Micro business – the meaning and the tasks, the chances and the threats

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Abstract

This paper concerns the functioning of micro business in economy. Generally, the subject of interest of different economic analyses is associated with the medium-sized and big business. Therefore, the aim of the paper is to indicate the importance of micro firms. It has been presented the definition of business, e-business, and also the division of the enterprises into: micro, small, medium-sized and big ones. Next, it has been discussed the significance of micro business as the most dynamic and competitive subpart of the global economy and also the tasks of micro firms in the economic and social sphere. This paper also presents the chances of the development of micro business and lists the threats and gives the determinants from which its proper functioning is depended on.

Key words: business, e-business, micro business, enterprise, firm, micro enterprise, micro firm, management.

An attempt to define micro business

The concept of business refers to economic activity (The word business comes from the word “busy” (English), meaning active.). In the field of economics, this word generally means business management, which is the administration and social science of people management and management of organizations to achieve profit (Business schools, initially established in the USA, educate management staff). In social terms, the term “business man” means someone involved in organizing the process of producing goods or services for commercial purposes.

In another context, “business” can be a synonym for entrepreneurship or a subject taught in schools. The term “business culture” is a set of principles that entrepreneurs guide in their business activities.

Additionally, there are institutions that have the word “business” in their names, such as the Polish Business Council.

The term “business” has recently been associated with the word e-business (electronic business) based on ICT technologies, including internet applications.

Prefix: micro (Greek μικρο) means something very small (In the SI system of units, the prefix micro (μ) is a multiplier: 10^{-6} (one micron)).

Therefore: micro business is managing business activities in a very small enterprise.

The categorization of enterprises into micro, small, medium and large has been changed many times in history. Most of these changes concerned micro enterprises, and therefore micro businesses.

After Poland’s accession to the European Union, these concepts were unified so that they were consistent with EU definitions. Due to this unification of definitions, Polish enterprises from the micro and small sectors can make efforts to benefit from EU projects.

As of January 1, 2005, it was considered that micro business concerns the activities of an entity that, in at least one of the two financial years (Dereń A.M., 2005):

1) employs at most 9 employees on average per year;

2) has an annual net turnover from the sale of goods (products), services, or financial operations, or total assets in the balance sheet at the end of one year, chosen from two financial years, equivalent in PLN to at most EUR 2 million.

On the other hand, a small entity is one that, during the mentioned period:

3) employs from 10 to 50 employees;

4) has an annual net turnover from the above-mentioned sources equivalent in PLN, exceeding EUR 2 million but not exceeding EUR 10 million.

The meaning and tasks of micro business

The main strength of the Polish, regional, European and global economy are small and micro enterprises. In 2000, in Lisbon, the European Commission recognized the enormous role of small companies, which should become the most dynamic, competitive and knowledge-based component of the world economy.

It is small and micro enterprises that are able to maintain sustainable economic growth, provide new, better jobs and improve social communication. Although they are highly sensitive to economic changes, they remain the main source of employment and the origin of new ideas in economic activity.

Therefore, they can be considered the driving force of all innovations in the economic, technical and social fields.

According to the Business Constitution Act (The Business Constitution is a package of 5 laws regarding the Polish business reality) concerning micro enterprises, the state is committed to supporting them with respect for the principles of equality and competition.

There are many views on the role of micro business in the economy, but most of them, besides the economic function, also emphasize its social role. Micro enterprises also play a historical role since small entities have existed since the concept of entrepreneurship emerged. In most market economies, micro enterprises dominate in terms of quantity, and the social, economic and ecological benefits of their operation cannot be overestimated.

The fundamental condition for the existence and development of enterprises is their innovativeness. Therefore, micro businesses quickly adapt to dynamic changes in their environment.

The ever-growing market competition necessitates constant market research and the continuous implementation of innovations. Undoubtedly, small businesses are more effective in this research and more efficiently implement their effects in their operations. For example, it has long been shown (Safin K., 2008) that one Swiss franc invested in such tasks brings 24 times greater results in the SME sector than in large enterprises. Moreover, small entities use 3/4 of new innovations within two years, while larger companies manage to implement at most 1/3 of all innovations in the same period.

This regularity results from the need to effectively use very limited resources, the pressure of competitors to constantly renew their products and the direct involvement of the innovator in the implementation process in the case of a micro business.

The greater effectiveness of micro businesses is confirmed by the inventions of the 20th century (Safin K., 2012), when only about 20% of the most important inventions were created by large enterprises. For example, Microsoft and Deimler-Benz were initially established in small companies and only later developed into large companies.

Here are other examples of innovative products developed by independent inventors and micro-businesses, including metal-laminated skis, penicillin, ballpoint pens, colour photography, automatic watches, the zipper, and flexible drinking straws.

Micro business also has a large impact on the level of employment. In 2009 small enterprises, together with micro ones, employed nearly 70% of all employees in all enterprises. Moreover, most of those employed in small enterprises in the above-mentioned year are employees of micro businesses represented by the trade industry. Most often, micro enterprises are individual entrepreneurships, which constitute the vast majority of all enterprises in Poland and in the world.

Micro business entities have a definite advantage over larger ones in terms of the effectiveness of market research and the speed of making decisions about implementing the conclusions flowing from them into economic life.

Moreover, micro enterprises generally achieve higher sales profitability measured by gross profit. This fact results from the fact that these entities focus primarily on short-term benefits.

Due to the fact that the scope of activities performed by employees of micro-enterprises is much larger and more universal, these entities are generally forced to provide vocational training on their own, while larger enterprises receive already adequately educated personnel.

Micro enterprises are generally closely related to the owner and his location, so they generate a much lower level of unemployment, while larger companies, seeking to increase the profitability of their operations, change their location more often. Moreover, the cost of creating one job in a small company is incomparably lower than in large entities.

Micro businesses perform various economic and social tasks. Among the economic tasks of micro businesses are:

• active participation in the process of economic changes in the local environment,
• initiating new areas of production and new types of services,
• management of labour resources,
• building economic infrastructure necessary for the effective functioning of the company,
• enforcing legal regulations supporting the development of micro businesses.

The social tasks of micro enterprises consist in stimulating economic growth and forming a class of small owners. Micro enterprises also contribute to alleviating social tensions, provide opportunities for self-employment, as well as achieving success and changing the social status of people in the local environment.

Opportunities and threats of micro business

The basic reason for starting and running a micro business is: on the one hand, the need for self-fulfilment and self-realization, and on the other hand, the desire to maximize profit.

Owning a micro-business provides an opportunity for freedom, fulfilling professional ambitions, and conducting business independently. Moreover, it is a means to increase one's financial status and a way to improve the existence of one's family. However, most of the profits are absorbed by growing consumption and an increase in the standard of living of micro-business owners – especially after 1989, when there was a desire to quickly catch up with civilizational advancements in society (Rapacki R., 1995).

In the years since the transformation, the fundamental premise for the development of micro-business has increasingly become the desire for independence. A chance to develop a micro business is the lack of a full-time job or the fear of losing it. It is believed that in terms of the number of registered forms of micro business activity, Poland is one of the most active countries in Europe. However, in Poland we have the lowest share of initiatives related to taking advantage of the opportunity.

In the field of micro business, an opportunity from the family's point of view is an increase in income, the opportunity to develop one’s interests and providing a job for the owner’s family members. However, the business goal of a micro enterprise is its development or survival.

Education, the age of the entrepreneur, and even the age and efficiency of the company in the economic market have significant importance for the chances of the company's development. Weaknesses and threats to micro-business include limited opportunities to implement their innovations on a larger scale.

Opportunities for micro business development can be seen in:

• quick response to changing market needs and various problems,
• lack of complicated bureaucracy,
• tendency to imitate and imitating various products,
• strong motivation to work,
• growing internal demand for products and services,
• taking action in economic niches,

• influencing the revival of the local economy,
• less harmful impact on the natural environment.

The idea of developing micro enterprises is not without threats. These include:

• low creditworthiness,
• inability to offer a set of complementary products,
• inability to deal with the implementation of their innovations,
• excessive complex administrative regulations,
• low level of investment,
• focus on current activities,
• weak financial and material capital.

To eliminate threats and emphasize the successes of micro-businesses, it is essential to remember that their development is determined by both external factors from the environment and internal factors. The following are extremely important:

• policy to support this sector,
• society’s attitude towards initiating and conducting such activities,
• social perception of the activity,
• a form of competition in the economy,
• nature and type of enterprise,
• preferred ethical and moral standards.

The current economic situation of micro businesses determines the distribution of preferences related to:

• improving material conditions,
• the need for self-realization and prestige,
• market gaps and niches,
• innovativeness and creativity,
• unemployment threats,
• family traditions,
• examples from the environment.

The worse the company’s situation, the less often its development goals dominate. Conversely, as the company's situation improves, the survival of the company alone is less often the main concern.

Conclusions

Micro enterprises are distinguished by:

• Scale of activity,
• level of employment,
• asset value,
• approach to business goals compared to other enterprises.

Various economic and managerial theories emphasize different goals of business enterprises. However, these theories generally focus on medium or large enterprises, paying less attention to the specifics of small and micro businesses, which constitute the majority in most national economies.

At the same time, it is essential to emphasize that this sector is particularly sensitive to any changes in economic, regulatory, or administrative environments.

A modern, dynamic, and competitive economy can achieve success when the SME sector, including micro business, is recognized as the main engine of development in innovation, employment growth, and social integration.

Due to their nature and sensitivity to changes in the economy, micro businesses are characterized by significantly greater risks in their business activities.

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