was obtained is multiplied by the wage defining the importance of every factor.
- On the basis of the obtained products, it is possible to attribute to all of the sectors an importance stating which of the influencing factors will have a relatively the biggest strength of influence (an order of ranks put in columns) and which of the factors is the most susceptible to possible influence (an order of defining ranks included in lines).
- At the end all the identified interactions and the products of interactions and wages are summed.

Table 24. Example of a table presenting the influence of threats on the strengths of the company done on the basis of TOWS/SWOT analysis

Threats Strengths	Development of competition	Unification of company and products	Decrease of demand for research on the market	Appearance of substitutes	Political and economic changes	Wage	Number of interactions	Product of wages and interactions	Rank
Recognized brand	0	1	0	0	0	0,3	1	0,3	3
Customer loyalty to the company	1	1	1	1	1	0,2	5	1,0	1
Own technical facilities	0	0	0	1	0	0,2	1	0,2	4/5
High quality	0	1	0	0	0	0,2	1	0,2	4/5
Moderate prices	1	1	1	1	0	0,1	4	0,4	2
Wage	0,4	0,4	0,1	0,05	0,05				
Number of interactions	2	4	2	3	1				
Number of wages	0,8	1,6	0,2	0,15	0,05				

and interactions									
Rank	2	1	3	4	5				
Sum of interactions							24		
Sum of products								4,9	

Source: K. Obłój, *Strategia organizacji*, PWE, Warszawa 1998, p. 193.

Table 25. Results of TOWS/SWOT analysis

Considered combination	Results of TOWS analysis		Results of SWOT analysis		Summary TOWS/SWOT	
	Sum of interactions	Sum of products	Sum of interactions	Sum of products	Sum of interactions	Sum of products
chances/ weaknesses						
Threats/ weaknesses						
Chances/ strengths						
Threats/ strengths						

Source: K. Obłój, *Strategia organizacji*, PWE, Warszawa 1998, p. 184.

The combination of factors for which the sums of products is the biggest defines a strategic position of a given company and shows which strategy of operation a company should adopt in the future. In the literature one points at the following strategic variations²²²: an aggressive strategy, a competitive strategy, a conservative strategy and a defensive strategy.

1. SO strategy (aggressive, maxi-maxi) which aim at using the chances appearing in the environment basing on the strengths of the company. It is a strategy of a strong development expansion, entering new markets, an investing and a further building of competitive advantage.
2. WO strategies (competitive, mini-maxi), which aim is overcoming the weaknesses of the company (or avoiding them) which aim is to overcome weaknesses of the company (or to avoid them) by using the

²²² Por. K. Obłój, *Strategia organizacji*, PWE, Warszawa 1998, pp. 182-183.

possibilities created by the environment. This strategy can be implemented by increasing financial resources, improving products, reducing costs, increasing effectiveness, entering a strategic alliance and so on.

3. ST strategy (conservative, maxi-mini) which means using the strengths of the company in order to avoid or reduce the influence of external threats. The example of activities forming this strategy can be as follows: an elimination from the market or buying by the competitor, entering new markets, cost reduction, concentration on certain market segments or preparing own patents.
4. WT strategy (defensive, mini-mini) oriented on a reduction of internal weaknesses and avoiding threats from the environment. It includes such actions as: costs reduction, stopping further investment or decreasing production capacities. The companies or strategic units which for objective reasons are implementing these strategies in the reality are fighting for a survival. They generally try to combine with others having as an alternative a bankruptcy or being closed down.

Conducting the proposed model of strategic analysis in the small company allows to diagnose the resources possessed by the company and a current condition of the company's environment. The application of the set of methods of strategic analysis proposed in the model does not give basis to foresee and shape an environment of the company but gives a possibility to evaluate a potential of the company and thanks to it adjust to a changing environment which, considering the limited resources of the company, is a source ensuring its survival and in the longer perspective also the development of the company²²³.

²²³ J. Jaworski, *Planowanie w przedsiębiorstwie*, Oficyna Wydawnicza Politechniki Rzeszowskiej, Rzeszów 2002, p. 175.

The advantages of this procedure from the point of view of its practical application can be defined in the following way:

1. This procedure allows for quite a detailed definitions of strengths and weaknesses of the small company and it gives a possibility to define further, necessary directions of activities which aim will be to eliminate the diagnosed weaknesses and strengthening, maintaining or using the advantages of the company.
2. The proposed model is complex. It includes the methods of examining an environment and a potential of the company, allowing to confront the weaknesses and strengths of the company with the chances and threats resulting from the possibilities of the environment which enables carrying a total analysis of the competitive position of the small company on the market.
3. The proposed method is relatively easy in the application and simple in its construction imposing the actions done according to the logical sequence of actions which does not require from the owner of the company a very big influence on conducting this kind of analysis. The methods of the strategic analysis adjusted to the model were simplified in order to get adjusted to a specificity of a small company.
4. Due to a range and a complexity of the evaluation of the environment and a company, a method allows to formulate the conclusions and assumptions for the further market strategy of the small company.

A possession of the system of strategic information (SSI) is necessary for the model of strategic analysis presented above. The aim of such a system should be collecting, processing, storage, protection and making available the information to the owner of the small company. This system should be also adjusted to the needs and possibilities of a given company and conditionings formulated by the environment. Taking into consideration the informational needs of micro and small companies, such a system can take the different forms. For the smallest

companies or operating on relatively calm markets- this can be a set of information gathered in a traditional form on the computer or even in a segregator. For companies operating on a larger scale (but which are still small) or on the turbulent markets, this can be a complex, professional informational system, possessing an independent self-updating data base. Regardless of the specificity of the small company, its size or a character of activities a certain informational minimum is necessary.

A combination of minimal value of SSI is presented in table 26.

Table 26. System of strategic information for a small company

Kind of information	Specification
General information on the sector in which the business operates	Size and dynamics of sector
	Approximate profitability
	Number of competitors
	Turnover of competitors
	Market share of the biggest competitors
	Assortment of competitors
	Information about current and future substitutes
	Kind of needs satisfied by the sector
Information on competition within the sector	Maps of strategic groups
	Number of direct competitors serving the same client
	Success factors of direct competitors
	Factors differentiating companies in the sector.
Information of sector suppliers	List of resources purchased by the sector
	List of key supplier of single resources
	Possibility to negotiate the conditions of supply
Information on sector clients	List of key clients for the sector
	Key advantages for sector clients
	Possibility to negotiate conditions with clients
Information on internal potential of the company	Evaluation of the current product portfolio taking profitability and development possibilities into account
	Evaluation of market share
	Evaluation of competitive position
	Evaluation of profitability
	Evaluation of the possessed brand and image

Information about a macro environment having impact on a given sector and a market of operation	Information on economical and economic factors
	Information on legal and political factors
	Information on social and demographic factors
	Information on international conditionings
	Information on technological conditionings

Source: K. Oblój, own preparation on the basis of: A. Sopińska, System informacji strategicznej dla małych i średnich przedsiębiorstw, [in] R. Krupski (ed.) Zarządzanie strategiczne. Strategie małych firm, Prace naukowe Wałbrzyskiej Wyższej Szkoły Zarządzania i Przedsiębiorczości, Wałbrzych 2005, p. 268.

In the initial phase of the development a small company is based on methods, techniques and instruments which the owner knows and can use. The success of the company depends on their level of knowledge. However, such a situation cannot last forever. Together with the growth of the company, the resources of knowledge possessed by the manager become insufficient for its further development. A decision maker's gap of knowledge appear which limits a rationality of the strategic decisions which are taken. The System of Strategic Information can play this role. Created in the company and properly used greatly limits the risk of the decisions which are taken. It must be clearly underlined than an effectiveness of the functioning of SSI depends mainly on: the level of informational needs reported by entrepreneurs and the possibilities to satisfy them (quantity and quality of the available information).

CHAPTER 4. Conditionings of using a method of strategic analysis in the process of planning the activities of a small company

4.1. Characteristic of the companies which participated in the research

The conducted qualitative research was a part of a wider research process which general aim was to obtain a detailed knowledge on the issues referring to the usage of the methods of strategic analysis in the process of planning the activities of small companies. In the framework of the preparatory work, four questions were formulated for the qualitative research:

1. Do the owners of small companies on the stage of planning the operation of the company unconsciously use the methods which are similar or the same as the methods of strategic analysis?
2. Do the owners of small companies know and apply a complex strategic analysis of the company and the environment or use only some selected tools?
3. Does the level of information gathered and processed by the owners of small companies enable them to apply selected methods of strategic analysis on the stage of planning the activities?
4. Do the owners of small companies have a need to use professional tools supporting management, particularly at the stage of planning or do they prefer the activities based on intuition and an experience of the owner?

The sampling of the population was the research sample of the companies participating in the first part of the research (quantitative research). The method

of purposive sampling of average units was used. The qualitative research was conducted among 15 business units, which owners agreed to participate in the research. At the beginning it was assumed that 10% of the companies participating in the first part of research that is about 40 companies would be interviewed. However, in practice not so many entrepreneurs agreed to participate and that is why the number was reduced to 15 companies. Among the respondents, there were the owners of micro companies employing from 1-9 people. The remaining five companies represent the sector of small companies. The research was conducted in the period from January to February 2011. Fourteen companies have their headquarters and a main place of operation in Lodz, one operates on the territory of the city of Zgierz. Below a short characteristic of the profile of activities of the companies under research was presented.

Company 1

The company was registered in 2004. Nowadays it is a company with a limited liability. At the end of 2010 the company employed 26 people so it is a small company/ the only shareholder of the company is a man aged 54 with a diploma of a technical university. While registering the company he had experience in grocery and foodservice industry but had no experience in running an own company.

The company produces and sells delicatessen products and specializes in the production of burgers made of pork, poultry or beef. It has implemented HACCP system and offers products which are in line with the norms and standards of the European Union.

The company operates in central Poland but in summer time it sells a big part of its production to clients in the north of Poland (from Gdańsk to Szczecin).

Company 2

The company was registered in Lodz in 1997. Since the registration until now is a limited liability company. It has a status of small company as at the end of December 2010 the level of employment was 17 people. The main shareholder of the company is a woman aged 55. The owner has secondary education with a specialization in trade supplemented after 1990 with numerous courses and trainings in the field of management and trade. While registering the company she did not have any experience in trade.

The main field of activity is a sale of household goods imported from the Far East. At the beginning the offer included only china made in Poland and imported. Now in the offer there are about 3000 permanent lines of products and the same number of products imported on the clients' wish. The company serves mainly big network clients. It operates in the whole Poland and in the countries of the Eastern Europe.

Company 3

The company registered in 1996 in Lodz. Now it is a limited liability company/ on 31st of December 2010 it employed 39 people. The company is included in the sector of small companies. The majority of shares are possessed by the owner, aged 52, with economic background. While registering the company, he had professional experience in the bank sector and no experience in running an own company. The main field of activity is racking and tumble galvanization. The company uses the newest and the best galvanization methods offering the highest quality of the services. The company serves the clients from all the areas of central Poland.

Company 4

The company was registered in 2002. It is placed in Lodz. From the beginning it was a limited liability company. Employing nowadays 46 employees is included among small companies. The main shareholder and at the same time the owner is a man aged 63 with a secondary education. The owner is very experienced in running business as he was active in the different areas.

The main activity of the company is a production and a sale of small decorative products produced on the basis of plaster and concrete. The company runs the sale by means of national retailers and decorative supermarkets. The products of the company are available in the whole country.

Company 5

It was registered in Poland in 2004. It operates as a general partnership. At the end of 2010 it employed 35 people so it has a status of a small company. It is run by two entrepreneurs and the respondent was one of them aged 43 with a higher degree in the fields of economics. In the moment of registration the entrepreneur had experience in running the company working a few years as a consultant in the branch of economic consulting.

The company sells wheelers, quads and vehicles other than cars. It possesses four sell offices in Poland, the headquarter is in Lodz. The operation of the company covers the whole country.

Company 6

The company was registered in 2008 in Poland and it is now a acts as a sole proprietorship. The company has a status of a micro company as in December 2010 the level of employment was 2 persons. The owners of the company is a man who is 30 years old. He has a degree in architecture. The owner while registering the company did not have experience in running it. As far as the area of the company's operation is concerned he some professional experience and many contacts in the branch.

The main activity of the company is providing services connected with designing services related to the design of multi-family residential buildings and houses. The company offers also the projects of the building with retail and service functions and other commercial facilities. The company operates mainly in the central Poland.

Company 7

The company was registered in 2001 in Lodz. The company is a sole proprietorship. The company at the end employed 6 people so it fulfills a definition of a micro company. The owner of the company is 52 years old, with secondary general education. While setting up a company, he did not possess any professional experience.

The company operates in the real estate market, providing services in commercial property management with the functions retail and storage. The company currently owns and manages a number of properties with a total lettable area of over 45 thousand square meters. The company operates in the local market, limiting its operations to servicing its tenants.

Company 8

The company was registered in 2000 in Lodz. Since the moment of a registration it has a form of a partnership. There are three shareholders of the company. The respondent was one of them appointed by others, a woman 53 years old, operating in the company for many years. The respondent has a university degree.

In its activities, the company focuses on the production and sale of office equipment. It specializes in the production of exclusive stationery, business cards and greetings. It implements complex projects in the field of designing visual identification of companies. The company serves clients from the whole country but the majority of orders come from central Poland.

Company 9

The company was registered in 2008 in Lodz as a partnership. It has the features of a family company. The shareholders are a married couple. The company possess the status of a micro company and at the end of December 6 people were employed. The respondent was a man aged 37 with a degree in management. While registering the company both owners did not have any experience in running a business but had some experience in the gastronomic branch.

The company offers accommodation and food services in the hotel they run. The hotel has three stars and specializes in organizing trainings for small groups. The main asset of the company is its very good localization.

Taking into consideration the range of the activities, the company can be treated as international as there are many guests from abroad.

Company 10

The company was registered in Poland in 1999. Since the moment of registration it is a sole trader. At the end of December 2010 the company was employing 6 people so it falls into a category of micro companies. The owner is a man aged 47. The owner has graduated from basic vocational school with a specialization in technology and sale. While registering the company, he did not have experience in running a business but had significant experience relevant to the field of activities of the registered company.

The main area of the company operation is selling automatic heating and hydraulic and providing services in the field of designing and installing the devices which are sold. The company runs its activities mainly in the area of Lodz agglomeration but sometime it also gets orders from central Poland.

Company 11

The company was registered in 2004 in Poland as a sole trader. It is a micro company, in the last year it employed 8 people. The owner is a man aged 53 who graduated from a secondary school. While registering the company, he had experience in running a company and long professional experience in the field of tourism organization.

The main activity is selling plane tickets and offering complex services connected with tourist traffic e.g. selling accommodation, insurance. The company is one a few intermediaries in selling trade tickets, associated in IATA. The company operates in the whole country. Its offer is available to retail customers in the on-line system.

Company 12

The company was registered in 2006 in Lodz. Since the moment of registration it is a sole trader. The company has the status of a micro company as at the end of December the level of employment was 8 people. The owner of the company is aged 54 years. The owner has a degree in economics. While registering the company, the owner had experience in running business.

The company produces socks for leading Polish companies. The company has a well-developed machinery system which enables realizing almost all the orders. What is more the company possesses an own brand of socks available in big supermarkets. The company serves big clothes producers. It operates in the whole country.

Company 13

The company was registered in 1995. Since the moment of registration, it is a partnership. The company employs 9 people so it fulfills the criteria of a micro company. The main shareholder is 36 years. The owner has a degree in

economy. While registering, the owner has had experience in running activities and a long professional experience relevant to the profile of activities.

The main domain of the company is providing services in the field of industrial laundering. The clients are the biggest hotel networks in Poland. Besides laundering services, the company offers also services in the field of complex confectioning. The daily production capacity of the company is 1200 tons of laundry.

Company 14

The company was registered in Poland in 2002 and has a form of a sole trader. The company employs two people and has a status a micro company. The owner is the man aged 35 with a higher degree in arts. While registering the company, the owner did not have any experience in running the business but had some experience in the branch.

The main field of the company's activities are the services in the field of advertisements and graphics. The company conducts advertising projects from the moment of designing advertising campaigns to implementing advertising and marketing activities. It implements also press projects and is responsible for the composition of several newspapers targeted at the automotive industry.

Company 15

The company was registered in 2006. Since the beginning it operates as a sole trader. At the end of 2012 2 people were employed in it. The company falls in to the category of small companies. The owner is a woman aged 30 with a degree in English and German philology who is a sworn translator. While registering the company, she had no experience in running a business and did not have any experience in the field of translation. She worked earlier as the lector in the language center.

The company provides services in the field of translation including sworn translations. The activities do not limit only to taking orders which are in line with background of the owner. In the data bases the company has the translators in all the languages. The newest offer are simultaneous translations in the sign language. The company concentrates its activities in the markets of Lodz and Warsaw.

The owners- managers of these companies participating in this qualitative research in the majority of cases declared that they possess clearly defined **aims of operation** (14 out of 15 respondents). The main reason for registering a company in 60% of cases was a desire to become independent professionally (9 entrepreneurs). 6 entrepreneurs (40%) registered their companies as they noticed the appearing market chances resigning from their current employment on the basis of work contract. These entrepreneurs started their activities using their experience and professional contact. As for as long-terms assumptions for the company are concerned, the majority of them (13 people) declared a possession of **development plans and a vision**. Only in three cases these plans had a form of a written document in the form similar to a business plan. In 10 cases (including three companies having plans in the written form) out of 15, the employees knew the long-term aims, which in the opinion of the owners was supposed to provide a feeling of certainty and a safety of employment and motivate them to the best work possible.

As results from the research, the aims that the companies were supposed to fulfill was in the majority of cases an “idea of the owner for running a business” which means a kind of a vision of the entrepreneur. Only 27% of the owners (in four companies) admitted that the definition of aims was preceded by the analysis. They admitted that in the preliminary phase, the aims were the effects of their opinion on the business environment but at a later stage they were to be consulted with some employees and external consultants. Thanks to it,

preliminary adopted aims were modified and made real. In case of three companies using the market analysis, the activities were caused by applying for external funding in the forms of credits.

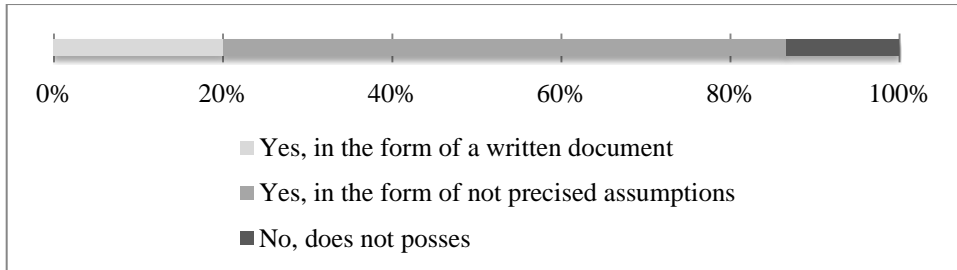


Figure 9. Possession of long-term aims, visions of the future among the companies which participated in the qualitative research

Source: own preparation on the basis of the research.

During the last three years 13 companies implemented development activities, expanding the network of sales, investing in the new industrial infrastructure, launching new products or services to the market. These activities in case of 5 companies (33% of answers) were caused by the development plans adopted earlier. The most common stimulator of the development activities were market occasions which could be faced on condition of running quick investments increasing the efficiency or the quality of a given action.

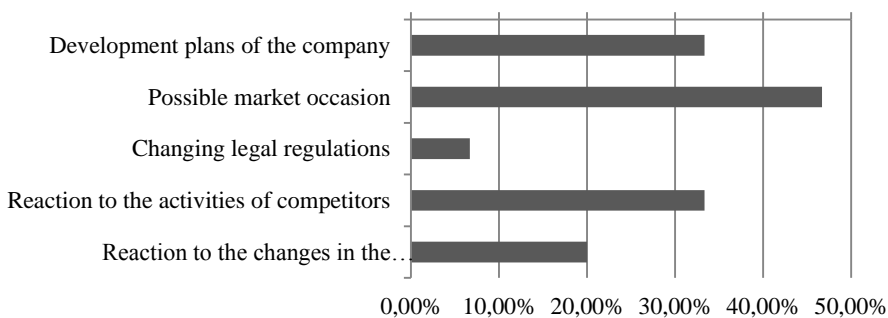


Figure 10. Reasons for taking development actions among the companies which participate in the qualitative research

Source: own preparation on the basis of the research.

The implemented development activities were successful in case of 5 companies. Four of them are those which declared such activities while making plans. In case of three companies, the documents with a planning function were e.g. business plans required by banks giving investing credits.

Three companies (20% of answers) which declared an occurrence of unbeneficial character are the companies which declared a possession of plans in the form of unfixed assumptions and the actions which were taken were an reaction to a happening market occasion.

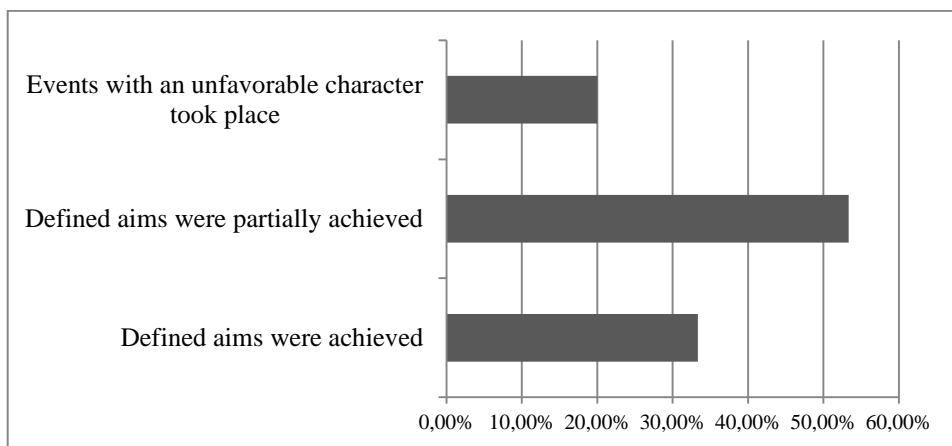


Figure 11. Effects of undertaken development activities among the companies which participated in the qualitative research

Source: own preparation on the basis of the research.

The decisions undertaken by the owners influenced directly the results of the companies they were managing.

In practice the **condition of the company** is also dependent on many factors with a micro and macro factors. However, a full responsibility for the effects of the activities of the companies is put on the decisions makers. In case of the group which was examined the decisions makers were in 100% the owners. While analyzing the results generated by the companies which participated in the research, the results of the profits, income, costs, investments, employment and

the number of the served markets, the condition of the companies was as follows.

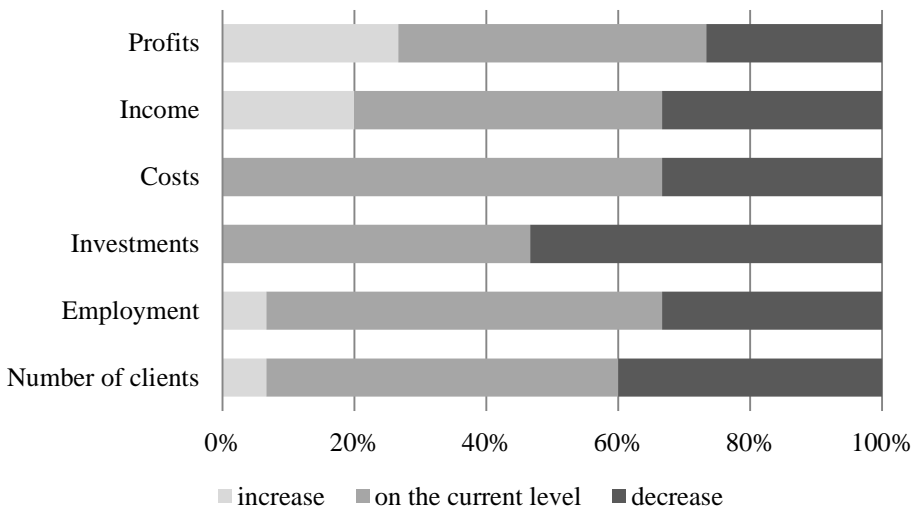


Figure 12. Market condition of the companies which participated in the qualitative research
Source: own preparation on the basis of the research.

As results from the figure above, the processes taking place in the last three years can be considered as beneficial. In the majority of companies the level of income and profits as well as the costs remained on a current level or decreased. In case of the category of profit and income it is a beneficial situation. In case of the increase of the costs their growth was dependent on many factors. These costs are: a category of changeable costs dependent of the level of employment which also in the scale of the group under research was considerably increased, an increasing number of the clients who are served or in the end an increase of the income.

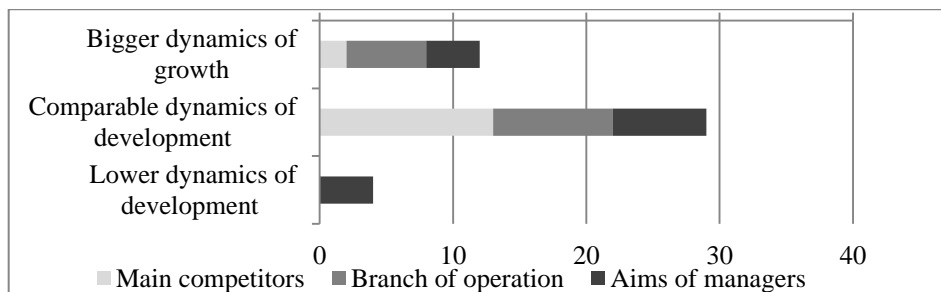


Figure 13. Market condition of the companies which participated in the qualitative research

Source: own preparation on the basis of the research.

In the opinion of respondents the companies which were managed by them kept a market position in the branch in which they operated and the same as their main opponents. In case of two companies, the owners stated that they were developing more quickly than other companies operating in the branch, more quickly than the key opponents and the pace was higher than the one assumed by the owner. Four companies were developing more slowly than expected by the owners but their dynamics was comparable to the results of the branch and competitors which may indicate that the expectations towards the companies were too optimistic and that the defined aims were not the effect of the planning activities.

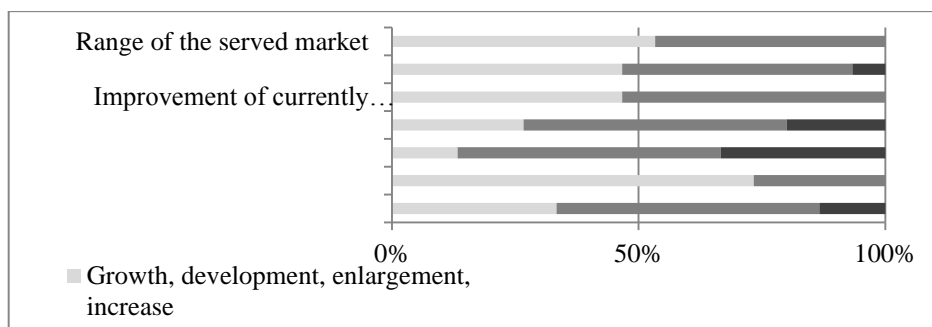


Figure 14. Activities planned in the coming three years in the companies which participated in the qualitative research.

Source: own preparation on the basis of the research.

In the perspective of the coming three years the owners are planning to increase a size of sale and a range of the served market. They are trying to do it by implementing new products or services to the market and a possible improvement of the assortment offered. They are also planning to limit the costs of activities. An implementation of plans defined in such a way will require a support of professional management tools. The tools of strategic analysis are particularly important in case of entering new markets or launching new products to the markets.

4.2. Methods of testing environment and potential of the company used by the entrepreneurs participating in the research

The application of the **methods of strategic analysis** requires a set of proper information which allows to evaluate the potential of own company as well as the factors deciding about the chances and threats of the general environment and competitive environment. These basic elements generate a lot of information which proper choice and a skillful processing are a base to apply the majority of the analysis methods. For this reason, during the qualitative research, the knowledge of the economic conditionings among the owners of the companies which participated in the research was tested.

All the owners declared running regular activities which aims is an observation and an evaluation of the events taking place in the **competitive environment**. In the direct conversation, it turned out that they were wrongly qualifying single elements of the competitive and general environment including e.g. clients and suppliers in the further environment. They could not clearly point the elements of general and competitive environment. The lack of a skill to define a competitive and general environment did not limit only to conducting a regular monitoring of the market and collecting information on it.

Among the techniques of examining the competitive environment, the entrepreneurs were enumerating in the majority of cases informal talks with suppliers, clients and employees or owners of the competitive companies. The entrepreneurs who are serving retail customers were also paying attention to the problems with obtaining information on the market. In the opinion of respondents these problems resulted from a reluctance of these clients to give their opinions (particularly the positive ones) and on the other hand the appearing negative opinions on the competition were treated by the entrepreneurs with some distance taking into account a high level of subjectivity. The caution described by the entrepreneurs in such cases seems to be a correct behavior and withdrawing conclusions on the basis of such information should be proceeded by own observations. They mentioned also the observations of the competitors as ways of testing environment. The observations were done personally by the entrepreneurs, by the employees or by the members of family. Thanks to such activities the entrepreneurs were getting the estimated data on “clients flow” and on suppliers, including a frequency and estimated sizes of deliveries and the sources of supply. One of the entrepreneurs admitted that thanks to obtaining information on the source of delivery, it was possible to limit the costs of delivery of raw materials from 5-7% per month. Informal talks (in the majority of cases with the drivers of the supplying companies) and the information obtained and confronted with own observations allowed the entrepreneurs to define a size of the market, its absorption and the existing reserves.

Among the owners of the companies who participated in the research 14 could enumerate without any problem main direct opponents. Nine entrepreneurs monitors all the time the market offer of the main competitors analyzing the range of the offer, changes taking place in it and the reasons for implementing changes. In case of five of them, this information is a base to take

decisions on their own offer. The remaining four entrepreneurs pointed that the information obtained from the market is a basis to take decisions referring to their own offer but additionally the changes of the offer are discussed with friendly, long-term clients and their opinion is often a deciding factor.

Five out of 15 companies are subscribed to branch magazines which are considered to be a reliable source of information about the changes taking place in the branch, about the branch trends and technical and technological novelties. These magazines are published by the branch associations in which the entrepreneurs taking part in the research participate. They also participate in the discussion panels, study visits in foreign companies and fair organized by the associations. The entrepreneurs pointed that thanks to such actions they have access to information on the newest achievements in the area of their activities.

While pointing at the factors which decide about the position of their company on the market the respondents treated as equally important a quality and a price of the offer (43.00%). A capacity to quickly deliver products or services was enumerated by 13.00% of respondents.

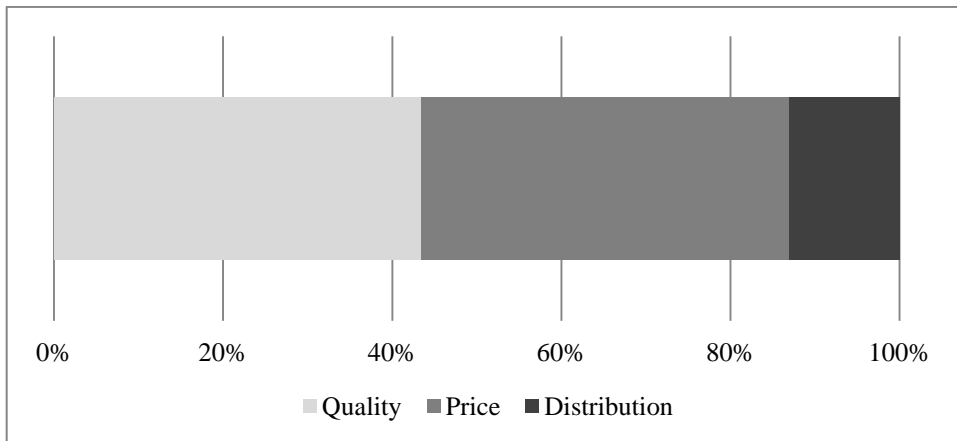


Figure 15. Factors shaping the competitive position in the opinions of the owners of the companies participating in the qualitative research
Source: own preparation on the basis of the research.

Doing the evaluation of the competitive position of the company the majority of respondents stated that their companies have a better position than competitors (4 answers out of 15) or that the competitive position is comparable with a position of competitors (8 answers out of 15).

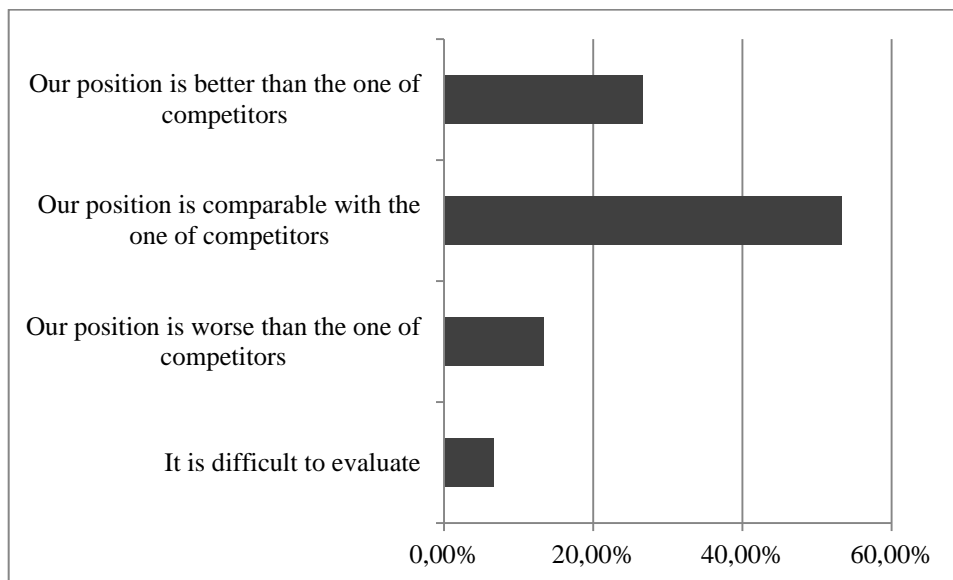


Figure 16. Rating of competitive position in the competitive companies in the opinion of the owners of the companies who participated in the qualitative research
Source: own preparation on the basis of the research.

The surveyed respondents proved also to know the structure of their clients. According to 60% of them, a possession of knowledge in this area is a basis to prepare a beneficial offer of cooperation, a proper preparation of the activities of the company particularly in term of price policy, payment deadlines or e.g. the supply rotation. The dominating group of the clients of the surveyed entrepreneurs are the institutional clients from the sector of SMEs (60% of answers). The retail clients are served only by 20% of the companies under research (3 companies), the same number serves large network clients.

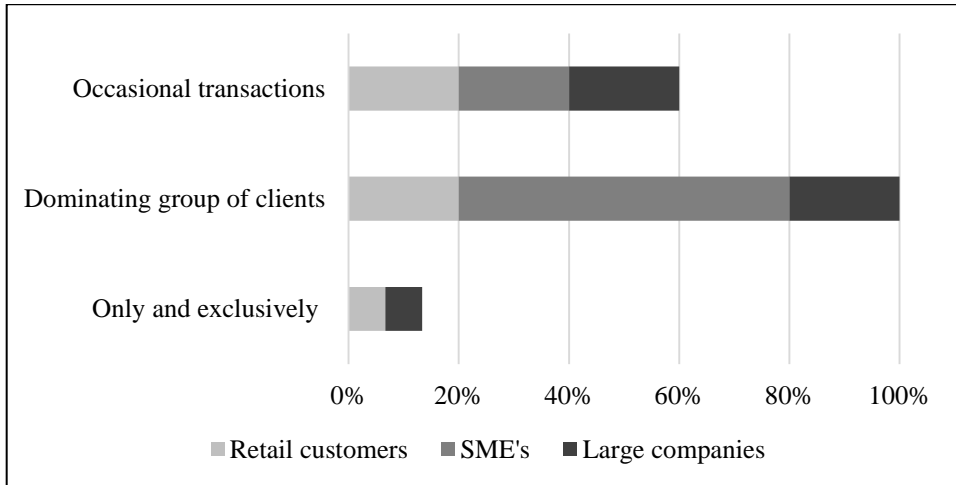


Figure 17. A structure of collaborators of the companies which participated in the qualitative research

Source: own preparation on the basis of the research.

In the area of examining the clients, the ways of obtaining the information on clients depended on the category of the served clients. The companies serving retail clients declared that they build the image of their clients on the basis of their own observations. As pointed out by four of them, a skill to listen to the clients is very important as the information which are revealed when clients talk among themselves is particularly important. One of the entrepreneurs serving in the majority of cases the retail clients divide them into groups taking into consideration the number of transactions realized quarterly with them. Thanks to is a price and discount policy is built. The clients who have the biggest turnovers on their accounts can count on a big price and term flexibility in the services offered by a given entrepreneur. The remaining entrepreneurs try to treat the retail clients equally which results from the fact that they are not the main client of these companies. In case of five companies which clients are the institutional clients, the gathering of information is based on the customer files. These files take the forms of numbers or calendars in which the contacts with clients in the

forms of reports are described, the arrangements are made together with the suggestions proposed by the clients, clients' reactions and so on. The entrepreneurs serving the network clients in case of the respondents are the clients operating on the market of large DIY stores or markets. They admitted that gathering information on their clients boils down to activities which allow to appreciate e.g. a flexibility of the single employees of the purchase department that is: merchants, proposed terms of payment and changes possible within them, a way of serving and managing supplies. In the opinion of entrepreneurs, a possession of this information and the so called good relations with merchants is a basis to remain on the market.

The owners of the companies which participated in the research also observe **the general environment**. One can include banks and legislative institutions such as: Sejm, Senate, ministries, self-government administration, voivodship Office, cities and municipalities managing the European funds to its elements. A part of the respondents points also on a widely understood economic environment that is institutions which shape a condition of a world economy, share prices or exchange rates. The owners do not pay at all the attention to such elements as a: demographic development, culture. Four entrepreneurs refer to a general environment paying attention to the development of technique and technology and branch "trends".

A creation of information base on a general environment happens by following everyday press, Internet informational services and watching the information and business channels (5 entrepreneurs pointed at the channel TVN CNBC). The entrepreneurs state to read regularly the supplements to journals, enumerating most often such press titles as: the Rzeczpospolita and the Puls Biznesu. In case of 60% of entrepreneurs, the information in the field of book-keeping, accountancy, staff documentation and legal and administrative aspects of the activities are supervised by an accountant but only in three companies it is

done by a full time employee. In the remaining cases the accountancy is done by external companies. in these cases the information is archived and the monthly reports for the owners are prepared and the changes in the field of legal, personal and administrative regulations are monitored.



Figure 18. Handling the system of managing information of accounting, personnel and legal type among the companies participating in the qualitative research

Source: own preparation on the basis of the research.

The respondents do not pay too much attention to the legal regulations and to the possible changes related to them. In case of two companies, the legal regulations connected with the environment protection are monitored. This is a result of industrial activities with an increased emission of harmful substances and a duty to have a proper documentation referring to environment which is a base e.g. to calculating the so-called environment fares. In case of other companies, a lack of interest in legal regulations can result from the fact that they do not require any special permissions, concessions and their legal status is regulated by the general provisions referring to business activities in Poland.

Four of the companies regularly participate in the national and international fairs. The participation in the fair is treated as a place of starting new business relations and as a source of the information on the conditions of the sector, competitive activities and the newest trends in a given branch. The possibility of using the tools of strategic analysis is dependent on the level and a range of

information allowing to evaluate the **potential of the company**. All the respondents declare that they know the strengths and weaknesses of their companies. However, they do not document their knowledge in any way. They evaluate the resources on daily basis and the detailed analysis in the opinion of 9/15 are not necessary due to a small range of a conducted analysis. Simultaneously three entrepreneurs admit that as the effect of underestimating the resources possessed they took orders which were realized with very big difficulties. In case of two orders, they were outsourced in order to stick to the deadline.

The finances are considered to be the most important resource of the company and that is why each of the respondents regularly assesses their financial condition guaranteeing a safe functioning, paying liabilities on time and financial securing on unforeseen situations. The entrepreneurs do not perceive internal innovativeness as an immaterial asset of their company which consequence are: submitted ideas, patterns, patented and non-patented innovations and inventions (0% of indications).

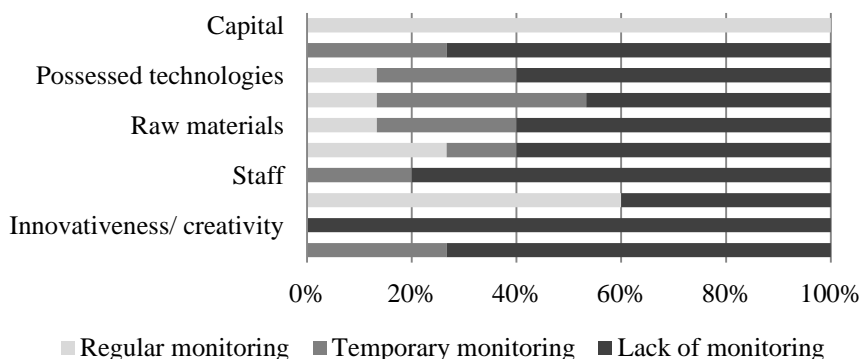


Figure 19. Material and immaterial resources among the companies which participated in the qualitative research

Source: own preparation on the basis of the research.

The respondents while evaluating the resources of their companies were never using professional methods of evaluation, they employed neither external

consultants nor advisors for it. The analysis of the potential is most often conducted by the owner (12/15 companies), in case of the remaining companies, the owner evaluates the potential in the consultations with the employees. The owners of these companies are convinced that employees working directly on the front line can best evaluate the real needs of the company and report identified weaknesses. It is obvious that the final evaluation is done by the owner.

The owners of 80% of the companies which participated in the research state that they have good sources of information and thanks to it they base the adopted convictions, plans and decisions on the reliable information. In the process of collecting information, small companies use external and internal sources of information. They include: branch magazines, reports, business intelligence, Internet, clients' opinions, advertising materials of the competitors. Among the internal sources they enumerate: opinions of employees, source materials of the company. Among the answers, the following sources of information were also mentioned: family, friends and acquaintances. The entrepreneurs pay particular attention to information on demand on their products and services, a structure and directions of sales. The information is also obtained from widely available sources such as: Internet, research of market needs, market diagnosis and observation of the activities of competitors.

The methods of strategic analysis are little known in small companies which is confirmed by the results of qualitative research and the research results of many research teams. In general their knowledge is declared by the owners with a degree in management. Among the respondents a need to apply professional, advanced methods supporting management, particularly at the stage of planning the activities of entrepreneurs is seen only by 3 entrepreneurs. The rest of the respondents point at own methods of planning and evaluating the results of activities.

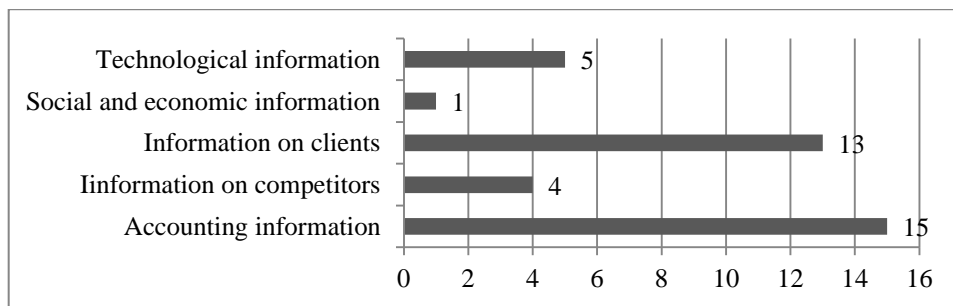


Figure 20. Thematic range of collected information among the companies which participated in the qualitative research

Source: own preparation on the basis of the research.

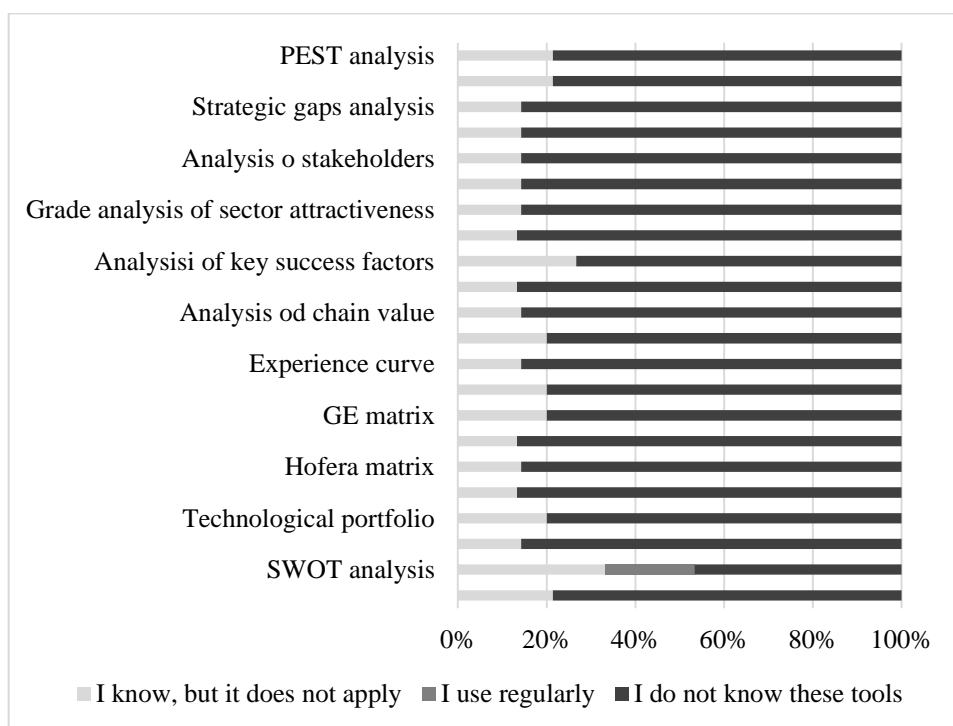


Figure 21. Knowledge of the methods of strategic analysis among the owners of companies who participated in the qualitative research

Source: own preparation on the basis of the research.

Only four respondents of the companies which were questioned (with a degree in management) can enumerate on their own the methods of strategic analysis). They pointed at: analysis of five strengths of M. Porter, product life cycle, BCG

matrix, SWOT analysis. When they were presented a wider catalogue of the methods of strategic analysis three of them stated that they quite regularly do SWOT analysis for their company and that they evaluated a product life cycle in the past.

Table 27. Barriers of using the methods of strategic analysis in planning the activities of small companies

1. Lack of time to use this kind of tool	10
2. Lack or insufficient financial resources to use the service of external consultants.	9
3. Lack of qualified staff knowing the tools of strategic analysis.	6
4. Lack of knowledge necessary to apply the strategic analysis in planning the activities of the company.	10
5. Low usefulness of the tools of strategy analysis in small companies	7
6. Lack of knowledge of the modern techniques of management	5
7. Lack of skills to use information coming from the environment	2
8. Lack of inclination to learn	1
9. Current positive experience in business based only on intuition.	7
10. Using advanced methods (strategic analysis) is not necessary in a small company.	11

Source: own preparation on the basis of the research.

Among the reasons of the lack of knowledge and a lack of interest in applying the methods of strategic analysis the respondents pointed mainly that the usage of such advanced methods is not necessary in this size of the company (11 answers) and that they do not have time to use this kind of tool (10 answers). A lack of knowledge necessary to apply this kind of tool supporting management (10 answers) and insufficient financial means for using the services of external consultants (9 answers) are important limitations. The attention should be also paid to the fact that 7 entrepreneurs pointed at the current successes in running business based only on their own intuition as a reason for a lack of interest in applying the methods of strategic analysis.

In the economic practice, in small companies, the application of the method of strategic analysis is possible at the stage of planning activities. Thanks to the

results of the conducted analysis, it is possible to improve the quality of the prepared plans and to define the aims of activities. A consequence of applying methods of strategic analysis in the process of planning can be an introduction of the strategic planning in the company systemizing the current activities and allowing to define the conditions of the future operation of the company.

In the group of the companies which participated in the research, the planning processes are done in 11 of them but only in three of them they have a written form. The remaining eight companies possess the plans of operations but its form is not formalized and it remains in the minds of the owners.

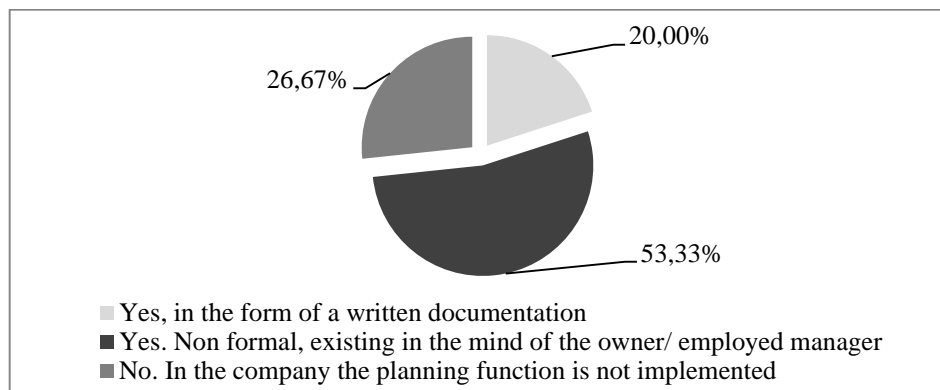


Figure 22. Implementation of the planning function in the companies which participated in the qualitative research

Source: own preparation on the basis of the research.

The entrepreneurs who do not use the planning function in their companies declared that planning is not necessary in this size of the company (3 answers). One entrepreneur stated that a lack of time for planning is the barrier.

The respondents admitted that despite having the plans of activities, they are trying to be flexible. It happens that as a result of the appearance of unforeseen and unused market events or in the moment of the appearance of the so-called occasions they abandon the adopted plans and act on the basis of their intuition and the experience gathered so far. It overlaps with the results of research

conducted by the team of R. Krupski where it was stated that almost a half of small companies use the occasions which mean that their development is dependent on a coincidence.

In the researched companies which confirmed planning of their activities, a decision to take such actions results from a progressing development of activities and appearing communication and organizational problems. Planning was introduced in order to improve and put order in the operation of the company.

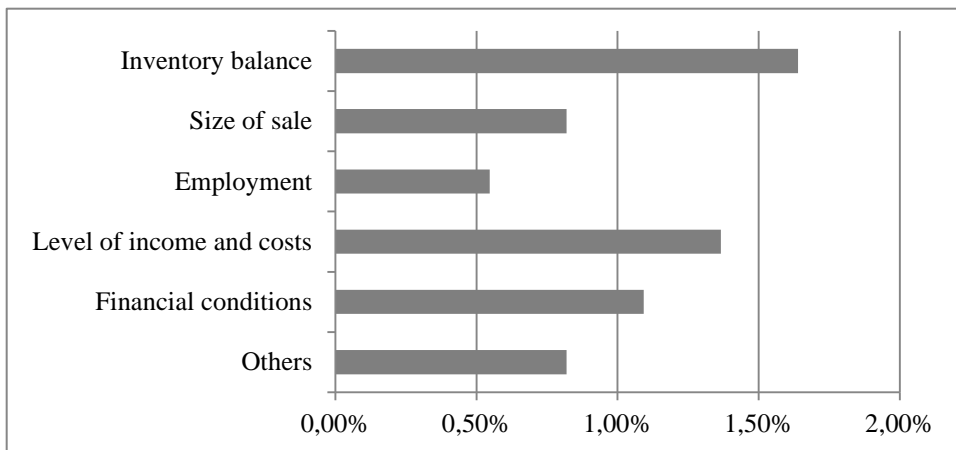


Figure 23. Areas of short-term planning among the companies which participated in the qualitative research

Source: own preparation on the basis of the research.

The entrepreneurs who declared a possession of plans stated also that the current planning which defines the effectiveness of the functioning of the company is a basis of their operation. In case of the group which was interviewed, the entrepreneurs stated that in a short-term planning the majority of attention is paid to planning stock (40% of answers), a level of income, a cost of operation (33%) and financial flows, which are supposed to ensure a good financial condition.

In the context of long-term planning, the entrepreneurs who were surveyed in 60% of cases pointed on planning the resources which can be understood as ensuring financial fluidity and obtaining in the right moment the external sources of financing. Another area which is planned in the long-term is making sale plans, preparation of long-term contracts and trade agreements (55% of answers). Planning in the area of production is mentioned by 43% of the owners.

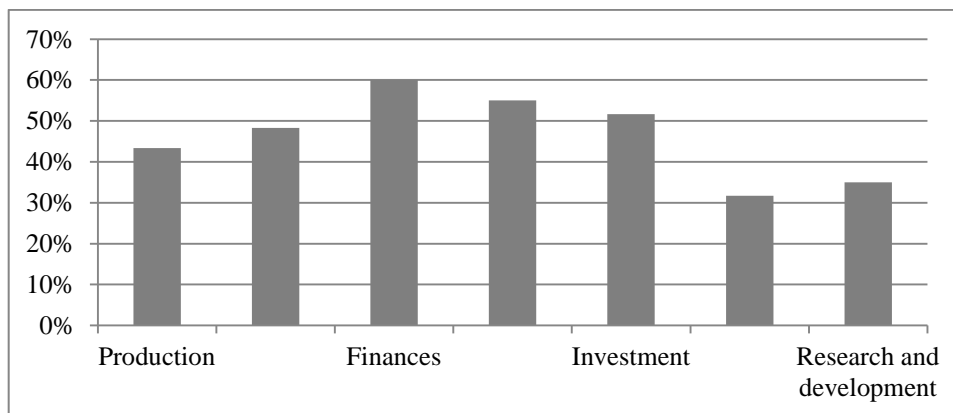


Figure 24. Areas of long-term planning among the companies participating in the qualitative research

Source: own preparation on the basis of the research.

The actions in the field of planning activities done by the entrepreneurs have some aspects of long-term that is strategic planning. It can be therefore considered that these companies fulfill these minimum conditions for using the methods of strategic analysis in the process of planning. This is supported e.g. by a longer than one year horizon of planning and the fact that planning goes beyond the current needs of companies.

It results from the conducted interview that more than 85% of companies plan their activities and 20% of respondents have formalized plans of activities, 13% do not plan activities at all. Despite it, the development activities undertaken by the companies were in the majority of cases a result of

a happening market occasion (more than 46% of answers). In case of the companies declaring the possession of the formal plans of operation, the undertaken development activities ended with a success. From the research on the methods of testing the environment and the potential of the company it results that the entrepreneurs possess both a skill to obtain information on competitors and clients. In the majority of the companies which were questioned the methods of analyzing own potential are worked out. Despite the lack of knowledge on the methods of strategic analysis, the activities of diagnostic and analytic kind which were conducted in the companies allow to formulate the proper conclusions and to take proper decisions as to the plans of further activities. The range of the obtained information and the ways of gathering them provide basis to state that in the surveyed companies an application of the model of the strategic analysis for the small company proposed in the chapter 3 is possible.

The qualitative research conducted by means of a survey enabled to give answers to the research questions which were formulated at the beginning of this chapter:

1. Do the owners of small companies at the stage of planning their activities use unconsciously the methods which are similar or identical as the methods of the strategic analysis?
2. Do the owners of small companies know and apply a complex strategic analysis of the company and the environment or use only selected tools?
3. Does the level of information gathered and processed by the owners of small companies enable them to apply the selected methods of strategic analysis on the stage of planning the activities?
4. Do the owners of small companies have a need to use professional tools supporting management, particularly at the stage of planning or do they prefer the operation based on intuition and experience of the owner?

- 1. Do the owners of small companies at the stage of planning their activities use unconsciously the methods which are similar or identical as the methods of the strategic analysis?*

As the results of the conducted research it can be stated that the entrepreneurs conduct their own analysis which have common features with the methods of strategic analysis known from the literature. The analysis used by entrepreneurs overlap in their range and character with the methods of strategic analysis and namely: PEST method, a method of the map of strategic groups, method of the analysis of resources, BDG matrix method. The analysis used by the entrepreneurs are greatly simplified but as the effect of their application the informational resource is obtained as is the case of the above-mentioned methods of strategic analysis. The obtained information and the results of the obtained analysis are sufficient taking the scale of the companies into consideration.

- 2. Do the owners of small companies know and apply a complex strategic analysis of the company and the environment or use only selected tools?*

The results of the conducted research, both qualitative and quantitative, allow to state clearly that the respondents do not know and do not apply the rules of complex strategic analysis. In the process of the management of companies, on the stage of planning their activities, the selected methods of strategic analysis are used. In case of entrepreneurs participating in the interview, SWOT analysis is the only method used by 3 out of 15 respondents. The entrepreneurs stated that in the past they had also used a method of the product life cycle, a map of strategic groups and chain value analysis

3. *Is the level of information gathered and processed by the owners of small companies enable them to apply the selected methods of strategic analysis on the stage of planning the activities?*

The way of gathering information and the techniques of processing the information used by the company give a basis to state that in case of the majority of the companies which participated in the qualitative research, it would be possible to conduct a complex strategic analysis on the basis of the model of strategic analysis for the small company. The range of the information possessed by the company and a frequency of obtaining them allows for an application of selected, simplest or slightly modified methods of strategic analysis that is PEST analysis, the map of strategic groups, analysis of five strengths of M. Porter, the analysis of resources, the analysis of the chain value, BCG matrix (in reference to companies having diversified activities), SWOT analysis.

4. *Do the owners of small companies have a need to use professional tools supporting management, particularly at the stage of planning or if they prefer the operation based on intuition and experience of the owner?*

The conducted research allows to state that the majority of the respondents see the need to use the methods and tools supporting the processes of planning the activities, declaring at the same time that they will not resign from taking decisions and defining the plans of activities on the basis of their own intuition and the possessed experience. In a few cases the entrepreneurs stated that a possession of a plan (formal or informal) build a feeling of safety and concentrates strengths on concrete, intended actions. The activities based on intuition which often go beyond the defined plans, give a character to small companies and a freshness in operation. Thanks to it, the companies can react dynamically to the changes in environment and to the appearing new needs or clients' expectations. Two of the respondents stated that they do not take any

formalized plans of the operation of their companies as they do not want to give their employees a signal “these are the limits of our operation and the only right way of implementing defined tasks”. These entrepreneurs declare a possession of the plan in an informal way and underlined that this plan keeps on being changed driven by the observation of environment, information from employees and intuition as well as possessed experience in running a company.

Ending and conclusions

In the publication the issue of the strategic management in the small company was presented concentrating the theoretical divagations and empiric research on the area of strategic analysis. The review of contemporary literature allows to state that the issues of strategic management, strategic planning or strategic analysis in the small companies are underestimated and that the publications were mainly addressed to the representatives of medium and large enterprises.

The aim of this publication was to evaluate the level of knowledge of the methods of analysis and then pointing at the conditionings of their application in the process of managing a small company and a preparation of the model of strategic analysis for the small company. That is why a definition and a characteristic of SMEs was given concentrating on micro and small companies. Then the attention was concentrated on the development factors of small companies and their competitiveness. In the further part the conditionings of the management of a small company were presented together with a process of strategic management in reference to such companies. The impact of the owner of the company on the processes taking place inside it was described in details. A review of the methods of strategic analysis was conducted which takes into consideration the conditions of operation of such companies.

In the empiric part of this publication the research results were presented which allow to evaluate the knowledge of the methods of strategic analysis and to get to know their application in the process of managing the company. The opinions of the respondents on the process of planning and possibilities and limitations of using the methods supporting the process of management and the factors shaping the competitiveness of the companies were mentioned. In the framework of the research the results of the interviews with the entrepreneurs were given thanks to which the conditionings of using the methods

of strategic analysis in small companies were defined and then on the basis of the material gathered a possibility to apply the proposed model of strategic analysis in the company was checked.

The literature pays attention to the fact that the companies which want to strengthen their competitive position and which are growth-oriented should pay a particular attention to planning. According to the presented research²²⁴, the effectiveness of small companies in which the process of planning is implemented is much bigger than in those in which the planning does not exist. In the context of building the durable growing tendencies, durable, strong competitive position, it seems crucial to apply planning in the strategic meaning. Thanks to it, an entrepreneur can take trials to design in the long run the operation of the company and build a vision of the company's future.

A strategic analysis and the methods used while preparing it are necessary elements of the strategic planning. In small companies, the specificity of both the process of strategic planning and the usage in its framework of the methods of strategic analysis has many limitations. Among them one can enumerate: a combination of owner and managerial function, a lack of regularity and a complexity of the analysis conducted and an informal system of planning. The possessed plans of activities (most often with an informal character) are a derivative of the intuition of the owner often supported with the possessed experience in running a business and "self-confidence" resulting from the success of the current activities.

The actions which are undertaken are the reaction of the entrepreneurs for changes taking place in the environment and for threats or chances appearing in it. The trails to test the environment and own potential undertaken by the entrepreneurs (despite a skill to obtain information which was confirmed in the research) limit to the simplest analysis, based on the secondary analysis.

²²⁴ Research of e.g. J.A. Pearce, J.A. Bergman, D.D. Gordon.

The application of a complex model of strategic analysis or selected methods of analysis in small companies should support the process of planning and defining long-term directions of development. Taking into consideration the conditions in which small companies operate a range of analysis can be reduced to the analysis of the competitive environment and a general environment and to the analysis of the company and then to defining key areas of operation without a necessity to formulate strategic variants. Their direct choice should take into consideration a smaller scale of operation, limited resources-mainly the ones related to finances and staff. The portfolio methods without BCG matrix, analysis of the experience curve, scenario methods, methods analyzing the structure of the branch of operation besides the map of strategic groups or the analysis of M. Porter's five strengths are the methods of analysis which are not suitable for small companies due to their complexity. The limitations in the access to the methods of strategic analysis should not decline the interest of the owners in the analysis of current and future conditionings in which they run their companies. The entrepreneurs while wanting to secure a durable access to markets should do their best to realize the activities which allow to recognize possible and future market niches and to observe a market.

The theoretical divagations which were concluded as well as the results of empiric research enable to verify a main hypothesis and detailed hypothesis which were presented in the introduction. The analysis of the literature and the results of the conducted research allowed to confirm the main thesis of the work that is *the usage of the methods of strategic analysis in the process of planning is necessary for the growth of the competitiveness of small companies*. What is more, the conducted activities allowed to formulate the following conclusions:

1. In the conditions of 366 micro companies which were questioned from the region of Lodz, there was no company in which the detailed strategic analysis was conducted. The entrepreneurs declared a usage of the

method of strategic analysis but the frequency and the applied methods prove that the strategic analysis is used only partially.

2. The knowledge of the methods of strategic analysis, understood as a skill to implement it in the business activities is declared by slightly more than 2% of entrepreneurs. They point most often at SWOT analysis (43%), product life cycle (35%), environment scenarios (34%).
3. A regular usage of the selected methods of strategic analysis is declared by slightly more than 3% of respondents. These are the entrepreneurs who declare a preparation of the plans of the company operation. The entrepreneurs who use selected methods depending on the needs of a surveyed group constitute 6%. Among the entrepreneurs who declared a knowledge of the methods of strategic analysis, the biggest group are those who stated at the same time that they do not see such a need in the conditions of the small company (15%).
4. In the group of respondents, the inclination to use regularly or from time to time the methods of strategic analysis in the process of managing a small company was dependent on the level of education, its level and profile. This conclusion confirms the detailed hypothesis that: an awareness to apply a strategic analysis in small companies is dependent on the level of the competencies of the owner or managers. The entrepreneurs who use the methods of strategic analysis most eagerly are people with a degree in economics and management.
5. The presented results allow to come to a conclusion referring to the whole group that there is no statistically important dependence between a branch of operation and an inclination to apply the methods of strategic analysis. This conclusion rather does not confirm the general hypothesis: an inclination to use the methods of strategic analysis is dependent on the branch in which the company operates. The attention

should be paid to food industry in the context of the obtained results in which the entrepreneurs pointed at the biggest inclination to apply the methods of strategic analysis.

6. The conducted Chi-square test showed that an inclination to apply a method of a strategic analysis is dependent on the size of the company. This conclusion does not confirm the detailed hypothesis: the application of the methods of strategic analysis in small companies is dependent on the size of these companies.
7. The analysis of the research results allows to state that in the groups of the companies which participated in the research, the application of the selected methods of strategic analysis takes place more often in small companies than in micro companies. It seems obvious as together with increasing the range of the company's activities and widening the assortment which is offered there is a need to support management process, particularly at the stage of planning activities.
8. An inclination to apply the method of strategic analysis influenced the quality of the implemented development undertakings and a level of the defined aims. The application of the methods of analysis in the process of planning activities influences directly the quality of the prepared plans and allows to look at the analyzed areas from the wider perspective. The inclination to apply the methods of strategic analysis depends on the way of planning the activities and a success of the current undertakings.
9. A possibility to use the methods of strategic analysis is conditioned by the way of managing the information and knowledge in a small company.
10. The entrepreneurs who do not plan and do not define the aims of activities for their companies have difficulties assessing their own

competitive position or consider their position as the worse than the one of the competitive companies.

11. The entrepreneurs who used the methods of strategic analysis considered that their competitive position in the branch was higher.
12. The process of planning the activities in small companies is not complicated which results directly from the conditioning of the operation of such companies. The planning is done by the owner of the company and sometimes by the team supervised by the owner. In the majority of case it is done for a period of one year or two. The planning is in the majority of cases done in the areas connected with production, marketing and sale. The planning is used in the companies in which the owner possesses the qualifications (the education with the economic profile) and experience in running companies.
13. The lack of time and finances together with the lack of specialist knowledge are the barriers for using the methods of strategic analysis. Among the disadvantages of planning the activities, the entrepreneurs point at a lack of the different kinds of expertise, a lack of trust to planning and an openness of the company outside as well as complicated methods of planning.
14. The methods used by the companies are in the majority of cases the methods created for the needs of the companies on the basis of the learnt methods such as: an analysis of the legal and economic factors, an analysis of competition, a market analysis, clients analysis and a product life cycle.
15. In the opinion of the respondents a possibility to run control functions in the evaluation of the realization of the defined aims is a basic advantage of planning. What is more planning influences the increase of the company's effectiveness.

This publication does not present all the issues related to usage of the methods of strategic analysis in the process of the management of the small company particularly at the stage of planning its activities. Further activities should be undertaken related to strategic planning in small companies and an influence of the analysis of the effectiveness of strategic planning as well as the efficiency and effectiveness of the operation of the small companies.

List of tables

Table 1. A definition of micro, small and medium-sized enterprise	14
Table 2. Definition of the sector of SMEs in selected economies	15
Table 3. Classification of companies according to qualitative criteria	20
Table 4. Factors deciding about the development of small and medium-sized companies according to N. Churchill and V. Lewis	32
Table 5. Factors which are favorable and unfavorable to a growth of small companies.....	41
Table 6. Factors strengthening and weakening the competitive position of small companies.....	50
Table 7. Sources of the advantages of small and medium-sized enterprises which enable internationalization	51
Table 8. List of the positions of the Polish economy in the rankings evaluating competitiveness	54
Table 9. Notion of strategy according to the different authors	74
Table 10. Traditional and modern approaches to the company's strategy	77
Table 11. Features of economic strategy according to J.A.F. Stoner and Ch. Wankel	80
Table 12. Characteristics of the company strategy	95
Table 13. Entrepreneur and manager-basic differences	106
Table 14. Characteristic and features of owners-managers	109
Table 15. Roles of entrepreneurs in running business	111
Table 16. Choice of the style of management in a small company	116
Table 17. Characteristic of the sources of data in strategic analysis	129
Table 18. Advantages and disadvantages of scenarios methods	137
Table 19. Comparison of four most popular portfolio methods	147
Table 20. A list of the main factors taken into consideration in the analysis of the competition	167
Table 21. Exemplary set of factors for PEST analysis	170
Table 22. PEST analysis of the small company	172
Table 23. Matrix of functions and resources according to Hofer-Schendel	175
Table 24. Example of a table presenting the influence of threats on the strengths of the company done on the basis of TOWS/SWOT analysis	189
Table 25. Results of TOWS/SWOT analysis	190
Table 26. System of strategic information for a small company	193
Table 27. Barriers of using the methods of strategic analysis in planning the activities of small companies	218

List of figures

Figure 1. Segmentation of the macro environment	122
Figure 2. Selected methods applied in the process of conducting an analysis ..	135
Figure 3. Model of the strategic analysis for the small company	159
Figure 4 A form of the map of stakeholders.....	161
Figure 5. Hypothetical map of strategic groups for the branch of e-commerce...	165
Figure 6. Chain of values according to M. Porter.....	177
Figure 7. BCG matrix	182
Figure 8. Example of SWOT analysis	187
Figure 9. Possession of long-term aims, visions of the future among the companies which participated in the qualitative research	204
Figure 10. Reasons for taking development actions among the companies which participate in the qualitative research	204
Figure 11. Effects of undertaken development activities among the companies which participated in the qualitative research	205
Figure 12. Market condition of the companies which participated in the qualitative research	206
Figure 13. Market condition of the companies which participated in the qualitative research	207
Figure 14. Activities planned in the coming three years in the companies which participated in the qualitative research.	207
Figure 15. Factors shaping the competitive position in the opinions of the owners of the companies participating in the qualitative research..	210
Figure 16. Rating of competitive position in the competitive companies in the opinion of the owners of the companies who participated in the qualitative research	211
Figure 17. A structure of collaborators of the companies which participated in the qualitative research	212
Figure 18. Handling the system of managing information of accounting, personnel and legal type among the companies participating in the qualitative research	214
Figure 19. Material and immaterial resources among the companies which participated in the qualitative research.....	215
Figure 20. Thematic range of collected information among the companies which participated in the qualitative research	217
Figure 21. Knowledge of the methods of strategic analysis among the owners of companies who participated in the qualitative research.	217
Figure 22. Implementation of the planning function in the companies which participated in the qualitative research.....	219

List of figures

Figure 23. Areas of short-term planning among the companies which participated in the qualitative research.....	220
Figure 24. Areas of long-term planning among the companies participating in the qualitative research	221

References

1. **Aaker D.**, *Strategic Market Management*, John Wiley & Son, New York 1992.
2. **Ackoff R.L.**, *Zasady planowania w korporacjach*, PWE, Warszawa 1973.
3. **Andersen B.**, *Industrial Benchmarking for Competitive Advantage*, Human Systems Management, No. 18, 1999.
4. **Ansoff H.J.**, *Zarządzanie strategiczne*, PWE, Warszawa 1985.
5. **Antoszkiewicz J.**, **Pawlak Z.**, *Techniki menedżerskie*, Poltext, Warszawa 2000.
6. **Antoszkiewicz J.**, *Metody skutecznego zarządzania*, Instytut Organizacji Zarządzania w Przemysle ORGMASZ, Warszawa 1996.
7. **Argenti J.**, *Corporate Collapse – The Causes and Symptoms*, McGraw-Hill, 1976, cyt za: **Dewhurst J.**, **Burns P.**, *Small Business. Finance and Control*, MACMILLAN, Pub. Ltd., 1985.
8. **Baugier J.**, **Vuillod S.**, *Strategie zmian w przedsiębiorstwie*, Poltext, Warszawa 1993.
9. **Berliński L.**, *Zarządzanie strategiczne małym przedsiębiorstwem*, OPO, Bydgoszcz 2002.
10. **Bieniok H.**, **Gruszczyńska-Malec G.**, *Rola analizy strategicznej w zarządzaniu przedsiębiorstwem*, Organizacja i Kierowanie, 2/1996.
11. **Bławat F. (ed.)**, *Przetrwanie i rozwój małych i średnich przedsiębiorstw*, Scientific Publishing Group, Gdańsk 2004.
12. **Bogner W.C.**, **Thomas H.**, *The Role of Competitive Groups in Strategy Formulation: a Dynamic Integration of Two Competing Models*, Journal of Management Studies, January/1993.
13. **Borowiecki R.**, **Siuta-Tokarska B.**, *Problemy funkcjonowania i rozwoju i rozwoju małych przedsiębiorstw Polsce. Synteza badań i kierunki działania*, Difin, Warszawa 2008.
14. **Bratnicki M.**, *Transformacja przedsiębiorstwa*, Akademia Ekonomiczna, Katowice 1998.
15. **Brouthers K.D.**, **Andriessen F.**, **Nicolaes I.**, *Driving Blind: Strategic Decision-making in Small Companies*, Long Range Planning, Vol. 31, No. 1, 1998.
16. **Burns P.**, **Dewhurst I.**, *Small Business and Entrepreneurship*, MacMillan Press, London 1989.

References

17. **Channon D.F.**, *Blackwell Encyclopedic Dictionary of Strategic Management*, Blackwell Business, Oxford 1999.
18. **Chrostowski A., Szczepankowski P.**, *Planowanie*, [in:] A.K. Koźmiński, W. Piotrowski (eds.), *Zarządzanie – teoria i praktyka*, PWN, Warszawa 2000.
19. **Clark S.**, Considering your stakeholders: Don't forget, you are not alone, *Houston Business Journal*, 31.12.1999.
20. **Czajkowska A.**, *Konkurencyjność polskich małych i średnich przedsiębiorstw*, [in:] *Konkurencyjność jako determinanta rozwoju przedsiębiorstwa*, S. Lachiewicz, M. Matejun (eds.), Monografia Politechniki Łódzkiej, Łódź 2009.
21. **Davidsson P.**, *Continued Entrepreneurship and Small Firm Growth*, Stockholm School of Economics, The Economic Research Institute, 1989.
22. **Dess G., Miller A.**, *Strategic Management*, McGraw-Hill, New York 1993.
23. **Dess G.G., Miller A.**, *Strategic Management*, Macmillan Publishing Company, New York 1993.
24. **Dolińska M.**, *Projektowanie systemów informacyjnych na przykładzie zarządzania marketingiem*, Agencja Wydawnicza Placet, Warszawa 2003.
25. **Duraj J.**, *Podstawy ekonomiki przedsiębiorstwa*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2000.
26. **Dwojacki P.**, *Składniki misji – wizja przyszłości*, *Przegląd Organizacji*, 12/1995.
27. **Fahey L.**, *Scenario Learning*, *Management Review*, March 2000.
28. **Frąckiewicz E., Karwowski J., Karwowski M., Rudawska E.**, *Zarządzanie marketingowe*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2004.
29. **G. de Sainte Marie**, *Kierowanie małym i średnim przedsiębiorstwem*, Poltext, Warszawa 1993.
30. **Gabruszewicz W.**, *Rozwój przedsiębiorstw przemysłowych i jego ocena w gospodarce rynkowej*, Wydawnictwo AE w Poznaniu, Poznań 1992.
31. **Gierszewska G., Romanowska M.**, *Analiza strategiczna przedsiębiorstwa*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1999.
32. **Gierszewska G., Romanowska M.**, *Analiza strategiczna przedsiębiorstwa*, PWE, Warszawa 2003.
33. **Gierszewska G., Romanowska M.**, *Myślenie strategiczne*, *Przegląd Organizacji*, nr 6, 1988.

34. **Gierszewska G.**, *Strategia przedsiębiorstw w dobie globalizacji*, Wyższa Szkoła Handlu i Prawa, Warszawa 1998.
35. **Gliński B., Kuc B.R., Foltyn H.**, *Menedżeryzm, strategię, zarządzanie*, Key Text, Warszawa 2000.
36. **Griffin R.W.**, *Podstawy zarządzania organizacjami*, PWN, Warszawa 1996.
37. **Griffin R.W.**, *Podstawy zarządzania organizacjami*, PWN, Warszawa 2002.
38. **Griffin A., Wall S.**, *Applied Economics, Fifth edition*, Longman, London & New York 1993.
39. **Grudzewski W., Karst M.A.**, *Zastosowanie metody SWOT w ocenie strategii*, *Ekonomika i Organizacja Przedsiębiorstwa*, nr 5, 1999.
40. **Grudzewski W.M., Hejduk I.**, *Konkurencyjności małych i średnich przedsiębiorstw w Polsce oraz na rynku europejskim*, [in:] *Determinanty rozwoju małych i średnich przedsiębiorstw*, J. Adamczyk, P. Bartkowiak (eds.), Warszawa 2004.
41. **Grudzewski W.M., I.K. Hejduk.**, *Małe i średnie przedsiębiorstwa w gospodarce rynkowej w Polsce*, Wyższa Szkoła Handlu i Prawa w Warszawie, Warszawa 1998.
42. Grupa Lizbońska, *granice konkurencji*, Poltext, Warszawa 1996.
43. **Grzelak Z.**, *Małe i średnie przedsiębiorstwa na rynku krajowym i międzynarodowym*, J. Penc (ed.), Wyższa Szkoła Kupiecka w Zgierzu, Zgierz 1997.
44. **Grzybowski W.**, *Przedsiębiorczość i ryzyko w gospodarce rynkowej*, UMCS, Lublin 1994.
45. **Hahn D.**, *Tendencje rozwojowe zarządzania strategicznego*, *Organizacja i Kierowanie* 2/1993.
46. **Hussey D.**, *Strategy and Planning. a Manager's Guide*, John Wiley & Sons, Chichester 2000.
47. **Hutt.D., Speh T.W.**, *Zarządzanie marketingiem*, PWN, Warszawa 1997.
48. **Ignatiuk S., Ignatiuk S.**, *Zarządzanie strategiczne w świetle teorii i praktyki*, WSE, Białystok 2003.
49. **Janiuk I.**, *Strategiczne dostosowanie polskich małych i średnich przedsiębiorstw do konkurencji europejskiej*, Difin, Warszawa 2004.
50. **Jauch L.R., Glueck W.F.**, *Business Policy and Strategic Management*, McGraw-Hill, New York 1988.

References

51. **Jaworski J.**, *Planowanie w przedsiębiorstwie*, Oficyna Wydawnicza Politechniki Rzeszowskiej, Rzeszów 2002.
52. **Jeżak J.**, *Strategiczne zarządzanie przedsiębiorstwem*, Wydawnictwo Uniwersytetu Łódzkiego, Łódź 1990.
53. **Johnson G., Scholes K.**, *Exploring Corporate Strategy*, Prentice Hall Europe, London 1999, p. 104; D. Faulkner, C. Bowman, *Strategie konkurencji*, Gebethner i Ska, Warszawa 1996.
54. **Johnson G., Scholes K.**, *Exploring Corporate Strategy*. Prentice Hall Europe, London 1999.
55. **Justison P., Harrison J., Pullin T., Anderson K.E.**, *Lessons in Scenario Planning*, Health Forum Journal May-June 2000.
56. **Kielczewski S.**, *Zarządzanie strategiczne*, Akademia Ekonomiczna, Wrocław 2000.
57. **Kisielnicki J., Sroka H.**, *Systemy informacyjne biznesu. Informatyka dla zarządzania*. Placet, Warszawa 2001.
58. **Klimek J.**, *Rola zarządzania strategicznego w rozwoju przedsiębiorczości*, Instytut Organizacji i Zarządzania „Orgmasz”, Warszawa 2006.
59. **Kokocińska M.**, *Małe i średnie przedsiębiorstwa w okresie transformacji gospodarki Polski*, Zeszyty Naukowe Akademii Ekonomicznej w Poznaniu, nr 133, Poznań 1993.
60. **Koźmiński A.K.**, *Zarządzanie międzynarodowe*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1999, p. 61; J. Kay, *Podstawy sukcesu firmy*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1996.
61. **Krajewski K.**, *Kreowanie miejsc pracy w małych i średnich przedsiębiorstwach*, Wynagrodzenia, nr 19/1999, dodatek miesięczny nr 9.
62. **Krupski R.**, *Zarządzanie strategiczne. Koncepcje – metody*, Wydawnictwo AE we Wrocławiu, Wrocław 2003.
63. **Krupski R. (ed.)**, *Zarządzanie strategiczne, Strategie małych firm*, Prace naukowe Wałbrzyskiej Wyższej Szkoły Zarządzania i Przedsiębiorczości, Wałbrzych 2005.
64. **Kwieciński M.**, *Wywiad gospodarczy w zarządzaniu przedsiębiorstwem*, PWN, Warszawa-Kraków 1999.
65. **Lachiewicz S., Zdrajowska H.**, *Cykl życia małej firmy*, [in:] S. Lachiewicz (ed.), *Małe firmy w regionie łódzkim*, Wydawnictwo PŁ, Łódź 2003.

66. **Łuczka T.**, *Kapitał obcy w małym i średnim przedsiębiorstwie. Wybrane aspekty mikro i makroekonomiczne*, PWN, Warszawa-Poznań 2001.
67. **Machaczka J.**, *Podstawy zarządzania*, Wydawnictwo Akademii Ekonomicznej w Krakowie, Kraków 2001.
68. **Machaczka J.**, *Zarządzanie rozwojem organizacji*, PWN, Warszawa-Kraków 1998.
69. **Maik R., Gołoś A., Szczerbacz K., Walkiewicz W.**, *Strategiczne źródła informacji w działalności przedsiębiorstw. Raport z badania*, Polska Agencja Rozwoju Przedsiębiorczości, Warszawa 2010.
70. **Marchesnay M.**, *Zarządzanie strategiczne*, Poltext, Warszawa 1994.
71. **Markiewicz I.**, *Jak stworzyć skuteczny plan marketingowy?* Marketing Serwis 2002, nr 12.
72. **Maslyk-Musiał E.**, *Zarządzanie zmianami w firmie*, Centrum Informacji Menedżera, Warszawa 1996.
73. **Morphy E.**, *Best Practices Made Perfect?* Global Business May 2000.
74. **Mroczek M.**, *Konkurencyjność małych i średnich przedsiębiorstw w gospodarce rynkowej*, Przegląd Organizacji, nr 4, 1998.
75. **Niestrój R.**, *Zarządzanie marketingiem. Aspekty strategiczne*, WPN, Warszawa 1996.
76. **Nizard G.**, *Metamorfozy przedsiębiorstwa*, PWN, Warszawa 1998.
77. **Nogalski B., Karpacz J., Wójcik-Karpacz A.**, *Funkcjonowanie i rozwój małych przedsiębiorstw*, AJG, Bydgoszcz 2004.
78. **Nowak W.A.**, *Międzynarodowy Standard Sprawozdawczości Finansowej dla małych i średnich jednostek*, Rachunkowość, nr 7, 2007.
79. **Oblój K.**, *Strategia organizacji*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1998.
80. **Oblój K.**, *Strategia sukcesu firmy*, PWE, Warszawa 1998.
81. **Olszewska B.**, *Polskie przedsiębiorstwa w obliczu rynku konkurencyjnego Unii Europejskiej*, [in:] *Rozwój teorii i praktyki zarządzania strategicznego*, J. Jeżak (ed.), PAM-Center, Łódź 2003.
82. **Olszewska B.**, *Współczesne uwarunkowania zarządzania strategicznego przedsiębiorstwem*, Akademia Ekonomiczna we Wrocławiu, Wrocław 2001.
83. **Olszewski M.**, *Kondycja małych i średnich przedsiębiorstw u progu 2003 r.*, PKPP Warszawa, luty 2003.

References

84. **Payne A.**, *Marketing usług*, PWE, Warszawa 1997.
85. **Penc J.**, *Encyklopedia zarządzanie*, Wyższa Szkoła Studiów Międzynarodowych w Łodzi, Łódź 2008.
86. **Penc J.**, *Leksykon biznesu*, Placet, Warszawa 1997.
87. **Penc J.**, *Strategiczny system zarządzania*, AW Placet, Warszawa 2001.
88. **Penc J.**, *Zarządzanie w warunkach globalizacji*, Difin, Warszawa 2003.
89. **Penc-Pietrzak I., Berliński L.**, *Inżynieria projektowania strategii przedsiębiorstwa. Konstrukcja i technologia*, Wydawnictwo Politechniki Łódzkiej, Łódź 2004.
90. **Penc-Pietrzak I.**, *Planowanie strategiczne w nowoczesnej firmie*, Wolters Kluwer, Kraków 2010.
91. **Penc-Pietrzak I.**, *Strategie biznesu i marketingu*, Wydawnictwo Profesjonalnej Szkoły Biznesu, Warszawa 1998.
92. **Piasecki B.**, *Ekonomika i zarządzanie małą firmą*, Wydawnictwo Naukowe PWN, Warszawa-Łódź 1999.
93. **Piasecki B.**, *Przedsiębiorczość i mała firma. Teoria i praktyka*, Wydawnictwo Uniwersytetu Łódzkiego, Łódź 1998.
94. **Piercy N.**, *Market-Led Strategic Change*, Butterworth-Heinemann, Oxford 1992, pp. 122-123; W. Wrzosek, *Funkcjonowanie rynku*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1998.
95. **Pierścionek Z.**, *Strategie rozwoju firmy*, PWN, Warszawa 1996.
96. **Porter M.E.**, *Przewaga konkurencyjna*, Helion, Gliwice 2006.
97. **Porter M.E.**, *Strategia konkurencji*, Polskie Wydawnictwo Ekonomiczne, Warszawa 1998.
98. **Poznańska K.**, *Metodologia badań*, [in:] J. Klich (ed.), *Nadzieja rynku pracy. Małe i średnie przedsiębiorstwa w gospodarce*. Instytut Spraw Publicznych, Warszawa 2000.
99. **Poznańska K.**, *Przetrwanie małych i średnich przedsiębiorstw – koncepcje i ich weryfikacja empiryczna w gospodarce polskiej*, [in:] T. Łuczka (ed.), *Małe i średnie przedsiębiorstwa. Szkice o współczesnej przedsiębiorczości*, Wydawnictwo Politechniki Poznańskiej. Poznań 2005.
100. **Pszczółowski T.**, *Mała encyklopedia prakseologii i teorii organizacji*, Zakład Narodowy im. Ossolińskich, Wrocław 1978.

101. **Rajzer M.**, *Strategie dywersyfikacji przedsiębiorstw*, PWE, Warszawa 2001.
102. **Rokita J.**, *Zarządzanie strategiczne*, PWE, Warszawa 2005.
103. **Romanowska M.**, *Planowanie strategiczne w przedsiębiorstwie*, Polskie Wydawnictwo Ekonomiczne Warszawa 2009.
104. **Romanowska M.**, *Analiza i planowanie strategiczne w małej firmie*, [in:] Krupski R. (ed.), *Zarządzanie strategiczne. Strategie małych firm*, Prace Naukowe Wałbrzyskiej Wyższej Szkoły Zarządzania i Przedsiębiorczości, Wałbrzych 2005.
105. **Romanowska M.**, *Planowanie strategiczne w przedsiębiorstwie*, PWE, Warszawa 2004.
106. **Różański J.**, *Inwestycje rzeczowe w procesach rozwojowych przedsiębiorstw*, Wydawnictwo Uniwersytetu Łódzkiego, Łódź 1998.
107. **Rychlewski Cz.**, *Wygrać mogą mądrzy i leniwi*, Prawo i Gospodarka, nr 1, 1998.
108. **Safin K. (ed.)**, *Zarządzanie małym i średnim przedsiębiorstwem*, Wydawnictwo Akademii Ekonomicznej im. Oskara Langego we Wrocławiu, Wrocław 2008.
109. **Safin K.**, *Zarządzanie małą firmą*, wyd. 2, Wydawnictwo Akademii Ekonomicznej im. Oskara Langego we Wrocławiu, Wrocław 2003.
110. **Schary Ph.B., Skjott-Larsen T.**, *Zarządzanie globalnym łańcuchem podaży*, PWN, Warszawa 2002.
111. **Scott S.G., Lane V.R.**, *A Stakeholders Approach to Organizational Identity*, Academy of Management Review 2000, nr 1.
112. *Sektorowy program operacyjny wzrost konkurencyjności przedsiębiorstw; Opis i ocena pierwszego roku funkcjonowania*. Ministerstwo Gospodarki i Pracy, Warszawa, maj 2005 r.
113. **Sidor-Rządkowska M.**, *Zarządzanie personelem w małej firmie*, Oficyna Ekonomiczna, Kraków 2004.
114. **Sipa M.**, *Innowacje a konkurencyjność małych i średnich przedsiębiorstw w Polsce*, Prace Naukowe, Katedra Ekonomii i Zarządzania Przedsiębiorstwem, Politechnika Gdańska, Gdańsk 2007.
115. **Skat-Rordam P.**, *Zmiany decyzji strategicznych. Wykorzystywanie okazji rynkowych do rozwoju przedsiębiorstwa*, PWN, Warszawa 2001.
116. **Sklodowski H., Stawasz E. (eds.)**, *Psychologiczne wyznaczniki efektywności poszukiwania pracy i samozatrudnienia*, Wydawnictwo Uniwersytetu Łódzkiego, Fundacja Inkubator w Łodzi, Łódź 2002.

References

117. **Skowronek-Mielczarek A.**, *Regionalne uwarunkowania rozwoju małych i średnich przedsiębiorstw*, [in:] M. Matejun, *Wspomaganie i finansowanie rozwoju małych i średnich przedsiębiorstw*, Difin, Warszawa 2011.
118. **Skowronek-Mielczarek A.**, *Małe i średnie przedsiębiorstwa. Źródła finansowania*, C.H. Beck, Warszawa 2003.
119. *Słownik ekonomiczny przedsiębiorcy*, Wydanie VIII rozszerzone, Wydawnictwo Znicz, Szczecin 2004.
120. **Smith A.**, *The Welth of Nation*, The University of Chicago Press, Chicago 1976 (przedruk z wydania z 1776 r.).
121. **Smolarek M.**, *Planowanie strategiczne w małej firmie*, Wyższa Szkoła Humanitas w Sosnowcu, Sosnowiec 2008.
122. **Stabryła A.**, *Zarządzanie rozwojem firmy*, Akademia Ekonomiczna w Krakowie, Kraków 1996.
123. **Stabryła A.**, *Zarządzanie strategiczne w teorii i praktyce firmy*, Wydawnictwo naukowe PWN, Warszawa-Kraków 2002.
124. **Stanisławski R.**, *Znaczenie innowacyjności w procesie zarządzania małym i średnim przedsiębiorstwem w Polsce w kontekście zjawisk globalizacji europejskiej*, A. Potocki (ed.), Difin, Warszawa 2007.
125. **Starczewska-Krzysztofek M.**, *Konkurencyjność sektora MSP 2008*, PKPP Lewiatan, Warszawa 2008.
126. **Starczewska-Krzysztošek M.**, *Sektor MSP wybiera konserwatywne strategie rozwoju*, Polska Konfederacja Pracodawców Prywatnych „Lewiatan”, www.pkpplewiatan.pl, na dzień: 27.03.2008.
127. **Stawasz E.**, *Innowacje a mała firma*, Wydawnictwo Uniwersytetu Łódzkiego, Łódź 1999.
128. **Steinmann H., Schreyögg G.**, *Zarządzanie*, Oficyna Wydawnicza Politechniki Wrocławskiej, Wrocław 1995.
129. **Stonehouse G., Hamill J., Campbell D., Purdie T.**, *Globalizacja. Strategia i zarządzanie*, Felberg SJA, Warszawa 2001.
130. **Stoner J.A.F., Wankel Ch.**, *Kierowanie*, PWE, Warszawa 1994.
131. **Storey DJ.**, *Understanding the Smali Business Sector*, Routledge, London 1996.
132. **Straszyński W.**, *Znaczenie małych przedsiębiorstw w gospodarce rynkowej*, Przegląd organizacji, nr 6, 1991.

133. **Strategor**, *Zarządzanie firmą*, PWE, Warszawa 1997.
134. **Strużycki M. (ed.)**, *Podstawy zarządzania*, Oficyna Wydawnicza SGH, Warszawa 2008.
135. **Strużycki M.**, *Wewnętrzne i zewnętrzne uwarunkowania rozwoju małych i średnich przedsiębiorstw w Polsce*, [in:] M. Strużycki (ed.), *Zarządzanie małym i średnim przedsiębiorstwem. Uwarunkowania europejskie*, Difin, Warszawa 2002.
136. **Sufin Z.**, *Styl właściciela, czyli problemy zarządzania personelem w małych firmach*, Personel, 1-31 lipca 2000.
137. **Sosnowska A., Poznańska K., Łobesko S., Brdulak J., Chinowska K.**, *Systemy wspierania innowacji i transferu technologii w krajach Unii Europejskiej i w Polsce*, [in:] *Poradnik przedsiębiorcy*, W. Burdecka (ed.), Polska Agencja Rozwoju Przedsiębiorczości, Warszawa 2003.
138. **Sznajder A.**, *Strategie marketingowe na rynku międzynarodowym*, PWN, Warszawa 1995.
139. **Sztucki T.**, *Marketing w pytaniach i odpowiedziach*, Agencja Wydawnicza Placet, Warszawa 2001.
140. **Targalski J.**, *Przedsiębiorczość i zarządzanie*, CH. Beck, Warszawa 2003.
141. **Thompson J.L.**, *Strategic Management. Awareness and Change*, Chapman and Hall, London 1993, p. XIV; F.R. David, *Strategic Management*, Prentice Hall, New Jersey 1999.
142. **Tokarski M.**, *Factoring w małych i średnich przedsiębiorstwach*, Oficyna Ekonomiczna Grupa Wolters Kluwer, Kraków 2005.
143. **Urbaniak M.**, *Benchmarking – sztuka kopiowania*, Manager, nr 1, 1999.
144. Ustawa z dnia 11 marca 2004 r. o podatku od towarów i usług, Dz.U. z 2004 r. Nr 54, poz. 535, z 2005 r. Nr 14, poz. 113, Nr 90, poz. 756, Nr 143, poz. 1199, Nr 179, poz. 1484.
145. Ustawa z dnia 2 lipca 2004 r. o swobodzie działalności gospodarczej (Dz.U. z 2004 r., nr 173, poz. 1807).
146. **Wajda A.**, *Organizacja i zarządzanie*, Polskie Wydawnictwo Ekonomiczne, Warszawa 2003.
147. **Wasilczuk J.E.**, *Wzrost małych i średnich przedsiębiorstw. Aspekty teoretyczne i badania empiryczne*. Politechnika Gdańska, Gdańsk 2005.
148. **Waters D.**, *Zarządzanie operacyjne*, PWN, Warszawa 2001.

References

149. **Welsh J.A., White J.F.**, *A small business is not a little big business*, Harvard Business Review, July-August 1981.
150. **Wiernek B.**, *Misja firmy*, Businessman Magazine, 5/1994.
151. **Woźniak K.**, *Zaspokajanie potrzeb informacyjnych na szczeblu zarządzania strategicznego*, [in:] *Doskonalenie systemów zarządzania w społeczeństwie informacyjnym*, tom II, A. Stabryła (ed.), Akademia Ekonomiczna w Krakowie, Kraków 2006.
152. **Wyżkiewicz B.**, *Konkurencyjność MSP, Raport o stanie sektora małych i średnich przedsiębiorstw Polsce w latach 2007-2008*, Polska Agencja Rozwoju Przedsiębiorczości, Warszawa 2009.
153. *Zarządzanie informacją i komunikacją*, Z. Martyniak (ed.), Wydawnictwo Akademii Ekonomicznej w Krakowie, Kraków 2000.
154. *Zarządzanie strategiczne*, R. Krupski (ed.), Akademia Ekonomiczna, Wrocław 1999.
155. **Żołnierski A.**, *Innowacyjność 2006. Stan innowacyjności, metody wspierania, programy badawcze – raport*, Polska Agencja Rozwoju Przedsiębiorczości, Warszawa 2006.

Internet sources

1. http://europa.eu.int/comm/enterprise/enterprise_policy/sme_definition/decision_sme_en.pdf
2. <http://www.bba.org.uk/bba/jsp/polopoly.jsp?d=350>
3. http://www.emas.mos.gov.pl/pliki/publikacje/PL_EMAS_easy.pdf,
Podręcznik dotyczący wdrażania EMAS w sektorze MSP [14 sierpnia 2009].
4. <http://www.sba.gov/size/sizetable2002.html>
5. <http://www.csr-in-smes.eu>, CSR and Competitiveness European SMEs' Good Practice, Specific Call for Proposal "Mainstreaming Corporate Social Responsibility (CSR) Among SMEs", Grant Programme 2005 [22.08-2011].