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Łukasz Uruski
Wydział Ekonomiczny, Gospodarka Europejska
Wyższa Szkoła Informatyki i Zarządzania w Rzeszowie

Small and Medium Enterprises – selected issues

Introduction

Small and medium enterprises are by many national governments and experts of economics called the most important elements of an economy. Big enterprises are in many countries very similar: they function on the global market, with global partners and in global realities. Small and medium enterprises, which are specific in every country, are more interesting. They function in different realities, struggle with other market opportunities and have to do everything unaided although they must suffer alone for any and all their mistakes. They are the most innovative part of an economy, the most flexible and subject to the biggest risk; at the same time, they accept a bigger risk then large companies. One of the most interesting issues is the diversity of small and medium companies in different countries, the ways of adapting to the market and their function in this market. Polish small companies started a “new” history and development 15 years ago after the political transformation. The change in politics made it possible to develop and found this sector of the economy. First of all, I would like to present Polish small and medium enterprises and their ways of developing and functioning on the market in Poland and elsewhere.

Small companies sector – in theory

What is it exactly?

Each country has its own definition and structure of the Small and Medium Enterprises sector, which depends on the institutional and historical context. They use many criteria, e.g.: legal status (France), ownership status (Hungary), the distinction between "industrial" and "craft" firms (Germany), independent or subordinate firms (Japan), and many others. In the EU recommendation a small enterprise is described as an independent economic entity, employing less than 50 employees. Aside from small enterprises, there also exist smaller entities, so-called ‘micro enterprise’ employing less than 10 employees.
The criterion to rate among companies of the SME sector in Poland is annual average employment in the enterprise. The number of employees in a small enterprise is less than 50, and in a medium-size it ranges from 50 to 249 employees. ‘Micro enterprises’ until 1999 were defined as entities which employ 5 or fewer employees, and at present are defined employing 10 or fewer workers.[1]

Role in economy and some details

Currently, no less then 20 million small enterprises exist in the EU, which employ about 65 million people. They make up 99% of all enterprises and provide 60% of the jobs.
We should notice that the share of small and medium enterprises in the EU as early as the 1990s has remained on this same level: 99.8% for EU (as a whole) and 99.4 to 99.9 (for membership countries separately).
From research done in Western Europe and other mature economies, it is known that micro and small enterprises are making a very big contribution to the creation of new jobs and their abilities to generate jobs are almost constant.
Small and medium enterprises (SMEs) are the most numerous, the most frequently founded and a very specific group among all companies in Poland. On the basis of the European Poll of Small and Medium Enterprises it follows that:

[1] full criteria: http://europa.eu.int/scadplus/leg/en/lvb/n26026.htm

- most SMEs are run by owners
- most SMEs are one-man enterprises
- most of them are private companies
- many people have to work but cannot find a job so they try to found their own business
- most of them have only one location
- most of them do not have departments
- many of them use "mobile solutions" - although they do not have departments or many locations, they have employee representatives who work in the field and give information to the central location of the company
- most of them think that the common market makes running a company considerably easier (especially for export and import)
- most of them think that competition increases considerably
- most of them prefer to produce more but do not spend money on marketing campaigns or research. It follows that SMEs do not have much money to spend on these things.
- many of them have ambitious short-term plans
- most of them do not think about issuing stock
- most of them cooperate with other small companies, which often work in the same sector, have the same profile (the best partners)
- during the last decade, a lack of skilled employees was a really big problem, but other problems are caused by not having enough money to employ the right kind of workers; therefore, many young people work for a lower salary when they finish their studies .

Small and medium enterprises had and still make a large contribution to the successful development of almost all industrialised countries. They have served as an experimental laboratory for a market economy. They are innovative with regard to their products and technologies, and are flexible with regard to their customers, capital resources and employees. The small firm sector gains competitive virtues if the offered service or products needs to be provided close to the customers. SMEs are also important customers and subcontractors of some big companies in market economies.
After years of fascination with big and bigger companies in market economies and in centrally planned economies particularly since the 1980s, we can observe a growing interest in the development and existence of smaller entities. Some experts of economics call this phenomenon a re-birth of small enterprises. There are many reasons for the re-birth of SMEs. In transition economies, such as Poland, the development and the influence of SMEs depends on the implementation and design of privatisation policies, political and economic stability, access to financial resources, for example bank loans. In Poland, the small enterprise sector is the fastest growing sector in the economy. It is the most important job creator, which at the same time accounts for the constant increase of its share of Poland's GNP.

Polish small and medium enterprises

- **SME**

Small and medium private enterprises make up over 95 % of all enterprises and they employ more than 50 % of all employed in Poland. They are a separate segment of the market, which is at the same time a specific and separate segment of the working class and labour relations.
The establishment of private SMEs (with over 10 employees) started in the last years of socialism, especially between 1985-1989. The majority of enterprises were founded during the first stage of political transformation between 1990-1994, although the pace later slowed down.
Most of the Polish SMEs are less then 10 years old and many of them still exist and function. This shows that the rate of survival for the small enterprise increases with the time and it increases the function of a more stable business environment in Poland. It was also a great lesson the enterprises have learnt about operating in a market economy over the last 10 years. The majority of SMEs were established during or just after the beginning of market reform as a result of an individual initiative of their proprietors.
The small business sector played a really important role during transformation in Poland. Many experts expected that the founding of many private small and medium enterprises would be the first step to insure economic independence for Polish families and the first step in changing the Polish political system. In Poland, many small companies were founded but the biggest problem was the foundation of

too many small firms. Many of their expectations were met but the changes in the political system were connected also with other, not directly economic causes.
The employees in private SMEs differ considerably from the employees of public companies, particularly from the staff of state-owned enterprises. Some Polish sociologists even distinguish between two separate working classes. Young people are usually employed in private companies rather than in public enterprises and private companies, which employ people with a lower educational background offer lower payment than those in public enterprises. In private companies there is a wider range of wages. The salary of workers with a higher educational background is higher than the salary of such workers in public enterprises. The pay of workers with primary education is over one-third lower than the pay of such workers in public enterprises.
The majority of private SMEs are run in a traditional way and only 10% of them use new techniques of human resource management.
Over the last four years, the Polish economy has faced a number of crisis situations which had an enormous impact on private SMEs. Domestic demand has been reduced, the currency value has been too high, hampering exports, taxes have been high, credit costs have increased, etc.
SMEs represent mainly the private sector of the economy and only a small percentage belong to the public sector. Almost all of them use only Polish capital and only a small percent of enterprises use 100% foreign capital or combined foreign and internal capital.
The most popular organisational forms of small enterprises are: sole trader and partnerships. Like in other countries in transition, for example in Slovakia, Polish private firms tend to be very small with the majority of family-based businesses and self-employment. The organisational forms and legal types of small enterprises are constant. Most of them are still operating in the same form that they have been used to for several years.
The owners commonly finance with their own resources. Not many of them use external financial support for their development including that from either Polish government-based institutions, or industrial associations, EU programmes, etc.
The rate of investment since the beginning of market reforms, which started in 1990, was always relatively high in Polish enterprises. Small enterprises prefer to invest in machinery, means of transport and equipment. To invest, small enterprises use primarily their own generated profits.

In many countries so-called "unionisation" in the population of small enterprises is lower than in medium or big companies. That issue was exemplified by the table below.

Table 1 –"unionisation" in the population of small enterprises.

Japan (in 1985)	
employees in company	**in how many of them exist or existed "unionisation"**
more then 500	60%
100 to 499	24%
30 to 99	7%
1 to 29	0,5%
Great Britain	
small companies in private sector	less then 25%
France	
small companies in private sector	less then 10%
Poland	
small companies in private sector	about 14%

- *data from: analysis – author's elaboration*

Small companies in Poland derive income from:
- revenues from selling goods and services
- bank loans
- shares and bonds
- government and other kinds of subsidies
- other

- **Obstacles**

The main obstacles of growth and development for companies in Poland were

- the nature of transition
    - No-one had ever created such a company before and few knew how to do it. We can find examples of how to change a free-market economy to a centrally-planned economy, but we cannot find examples how to do this inversely. The World Bank suggested using similar examples, but it makes a difference whether you are attempting to transform centrally-planned economies to free-market economies or to transform total centrally-planned economies to free-market. All these problems were connected with small companies and ideas on how to found and run them in the first year after transformation.
- poverty and low income
    - Poland had poor institutions and infrastructure, including those which were necessary to found and develop companies. Banks were not ready to give loans, they were terrified of losing money, so not many people could open a business and they tried to find money in their own families. Spin-off type companies were founded at the very beginning, which meant that there was a mother firm in part employing people who knew the risk and market realities. High interest, inflation, high demand but without the ability to satisfy it, etc. were big problems in the first years of system transformation.
- policy mistakes
    - corruption problems which were a danger after transformation are still common. Not enough liberalization of economic policy, high taxes and a very bad system of Social Security have been threats to the economy.

The biggest obstacles to get bank loans for small companies are:

- too many documents which need to be submitted with a credit application form
- too restrictive bank policy in relation to the reliability of the applicant.

The entrepreneurs still complain that the greatest obstacle to running a business is the social insurance tax, which can amount to 50% - 90 % of net pay. Other obstacles are excessively high loan costs, tax regulations, high income tax and decreasing domestic demand. In this case many entrepreneurs think about the existence of the so-called “grey economy'” where they can evade taxes and, as a result, have very low costs.

SMEs in Poland expect lower taxes and a lower load connected with social security, which would make their products and services more competitive in a global market. Next, a lower interest rate, is promising which could make bank loans more available to small enterprises. Small enterprises attract a larger proportion of highly-educated people in comparison to the average for the whole economy.

- **At present**

Presently, SME is a growing market segment, particularly in Poland, with a distinctively different character. SMEs are dynamic in the sense that they invest, modernise, and their pursuit of profit is expanding while risk is decreasing. Many of them are active in the international markets and supply final consumers, but most of them are suppliers for international companies.
Many “good” (dynamic, competitive, modernising) small, medium and large firms contribute to economic revival including foreign trade. On the other side, “losers” include firms of all sizes which co-operate and trade together. This dualism requires different policy instruments and strategies.

- **Polish SMEs**

To function more efficiently on the common market, Polish companies use some basic strategies:

- They prefer markets which are historically closer to them, where the country has close relations, for example because of war, occupied territory, common policy, etc.
- they try to collaborate in networks, consortiums, or clubs to eliminate weakness, as they do not have experts, financial resources, product resources. They do not need consortiums con-

sisting of large powers in some business or associating many members. The most important is to work together as efficiently as possible, so it is good if they complement one another.

- they try to find partners on local markets, not on national markets.

- **Statistics**

Table 2 – Enterprises registered within the REGON system (1999 – 2003)

Listing	In absolute numbers				
	1999	2000	2001	2002	2003
Entities registered at year-end (total)	2 904 687	3 162 546	3 348 124	3 495 314	3 617 346
Public sector	82 383	92 596	105 077	117 217	125 806
Private sector	2 822 304	3 069 950	3 243 047	3 378 097	3 491 539
New entities	390 923	351 546	359 057	285 270	273 346
o Public sector	16 415	15 290	18 280	13 864	12 880
o Private sector	374 508	336 256	340 777	271 406	260 466
	Preceding year = 100%				
Entities registered at year-end (total)	107,1	108,9	105,9	104,4	103,5
Public sector	120,0	112,4	113,5	111,6	107,3
Private sector	106,8	108,8	105,6	104,2	103,4
New entities	81,4	89,9	102,1	79,4	95,8
Public sector	-	93,1	119,6	75,8	92,9
Private sector	-	89,8	101,3	79,6	96,0

- *data from: „Raport o stanie sektora MSP w Polsce w latach 2003-2004”, Ministry of Economy, Entrepreneurship Development Department, Warsaw 2005*

Table 3 – Entities of the national economy recorded in the REGON register (2000 - 2004)

Listing	In absolute numbers				
	2000	2001	2002	2003	2004
Entities registered at year-end	3 185 040	3 325 540	3 468 218	3 581 593	3 576 830
state owned enterprises	2 268	2 054	1 951	1 736	1306
commercial companies (total)	159 660	177 085	196 681	208 753	220162
of which with foreign capital participation	43 737	45 765	47 352	48 973	51503
co-operatives	19 011	18 812	18 682	18 548	18435
person conducting economic activity	2 500 952	2 600 127	2 714 118	2 795 860	2 763 380

- *data from Central Statistical Office*

Table 4 – Active enterprises by size (1999 – 2003)

Enterprise category	Number of enterprises				
	1999	2000	2001	2002	2003
TOTAL	1 819 200	1 766 073	1 657 630	1 735 424	1 709 542
number of employees					
o 0 - 9	1 760 619	1 709 757	1 601 964	1 682 473	1 654 094
o 10 - 49	41 129	39 018	39 439	37 142	39 453
o 50 - 249	14 268	14 227	13 419	13 086	13 330
o 249 and more	3 184	3 071	2 808	2 723	2 665

- *data from: „Raport o stanie sektora MSP w Polsce w latach 2003-2004”, Ministry of Economy, Entrepreneurship Development Department, Warsaw 2005*

Table 5 – Survival ratio among enterprises established in the years 1995-2003

Year of establishment	**Registered companies**	**First-year survival ratio (%)**	**Survival ratio until 2004 (%)**
1995	374 092	60,0	-
1996	607 692	63,3	-
1997	485 614	67,9	-
1998	453 044	61,7	-
1999	337 897	60,2	-
2000	293 435	59,0	-
2001	209 384	64,5	39,2
2002	176 492	61,5	44,5
2003	176 867	64,4	64,4

- *„Stan sektora MSP w 2003 roku, tendencje rozwojowe w latach 1994 – 2003", Assistant professor Józef Chmiela, Warsaw 2005*

Table 6 – Employed in grey economy in the years 2000-2003

Listing	**Thousands of persons**				
	1999	**2000**	**2001**	**2002**	**2003**
Total	368	389	399	429	432
Industrial processing	56	58	60	61	62
Construction	80	92	93	95	96
Commerce and repairs	202	201	209	237	238
Hotels and restaurants	6	6	7	7	7
Transport, storage and communications	12	14	14	14	14
Real estate and business services; education	8	10	10	9	9
Other services	2	4	2	2	2

- *data from: „Raport o stanie sektora MSP w Polsce w latach 2003-2004", Ministry of Economy, Entrepreneurship Development Department, Warsaw 2005*

Difference between big and small enterprises

We can clearly see many differences between small and big companies, for example big companies have a formal organization structure, they employ more workers, they have higher profits … But all this is obvious. If we try to name other differences we will certainly find some new interesting facts.

Big companies stay big but small companies strive for success and the business models are written in stone. Nowadays, a story about business success is old news in tomorrow's newspapers. Nowadays, you can be a small player but you can attain huge success with one good idea. The business "turnarounds" could help to create a big company but at the same time create problems which are connected with customer loyalty, government, supplies, investor confidence, etc. Many things in small companies are easier. It is easier to control and feel that we are in charge, and not only shareholders.

Small companies are more flexible and buoyant enough to reinvent themselves continuously as they work to dodge obstacles and seize opportunities. In the demand era in which companies are living now, success is only possible as long as companies can transform themselves. If they can cope with that, they will be able to sell everything they may offer. Not all the big companies can do this quickly enough. Flexible business models are at the heart of this new, buoyant organization. They allow companies to dodge incoming threats and seize new opportunities with minimal trauma to employees, stockholders and business partners. The small enterprises may be small in terms of profits, but not in terms of ingenuity.

The next thing is that small enterprises do not have hundreds of employees, or make billions of euros. The range of employees is less than 10. The companies are often run by the same people that founded them in a garage and who have the same bank account for the company and for buying children's clothes. Representations of small company owners are reserved when it comes to operations and miserly when it comes to expenditures. Small enterprises can be as crafty about how to develop business as large companies, but a small enterprise is at a bigger risk. They know much better than the bigger companies how to keep costs low and what to do to save money.

Small companies – in practice

All companies are similar but of course not identical. If we will analyze only Polish companies at this same time we analyze companies all over the world. They function alike and feel similar opportunities. All of them have similar problems and have to face almost the same problems. In this part of the paper, I will try to describe some ways of small companies function and how they should function.
Those are topics, which of course do not guarantee success but about which we should always remember because it can help in real business. There are also suggestions on running a business and which way to choose. Of course those are not all the ideas and topics connected with this subject, we can always try to analyze other functional areas, but I think that the topics presented below are the most important for a young, growing company, or for a company to simply maintain.

Financial liquidity to survive

Unfortunately, it is true that real financial liquidity in a company is one of the most important things. It enables a company to do carry out its operations in production, service or distribution of products. No contracting party wants to connect with a company which is not insured by contract. This is the reason why knowledge of financial liquidity is key.
Financial liquidity is the ability of a company to ensure short-term commitment, which means the kind of commitment that should be paid during one year. It is the ability of the company to settle all current obligations with a deadline. This means the ability to repay all liabilities in urgent situations. We can do this using the company's own financial resources or liquid current assets.

We should consider financial liquidity :

- in a static depiction - with reference to a specific moment, for example to daily financial balance, using basic financial reports like balance, profits and loss account and a traditional index of financial liquidity
- in a dynamic depiction - with reference to a specific period of time, on the basis of cash-flow report

To measure financial liquidity we can use: current liquidity index, fast index.
Financial liquidity is one of the most important criteria to estimate and edit capacity, especially for banks. Lack of this liquidity leads to the limits of financial disposition and sometimes to bankruptcy.

Bigger or smaller financial liquidity depends on the time that a company needs to turn assets (material and financial) into cash. The faster we can get cash, our financial liquidity, the better for us. It does not always depend on what kind of assets we have but also where these assets are invested. Sometimes some assets can be temporarily blocked or can be used as insurance for other contracts with other companies. Then finding a way to use these assets needs more time.
Too great financial liquidity is also not so good because it freezes too much money in current assets and ruins the chance to increase company profit by effectively using external capital.

Ways to finance a company

How much money we have when we want to run our business is one of the crucial things. We have methods of financing a company that are: bootstrapping and outsourcing

- **Bootstrapping**

This is when we use our own, family's, friend's , colleague's financial sources. It is one of the most probable sources because banks and investors are only willing to loan money later – after we use this method of finding money. It is very important to estimate our financial needs before we organise a business. Then we can avoid a situation where we will feel a lack of cash which can result in bankruptcy and loss of capital. The first step is to plan expenditures with a small reserve. Time and judiciousness will help to calculate and evaluate the quantity of money needed to run a business. Try to understand that initial capital will be needed not only to run the business but also to circulate the capital and reserves.

The cost of starting a business includes all expenses for legal services, stamp duties, licences, debts, furniture, offices, etc.
Circulating the capital in all financial resources, which are needed to run a company (salary, repayment of debts, instalments, etc.)
Reserves that are needed to cover any mistakes or bad decisions.

E. Tyson proposes an estimate using one specific method:
- to sum up all expenses which you have to cover before starting a business
- to sum up all you expect in account expenses (also instalments and interest)
- to sum up the financial sheet with all expenses which are expected in the first year (purchase of materials, furniture, equipments, etc.)
- to establish a financial reserve; to do this we have to sum up the first three points and increase the result by 25%
- to establish the demand for our capital; to do this we have to sum all of the first four points

Now when we know how much money we need, we need to have time to find financial sources.
This method to estimate how much money we need to run a business has been used by hundreds of people who wanted to run a business. According to a poll of 396 owners of small companies we see:
- 79% of them used their own capital
- 16% of them borrowed money from family
- 14% of them got money from partners in business
- 10% of them used private credit cards
- 7% of them borrowed money from friends
- 7% of them took a bank loan
- only 3 % used external financial sources
- the remaining 17% found capital in other places

(the sum is not equal to 100% because sometimes companies use several sources at the same time)

Bootstrapping is a commonly used way to finance a company and external financial sources are in the second place. When we do not have many of our own financial resource, we cannot spend more money and buy something that is not needed. This means financial discipline for us. It is obvious that people more easily spend money that belong to other people than to themselves. Thanks to hard work, persistence and saving money, we can gather the money to run a business.

Steps of bootstrapping:
- order your assets and liabilities
- very carefully approach loans offered by family
- ask for advice from friends
- try to find a partner to run the business
- if you do not have other way to find money, try to get a bank loan or try to find an investor

Of course bootstrapping includes the way to find money connected with credit cards and collateral. Credit cards offer fast money but very high interest. Collateral in case of failure can mean loss of home.

- **Outsourcing**

It is a way to find money using external financial sources like banks and investors. Unfortunately, banks are trying to find only that kind of company that they suppose will be successful. To gain investors is also not an easy way to find money.
Outsourcing is often used in those companies that have a good or stable situation, and are trying to find money to commit new investments and development of companies. The institution or person who lends you the money can be your creditor (credit in a bank) or co-owner of your company (investor).
Banks do not like loaning money to small companies. Those kinds of companies have to have credit good enough for protection by collateral, securities, or investment account.

Provided a bank gives you a loan which is based on possession of assets, they usually offer a loan of 75% of all company receivables and 50% of the value of durable assets. It is a good way to open a credit line which can provide the chance to finance some activity. It is a good idea if the company is in good shape because then we can negotiate better conditions.

- **Good business plan**

A Business Plan is a document which serves to find the way to gain money to run a business or to invest in our company. This is the main reason why we start thinking about it and writing it. The second reason why we write a Business Plan should be understanding our idea of the company and one more time trying to analyze all aspects, think more about costs, money, accounting measures, profits, loss, risk, etc. This is like a road map for the entrepreneur who will use this map to answer his questions: "Where am I going?", "How will I get there?", "What opportunities and problems am I to run into along the way?" and "How will I deal with them?"

A Business Plan includes:

- presentation of enterprise structure
- marketing plan
- clarification and outlines of financial needs
- identifies recognized obstacles, risk and way of solutions
- serves as a communication tool for all financial and professional sources

A Business Plan has to be in order and complete. The detailed version depends on our company. If we do not have a company yet we will present only our plans connected with running a new business, but if we have a business plan and we need money for a new investment, for example to buy machines, then the business plan will look a bit different. According to this, we can distinguish 10 main segments in a Business Plan:

- executive summary
    - This is a short description of the future enterprise. It should be as interesting for a reader possible while presenting our venture. It should include basic information and characteristics about our plan, marketing, estimated performance of our company. This part should be well-written because it can be a guarantee that the rest of the plan will be read.
        - Answer all fundamental questions: WHAT, HOW, WHY, WHERE connected with the venture
        - Write a maximum 3 pages. The reader has to be interested in reading the rest of the business plan
        - End this part after finishing the Business Plan
- description of the business
    - This is a part that includes more details about the venture, for example a short history about the enterprise, some of our experience if we do not have a company yet. Some details about products, service, etc. and at the end goals and milestones presented as clearly as possible.
        - Name your business
        - Describe the potential of the new enterprise or present history of your enterprise if you already have one.
- marketing
    - This part includes two components. First, about research and analysis, all "connected with" the customer. It describes who will buy our product or service. All sizes like market, competition, trends have to be measured and estimated; the second, perhaps the most important in a business plan, includes preparation of a marketing plan. The plan should encompass market strategy, sales, distribution, advertisement, pricing, promotion and a PR plan.
        - Use and disclose market studies
        - Present all market sources and assistance used for this part
        - Show pricing strategy since your price must penetrate and maintain a market share to produce profits

        - Show your advertising plans with cost
        - Present target market, position on market and share of market
        - Present your opinion and analysis of competition presently on the market
- research, develop, design
    - This part is important in the case of a production company, not so important in service and trade. Its should include a plan of how we will do research, etc. and estimated costs.
        - Present estimated cost for start-up, continue or end research, testing or develop
        - Mention insurance if you have connection with this part of your company
- manufacturing
    - Include costs of production, location of our venture, costs of transports connected in all details encompassing this part of the company.
        - Present advantages connected with your location for example taxes, wage rates, etc.
        - Present access to transportation
        - Try to estimate cost of production
- management
    - This part explains organization of work, structure of company, employees, stock plans, partners, directors, owners, etc.
        - Present organization structure, about who the boss will be, employees, owners, partners, etc.
- critical risk
    - Analysis of risk deals with probable problems which can influence a company. Problems have to be described before they appear. We should use tools to measure them. Risk should be identified and described and then we may try to find a way to control it.
        - Show your opinion and consideration of risk, for example: competition, employees problems, financial problems, supplies problems, sales problems, etc.
        - Present some alternatives and solutions of problems.
- financial forecasting
    - We will present our budget and plans on how to finance our company, plans on how to do it and plans on how it will influence our capital. We can use cash-flow, indexes, financial values, or break-even point analysis. It is important to present how we will control our capital and company in the first few years.
        - Give actual estimated statement
        - Describe the necessary sources for your funds and the uses you intend for the money
        - Develop and present your budget, and a way to gain funds
        - Present periods of time and changes in your capital, profits etc.
- millstone schedule
    - This segment presents our determination of goals and timing of their accomplishment. Deadlines should be estimated in a realistic way.
        - Describe deadlines of investments, plans, etc.
        - Show when all investments are complete
- appendix
    - Here we can present other information that we did not present before, for example some contracts, agreements, documents, a bibliography, etc.

Now, when we know what we should include in a Business Plan we can start preparing one. But we have two more important questions: “How do I begin?” and “How should it look ?”
A Business Plan has to be interesting for the reader and give him/her a first impression about our venture. The document should be without grammatical, spelling, etc. errors. It should have max. 40 pages, include the address of company or private person if it is not a company yet, and the date of presentation of the Business Plan.
On the first 2-3 pages there should be information about owners, company, customers, financial needs, investors etc.

We should remember that a Business Plan is a formal and official document. We have to use formal language , professionally estimated measures, tables, etc. Of course, we are not experts e.g. in finance but we should try to prepare this document as professionally as we can. Remember that this is your Business Plan because this is your business. Do not write this document only for banks or investors, but also for you because it will be very helpful when you start working in your enterprise. Everything in a Business Plan has to be realistic, describing everything that could possibly influence your business. Be flexible, show indexes and measures, present deadlines and plans.

How to avoid failure in business?

If something is going bad in our companies, most think that it is the fault of money, bad location, bad management. But many owners and experts think that the reason of this is owner loneliness. Then he starts to use the 'trial and error' method and often experiences failure.
So what can we do to do not suffer failure?

- still learn
  - Read as much as you can about business, other companies, rivals. Use internet, books, magazines. Just be in touch with the business world.
- keep contact with other owners
  - Contact with other owners will make you aware of problems of other companies. Thanks to the experience of your friends in other companies, and contacts with other owners you can learn and find solutions to your problems.
- make an "expert team"
  - Ask some experts what they think about particular problems and maybe they will give you some ideas on how to solve it. It is very important that:
    - Members of this 'team' should be not connected with the company
    - Customers are also like experts
    - Analyze ideas which experts give you, do not believe randomly
- try to find a partner
  - partnership companies sometimes are not as durable as individual companies, but almost always they win when competing with individual companies. Why?
    - good partners complement one another, people will work as a good team with a wider knowledge of resources
    - new partner will bring new capital
    - partner will think differently - it will be useful to verify ideas and opinions of both of you
    - less risk because both of you participate in profits but also in loss

Some Polish small companies, especially after the first 2-3 years (mainly for 1-2 years) of working try to use the method "80/20" in the process of taking financial and marketing decisions. It is connected with 5 groups of topics and consists of:

- customers:
  - 20% of customers generate 80% of profits – a firm concentrates on those customers who bring profits
- employee problems:
  - 80% of employee problems concern 20% of employees in a company – a firm concentrates on these employees using training, motivation or dismissal
- expenses:
  - 20% of cost sources generate 80% of expenses - a firm concentrates on these 20% of costs
- payables:
  - 80% of not paid on time payables generate only 20% of customers - a firm tries to find a way of eliminating this problem, not always by ending cooperation with these companies
- success:
  - 80% of success depends on 20% of efforts – a firm tries to find a way to use their talents and manage effectively available time

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