

# Impact of integrated European business environment on SMEs cooperation strategies

Marta Najda, M.Sc.  
Krakow University of Economics  
Krzysztof Wach, M.Sc.  
Krakow University of Economics

## Introduction

Growing role of Small and Medium-Sized Enterprises (SMEs) in national economies of Western European countries became the phenomenon of economic growth at the end of 20<sup>th</sup> century. Expansion of SMEs is dated back to the seventies especially in Great Britain. J. Schumpeter laid the foundations of SMEs importance. According to his *creative destruction* thesis, capitalism can't exist without continuous creation of new firms. Their coming into being is possible on the basis of downfalls of the others. Recognizing the significance of SMEs the European Union (EU) as well as all membership countries continuously try to improve and create the best conditions for SMEs developing. Thus the EU distinguishes SMEs in *European Charter for Small Enterprises* as the backbone of the European economy. The charter considers also SMEs to be the main driver for innovation as well as social and local integration in Europe. SMEs are thought to be a key source of jobs and a breeding ground for business ideas. That is why the EU has taken many lines for actions.<sup>1</sup>

Since 1989, the East European countries have undertaken a process of economic transformation, whose core is the creation of the private sector as well as the development of entrepreneurship and creation of SMEs. Ten countries, which are going to join the EU in mid of 2004, have been currently adopting their national policies, especially within SMEs regulations, to joint the European Union's 15 member states.<sup>2</sup> Small and Medium-Sized Enterprises have huge impact on the economy of each country, but their development is dependent on the economy as the integrity process.

---

<sup>1</sup> At present there are almost 20 million (19 330 000) of SMEs in the EU, which is 99,8% of all firms performing in the EU. They create about 66% of workplaces. About 65% of turnovers fall on SME sector. Model system of SMEs performing is reported to be set up in Germany. For details see: P. Badzio (1994): *Mała przedsiębiorczość*, Warszawa, pp.3-8

<sup>2</sup> Cyprus, The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Nowadays observed dynamics of the European integration process intensify the multidimensional relations, across political, social, cultural, and technological spheres, between national economies as well as companies without regards to their size. The national, formal borders are gradually vanishing and one of the consequences is progressive interdependence of differentiated markets. Today, owing to the diffusion of advanced production and information technologies, SMEs have the potential to exploit the opportunities that appear across the whole Europe, and big transnational corporations are able to differentiate their offerings customizing them toward local preferences. But unfortunately, as for today the specified effects of globalization and European integration on SMEs strategic orientation have not been researched in depth. Theoretical and empirical studies concerning aspects of internationalization, globalization, European integration in relation to the strategic management of the enterprise cover analyses focused on “big market players” and SMEs characteristics indicate the need for distinct research work in the mentioned area. It is crucial to lay stress on the fact that

**...smaller businesses are not smaller versions of big businesses... [because] they deal with unique size-related issues as well, and they behave differently in their analysis of, and interaction with, their environment.<sup>3</sup>**

The main question for SMEs concerns the possibility of developing and implementing an effective and successful competition strategy that will lead them to a successful performance along with transnational giants at the integrated European market. The answer lies in the specified and consistent with the unique characteristic of the company cooperation strategy, which enables small ones to appear and function as large or even global corporations. Effective cooperation requires respectively: specialization of involved partners, ability to communicate across the partnership structure, high degree of commitment and goal convergence among the allies, and trust—that represents the key component because it acts as a substitute of traditional mechanisms of coordination and control. In this context the integrated European environment constitute the space of SMEs cooperative relations, and consequently determines directly and indirectly conditions of their creation, functioning and development.

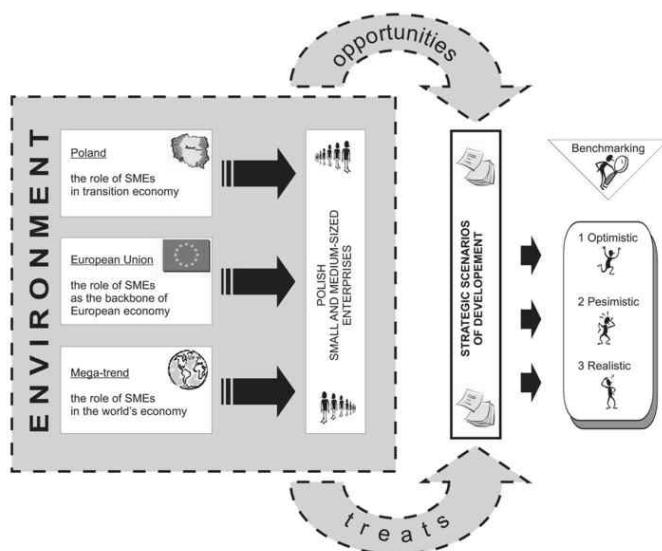
The article elaborates on conditions for SMEs in the EU and Poland as far as integrated EU business environment is concerned. It also focuses on the important role of the EU policy and integrated business environment in the cooperation strategies between SMEs.

---

<sup>3</sup> Shuman J.C., Seeger J.A. (1986): ‘The Theory and Practice of Strategic Management in Smaller Rapid Growth Firms’, *American Journal of Small Business*, No 11, p. 8.

## General environment of small and medium-sized enterprises

There are three environmental forces which affect SMEs in each Member States (see figure 1). Let's take Polish SMEs before the enlargement as an example. Firstly, the conditions at a national level are crucial. In Poland, especially the role of SMEs in transition economies, has impact on SMEs. Another environmental force is the law of the European Union and considering SMEs as the backbone of the European economy, which will have huge impact after the accession. Now it affects Polish SMEs in the fields of adopting the regulations. Last but not least force is a mega-trend in the world. These three forces impact SMEs in each case and create opportunities and treats for their performance. Especially this it makes it possible to predict diverse strategic SMEs development scenarios after the entry to the EU for accessing countries. We can compare the experience of previous entries. What is unfortunately worth noticing, this enlargement is more political than economical. Presently accessing countries will get much smaller amount of money than the previously accessing countries, especially Spain, Portugal or Greece. That is why it is very difficult to predict what will happen comparing the present situation to the previous cases. After the accession the Polish SMEs will have to compete not only with the present Member State's businesses, but, what is even more dangerous, with the businesses from other nine accessing countries.



**Figure 1.**

**Environmental forces of Polish Small and Medium-Sized Enterprises**

Nowadays a belief that a new era has begun seems to be dominating international societies—the time of globalizing political problems and above all economical ones is just beginning. There are obviously countless character-

istics, such as cultural ones, that influence a particular nation's radiation around the globe. However, observing the phenomenon taking place virtually in every aspect of life, one may see the overwhelming globalization process. During the past couple of years, integration processes and co-dependency as well as correlations in the world economy have become more and more significant. Also the development of worldwide access to the Internet contributed to acceleration in the globalization process. Due to the overwhelming globalization process in the world economy, a new type of product has appeared on the market. The global products are available in the same form almost all over the world. They accelerate the process of internationalization of firms, especially SMEs, which can offer the same products all over the world. T. Levitt states that our world is becoming a common market, on which people regardless of the place they live in, desire the same products. The same lifestyle uniformity of consumer needs all over the world is the main stimulus for product standardization and globalization of the advertisement message. Requirements towards some product groups are standardized almost everywhere. Medical products are a good example, as the majority of diseases are of a similar nature all over the world. Differences in culinary and diet trends are disappearing as well. So called oriental dishes became common in both Europe and America, whereas European dishes are widely available in Asia. Computers are another good example of high level global standardization of products. Their producers may easily standardize hardware as well as software. However, taking language differences and metric systems into consideration, one must mention that some elements of hardware and/or software should be adopted.

It can be noticed that globalization of national economies especially in the European Union proceeds in two following phases. The first phase includes large-sized enterprises' (LSEs) entering international markets. At present over half of turnovers of LSEs is realized abroad. So it entitles us to state that this phase has been reached. The second phase encompasses SMEs' entering foreign markets especially thanks to foreign direct investments (FDI) or export. The globalization process in the world economy accelerates the internationalization process of SMEs, especially in the integrated markets.<sup>4</sup>

The conditions created in a national economy are crucial while discussing the environmental forces. Especially the role of SMEs in transition economy, for example in Poland, has impact on SMEs. SME sector is particularly susceptible to changes in the business environment. Small enterprises are able to adjust quickly and flexibly to conditions of a market. On the other hand they can face serious problems connected with constantly changing business environment. Among general conditions of business environment in a particular country it is possible to single out two groups:

---

<sup>4</sup> This aspect is presented more broadly in last sections of the article.

- general economic factors influencing the development of enterprises (among them: tax system, law and legal system etc.), they have influence formation, functioning as well as development of all enterprises;
- specific factors affecting small and medium-sized enterprises.

It is worth underlining that both general economic factors and specific ones influence the development of SMEs. Micro, small and medium-sized enterprises perform also the function of “the back” for large-sized enterprises. They create necessary economic structure to proper functioning of the whole economy, including large enterprises. Co-operation between SMEs and LSEs depends mainly on subcontracting and outsourcing.

The role of SME sector increases especially in the crisis period, particularly growing unemployment. SMEs create GDP. In Poland SME sector creates 50% of GDP. It means that this sector is one of the main income sources for national budget as well as for local communities' budgets. SMEs create huge number of new workplaces. For example in Poland since the beginning of transformation the number of workplaces in LSEs has regularly decreased, while the number of new workplaces in SMEs has been increasing, unfortunately in the last few years at a slower rate. SME sector has played a significant part in the process of sectors' structure changes in a national transition economy, especially industrial structure. Micro and small firms also absorb surpluses of workforce from restructurized industries creating new fields of production development at effective resources management on the one hand and finding market niches on the other. As the SME sector is important for a national economy it “forces” the government to legally settle changes as far as formations, functioning and development of this sector is concerned. Small and medium-sized enterprises in significant degree assist and aid rural regions economically. Activation of economy in rural areas will only be effective, when the government takes care of development of entrepreneurship,<sup>5</sup> because of reluctance of large enterprises to invest in these regions. Figure 2 introduces above mentioned functions of SME sector in a national economy.

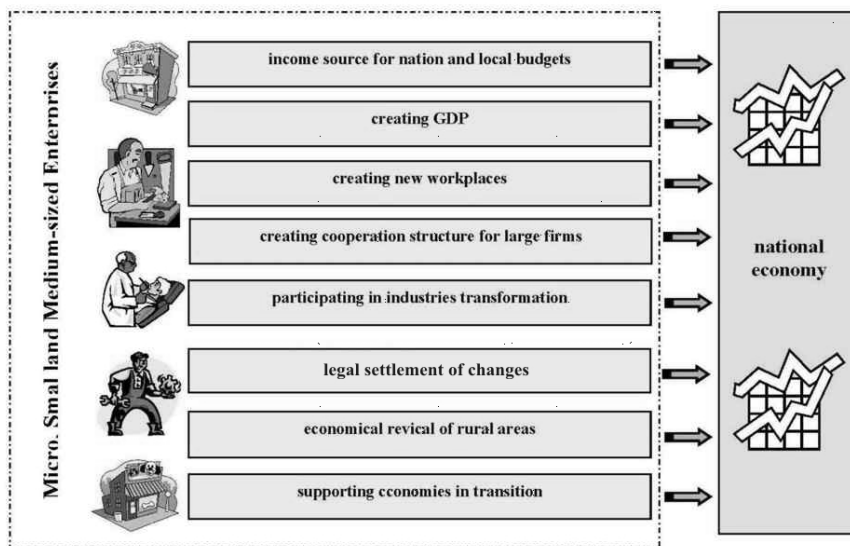
In the European Union the legislation and regulations concerning SMEs, especially support services have been noticeable since the beginning of 90s. The European Union considers creating the right, appropriate and friendly environment for businesses to develop and flourish to be a central element in public policy for promoting enterprise and entrepreneurship in Europe. Appropriate business conditions are crucial for the survival and growth of firms, especially SMEs. The aim of improving business environment has been longstanding at the European Union level. In 1994 the Commission proposed

---

<sup>5</sup> H.J. Becker (1992): 'Wspieranie gospodarki wiejskiej. Cele — metody — instrumenty działania', [in:] *Wielofunkcyjny rozwój obszarów wiejskich na terenach przygranicznych*, M. Kłodziński, J. Okuniewski (ed.): Myślibórz, p. 33.

the *Integrated Programme for SMEs and the Craft Sector*.<sup>6</sup> The Programme established three line actions:

- improving the business environment;
- stimulating business support measures;
- increasing the profile of support services.<sup>7</sup>



**Figure 2.**

Role of SME sector in a national economy

## Integrated European business environment

At the Amsterdam European Council in June 1997 the Heads of State and Government reaffirmed their desire to simplify the legislation and regulations concerning enterprises, in particular SMEs. The European Commission set up a Task Force (working party) to achieve these objectives. The *Business Environment Simplification Task Force (BEST)*<sup>8</sup> in 1998 recommended creation of integrated information and advice services as well as improving the quality and visibility of support services for businesses. More recently at the Lisbon European Council in March 2000, the importance of creating a friendly environment for starting up and developing innovative businesses, especially SMEs, was emphasized. Since then Europe has introduced a new strategic goal of becoming, within the next decade, the most competitive and dy-

<sup>6</sup> *Integrated Programme in favour of SMEs and the Craft Sector, Communication from the Commission, COM(1994) 207 final of 3.6.1994.*

<sup>7</sup> The results were presented in *The Fourth Report on the Co-ordination of Activities in favour of SMEs and the Craft Sector from 1995 to 1997*, <http://europa.eu.int>.

<sup>8</sup> The BEST group is made up of experts from the business, public administration and academic worlds.

dynamic knowledge-based economy in the world. This strategic goal is going to be reached among others by increasing the entrepreneurship dynamics in Europe. It assumes:

- decreasing business running costs;
- eliminating superfluous bureaucracy;
- promoting start-ups;
- moulding entrepreneurship attitudes;
- financial instruments access improvement;
- increasing the level of innovation in business environment.

Once again the importance of creating the best possible conditions for entrepreneurship, competitiveness and employment was underlined at the Feira European Council in June 2000. The meeting called for the full implementation of the *European Charter for Small Enterprises*, which emphasizes the promotion of top-class small business support. Lines for action in the Charter include:

- education and training for entrepreneurship;
- cheaper and faster start-up;
- better legislation and regulation;
- availability of skills;
- improving online access;
- more out of the Single Market;
- taxation and financial matters;
- strengthen the technological capacity of small enterprises;
- successful e-business models and top-class business support;
- develop stronger, more effective representation of small enterprises' interests at Union and national level.

In December 2000 the *Fourth Multiannual Programme for Enterprise and Entrepreneurship 2001–2005* was introduced. It is dedicated to the Member States as well as EFTA members and candidate countries. The budget is 299,75 million EURO. The main aim of the programme is better access to the support services network. The Programme focuses also on: promoting entrepreneurship; creating business environment and legislation framework; better access to financial instruments; competitiveness of SMEs based on knowledge-driven economy.

At present at European Union level almost every policy has an SME dimension. Micro, small and medium-sized enterprises are considered to be the backbone of the European economy. They are a key source of jobs and a breeding ground for business ideas. They are considered as a main driver for innovation, employment as well as social and local integration in Europe.<sup>9</sup> That is why SMEs special needs are incorporated into most EU policies and programmes. The European Union regularly monitors the effects of their regulations and legislation concerning SMEs. The recent findings of the

---

<sup>9</sup> See *European Charter for Small Enterprises*.

Austrian Institute for Small Business Research based on the study carried out in the period from December 2000 to June 2002 are as follow:<sup>10</sup>

- participation of small businesses in support services is low;
- women, highly educated and growth oriented entrepreneurs make the most use of support services;
- there is a need for an outside view on small businesses' needs;
- there is lack of awareness of support services among businesses;
- small businesses prefer direct contact with service providers;
- small enterprises may think global, but act local;
- the demand for specific types of services differs by the location of an enterprise;
- small businesses need more tailor-made support and more targeted services;
- small businesses are not too satisfied with the level of understanding shown by service providers.

That is why the researchers suggest that support services should be specifically targeted at small enterprises' needs. They also recommend creating awareness of support services as an important aim for support policy in the future. Last but not least, they claim that client-orientation has to be a fundamental principle of support service provision.

The assumptions of all European programmes are great and worth admiring, but unfortunately the main aims are difficult to achieve. However, to be honest one must state that European community has reached a lot in the field of business environment, especially support services for SMEs. It is out of question that the present conditions as well as lines for action help small firms to co-operate and flourish.

### **Strategic moves towards cooperation**

Many of the small firms in Poland, but not only, are strongly convinced that, since they are niche players exploiting current local markets the lowering of trade barriers will exert little influence on them.<sup>11</sup> They do not perceive the European integration process as resulting in a substantial increase in direct competition for their particular venture. However, every single enterprise is functioning in a broader market network consisting of suppliers, customers, competitors, and therefore any change in this network due to growing interdependence of European business spheres will unquestionably affect its members (owing to their heterogeneity the intensity and direction of influence will vary). The integration process has already modified the market environment structure and its rules of functioning but generally changes

---

<sup>10</sup> Support services for micro, small and sole proprietor's businesses. Final Report, European Commission, Enterprise Directorate-General, June 2002, p. 23.

<sup>11</sup> Campbell A.J. (1996): 'The Effects of Internal Firm Barriers on the Export Behavior of Small Firms in a Free Trade Environment', *Journal of Small Business Management*, p. 51.



have had incremental character as far as local business spheres are concerned. This kind of changes are mostly undervalued or even ignored, kept out of sight in small firms' strategic thinking and when those firms finally get their bearings in the situation it is often too late to mobilize resources and capabilities in order to become a reliable partner or rival on an equally high status level. Therefore SMEs

...must undertake activities towards widely defined internationalization—even as a defensive strategy.<sup>12</sup>

Researchers used to acknowledge that the size of the firm is a fundamental barrier to successful internationalization of business activities, yet recent empirical findings suggest that there is no significant correlation between the firm size and the level of performance.<sup>13</sup> However, the firm's inclination to internationalize activities is the derivative of its size.<sup>14</sup> In small firms decision upon geographical expansion is strongly influenced by resource and attitude-based internal factors. They may be reluctant to implement and execute economic expansion strategy as this direction of action requires above all:

- current and adequate information about foreign markets at permanent disposal;
- rational evaluation capability and willingness to take increased operational risk;
- experience in leveraging international economic opportunities;
- considerably high financial, technological resources as well as skilled staff;
- ability to analyze the aspects of cultural differences;
- awareness of as well as strict obeying of the legal regulations, policies related to technical and safety standards;

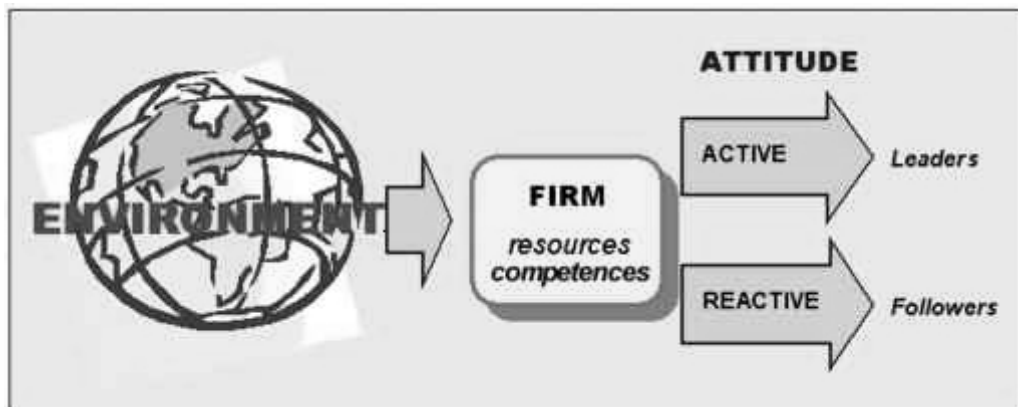
For majority of SMEs the requirements listed above represent significant obstacles for making any decision about activity expansion. Internal barriers determine upon active or reactive attitude towards changing environment especially such aspects as modification and harmonization of national and international legal regulations, development of advanced industrial technologies as well as information and communication technologies, growing interdependence between industrial sectors, markets (Figure 3).

---

<sup>12</sup> Plawgo B. (2002): 'Internationalization—the Future of SMEs', in: *Entrepreneurship and Small Business in the 21st Century*, ed. B. Piasecki, Wydawnictwo Uniwersytetu Łódzkiego, Łódź, p. 361.

<sup>13</sup> See: Calof J.L. (1993): 'The Impact of Size on Internationalization', *Journal of Small Business Management* (October): pp. 60–69; Mittelstaedt J.D., Harben G.N., Ward W.A. (2003): 'How Small Is Too Small? Firm Size as a Barrier to Exporting from United States', *Journal of Small Business Management*, (January): pp. 68–69.

<sup>14</sup> Mittelstaedt J.D., Harben G.N., Ward W.A. (2003): 'How Small...', *op. cit.*



**Figure 3.**

SMEs' reaction to environmental changes

The intensity of environmental influence but more the firms' perception of that influence basically determines their possibilities of economic growth and expansion. Achieving success (in terms of increasing profitability, value added) in small business require matching available organizational resources with environmental opportunities and threats. Therefore firms implement strategic actions that are consistent with the resources and capabilities available to them.

Since, despite the entrepreneurial spirit, internal characteristics of SMEs are shaped by capital and financial shortages, managerial constraints, personal objectives of owners/managers as well as lack of formalized strategic planning and control systems the survival strategy with goals set at the minimum level is a common practice among them.<sup>15</sup> And now one may ask, with such limited resources, what other choice they have? The solution lies partly within and partly outside of those firms. While economy of the scale is positively correlated with the quantity of resources employed SMEs may take advantage of the economy of the scope, meaning high specialization through developing core competencies in particular area of activities. The key is to be the best in chosen sphere because there is no need and not enough owned resources to be the most excellent in everything. Other (than the core ones) competencies, capabilities and resources needed for the venture can be pro-

<sup>15</sup> Campbell A.J. (1996): *The Effects of Internal Firm Barriers on the Export Behavior of Small Firms in a Free Trade Environment*, *Journal of Small Business Management*, p. 50.

<sup>16</sup> According to Malecki E.J. and Tootle D.M. *network* can be defined as an organized set of linkages among cooperating firms (at least 3). These linkages can represent material or information and technology flows. ...*networks provide external sources for inputs than complement—or substitute for—the firm's internal capabilities*. Malecki E.J., Tootle D.M. (1996): 'The role of networks in small firm competitiveness', *International Journal of Technology Management*, Vol. 11, p. 43.

vided by a variety of market participants through cooperative networks.<sup>16</sup> Furthermore, effective realization of market opportunities depends on constantly developed internal core competences and firms' ability to gain external complementary competences and resources through cooperation with other participants of the market game.<sup>17</sup> European integration process makes it much easier for SMEs to search for potential partners across Europe enabling evaluation by uniqueness of competencies irrespectively of geographical localization.

Nowadays achieving the competitive advantage depends strongly on the perception and ability to exploit the opportunities offered by the competitive environment of the firm, while from the strategic point of view the geographical borders of that environment are becoming insignificant. The new integrated economic reality of Europe implies directly and indirectly the need of broad range cooperation taking place beyond formal and traditional borders between the countries, sectors and internal structures of the firm. Because of similar phases and elements of value creating process as well as progressive modularity of production more and more SMEs are deciding to cooperate in order to:<sup>18</sup>

- gain additional growth capabilities,
- reduce and share the costs of Research and Development activities,
- provide access to advanced complementary technologies,
- gain current and adequate information,
- enter foreign markets,
- provide access to highly qualified and skilled staff,
- gain additional financial resources.

Through acquiring networked competences SMEs have the opportunity to effectively compete or even become partners of equal status to large corporations. The latter have already recognized the advantages of developing strategies based on multilateral transnational alliances and now they benefit as active members of worldwide cooperative networks.<sup>19</sup> This path of international expansion enables firms, irrespectively of their size, to build their global competitive advantage on the basis of strategic and not only comparative advantages.<sup>20</sup> Since trade barriers are lowering, technical specifications

---

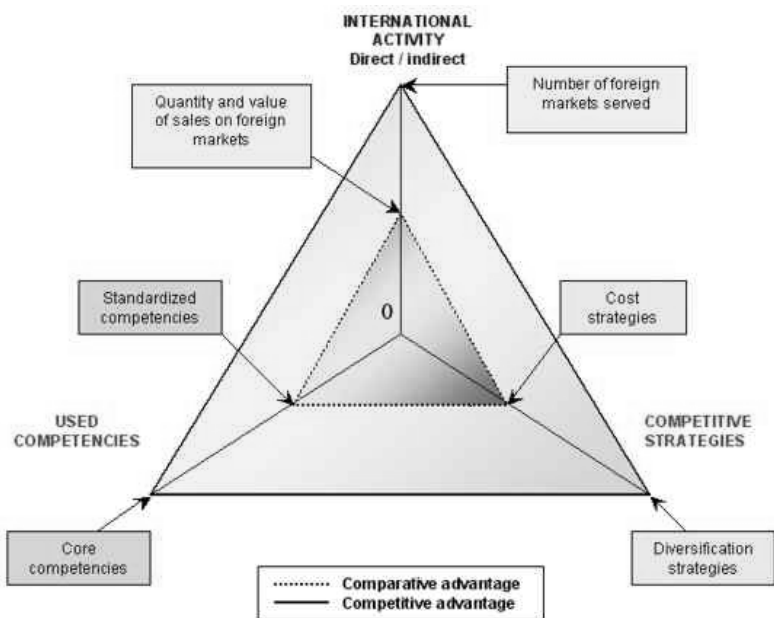
<sup>17</sup> Plawgo B. (2002): 'Internationalization—the Future of SMEs', in: *Entrepreneurship and Small Business in the 21st Century*, ed. B. Piasecki, Wydawnictwo Uniwersytetu Łódzkiego, Łódź, p. 36.

<sup>18</sup> Child J., Faulkner D. (1988): *Strategies of Co-operation. Managing Alliances, Networks, and Joint Ventures*, Oxford University Press, Oxford, pp. 114–115; Contractor F.J., Lorange P. (2001): 'Why Should Firms Cooperate? The Strategy and Economies Basis for Cooperative Ventures', *Columbia Journal of World Business*, 1987, Vol. 22, Nr 1; STRATEGOR, *Zarządzanie firmą*, PWE, Warszawa, p. 241–248.

<sup>19</sup> Rugman A. (1999): 'Multinationals as regional flagships', [in:] *Mastering Global Business*, ed. B. Bickerstaffe, Financial Times Pitman Publishing, London, pp. 13–15.

<sup>20</sup> Yip G.S. (1996): *Strategia globalna. Światowa przewaga konkurencyjna*, PWE, Warszawa, p. 140–142.

as well as legal, social, fiscal, monetary conditions of economic activity are being gradually harmonized across Europe due to the integration process, solely comparative advantages of the firm are no more a guarantee of its stable and continuous growth (Figure 4).



**Figure 4.**

**Comparative and competitive advantage of the firm**

Source: adopted from DeChiara A., Minguzzi A., 'Success Factors in SMEs' internationalization Process: An Italian Investigation', *Journal of Small Business Management* 2002, No 40(2), p.150.

The EU enlargement along with integration process stimulates globalization mega-trend in diverse spheres resulting among others in augmented, in terms of range and intensity, multidimensional competition. As the European, worldwide interrelations become deeper and tighter building and then maintaining competitive advantage of the firm, across the various dimensions of the transformed competition, require integration and harmonization of globally dispersed experiences, knowledge, competencies—and therefore stimulate developing of transnational cooperative networks.<sup>21</sup> According to Wolff and Pett small firms can perform effectively executing competitive patterns used by larger firm if only they have access to the appropriate type of resource.

<sup>21</sup> Szymański W.: *Globalizacja. Wyzwania i zagrożenia*, Difin, Warszawa 2001, p. 52.

## Policy implications

Although SMEs represent the dominant sector of the European economy they face plenty of diverse constraints and obstacles that distort their performance. As presented in previous section of the article the cooperation strategy, executed mostly in the form of networks, offer SMEs an attractive pattern for achieving market success. However, this strategy has also certain requirements resulting from the specific characteristics of collaborative relations. Hence, functioning of those relations is based on:<sup>22</sup>

1. communication content,
2. exchange content,
3. normative content.

In the context of firms' networking activity communication content stands for a flowing passage of accurate and unambiguous information (data) between cooperating partners. Yet this can be assured only by high quality and adequate range of usage of information and communication technology (ICT). It is worth noticing that fast development of advanced ICT implies the need for smaller firms to undertake cooperation strategies but on the other hand can as well facilitate such networking by easing communication channels between firms.

Looking at the cooperative relations between firms through exchange content perspective links among partners represent transaction passages. Thus the involved partners should be aware of such issues as legal aspects of trade contracting, existing international trade barriers, indirect taxation aspects, currency exchange rates etc.

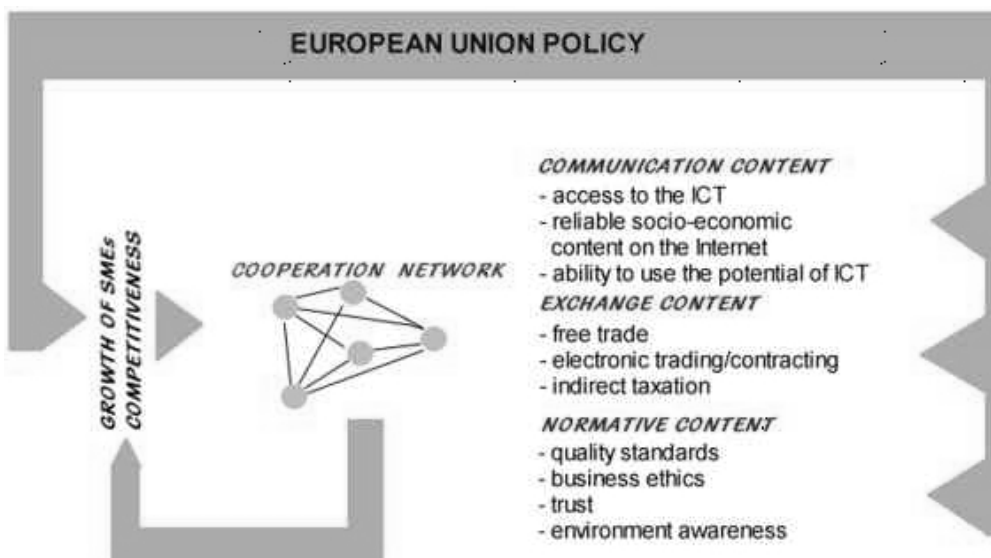
Any kind of relation is affected by norms, values, and ethical standards shared among the involved partakers. They represent the normative content in the discussed cooperative networks of SMEs. Although this is the last of the defined contents it is definitely not the least one. Shared norms of ethical business behavior, common procedures, rules, and enhance the process of trust building between the potential partners. Trust acts as a key catalyst in the process of shaping cooperative relations among dispersed firms because it operates as a substitute of traditional mechanisms of coordination and control. Trust in partners' good intentions and objectives lower the level of perceived risk of joined activities. Therefore transaction costs that result from defensive actions undertaken against the opportunistic behavior of partners are considerably reduced. However, trust in partners' goodwill has no influence on the level of risk concerning bad performance of the venture. This kind of risk requires trust in competences, resources, and capabilities represented by a specific firm.<sup>23</sup>

---

<sup>22</sup> Malecki E.J. Tootle D.M. (1996): 'The role of networks in small firm competitiveness', *International Journal of Technology Management*, Vol. 11, p. 46.

<sup>23</sup> See: Das T.K. (2001): 'Trust, Control, and Risk in Strategic Alliances: An Integrated Framework', *Organization Studies*, March.

Since for SMEs networks can be the strategic course to market success and SMEs are recognized by the EU as the backbone of the European economy, it is necessary to define the space for public activities directed towards establishing a “friendly” environment for developing such networks. As presented on Figure 5 those activities should be definitely focused on supporting growth of SMEs competitiveness in order to enable them to develop their core competences.<sup>24</sup> Furthermore, support services can also activate the co-operation spirit among entrepreneurs through promoting regional clustering. It is worth mentioning that SMEs in Europe are comparatively strongly inclined to look for local co-partners rather than national ones in order to enter new foreign markets.<sup>25</sup> Cooperation of firms occurs usually in particular regions of Europe (e.g. Northern Italy), as well as around large exporters, for which they are sub-suppliers. In some countries this tendency is strengthened by government initiatives, for example in Spain, collective stalls are popular on foreign fairs. Another good example would be Spanish small consortiums made up of about 4 firms, obliging not to use foreign orders and to lead a common long-term international strategy. Exporters clubs are also popular. They are mainly orientated to a particular country: so called ‘club-country’.



**Figure 5.**

Space of public activities supporting development of SMEs networking

<sup>24</sup> Specific programs executed in accordance with this objective are presented in previous sections of the article.

<sup>25</sup> Data were gathered in London, Bon, Hague, Rome and Madrid, see: K. Drupka, *Strategie eksportowe europejskich małych i średnich przedsiębiorstw*, <http://www.exporter.pl>.

Yet, creating the cooperative network is just the first step—the key is effective functioning of the whole structure. Therefore indirect support in the fields defined by three kinds of network content has deep significance—through influencing different dimensions of business environment it will create more favorable conditions for cooperating activities.

## Conclusions

Although it was not the intention of the EU, the integration process favors Large-sized Enterprises in the run for market success. Yet, it does not mean that SMEs are on the lost position. The integrated European environment offers them a wide-range of opportunities but SMEs have to change their attitude and take their chances on the European market.

For SMEs, due to their resources shortages, effective exploitation of market opportunities depends on built and developed internal core competences and firms' ability to gain external complementary competences and resources through cooperation with other participants of the market game irrespectively of their geographical location.<sup>26</sup> From the perspective of generated profits, crucial meaning has the competential rather than national identity of the firm.<sup>27</sup> Therefore, owing to the EU integration, value creation processes take place within transnational or interregional networks of suppliers, customers, and competitors. Nowadays, more and more products offered on the worldwide market are becoming effects of complex systems. A typical made-in-world product is represented by car—cars' components are designed and produced in various countries by diverse companies (Italian design, German plastic elements of the engine, French tires, American synthetic oil and microprocessors).<sup>28</sup>

Successful performance within economic mechanisms of fast growing interdependence raises the requirements concerning flexibility of SMEs functioning. Hence, firms' presence on the integrated European market is not the guarantee of success, instead it generates the opportunities for creating unique values—and SMEs have to learn how to recognize and use the chances offered by the environment. Since, much of these opportunities require integration of dispersed experiences, technologies, resources, competences, firms are forced to build their competitive advantages based on network cooperation. Due to internal limitations of SMEs, in terms of resources, competences as well as attitude towards and awareness of the environmental changes, there is a strong need for institutional support that would enhance cooperative spirit among SMEs and their competitiveness. This kind of sup-

---

<sup>26</sup> Plawgo B. (2002): 'Internationalization—the Future of SMEs', in: *Entrepreneurship and Small Business in the 21st Century*, ed. B. Piasecki, Wydawnictwo Uniwersytetu Łódzkiego, Łódź, p. 367.

<sup>27</sup> See: Szymański W., *Globalizacja...*, op. cit., p. 31.

<sup>28</sup> Ohmae K. (1985) *Triad Power. The Coming Shape of Global Competition*, The Free Press, New York, p. 127, za: Cygler J., *Alianse strategiczne*, Difin, Warszawa 2002, p. 18.

port based on the EU policy would affect not only SMEs' willingness to cooperate but through influencing different dimensions of the business environment it will create more favorable conditions for already undertaken cooperative actions. The analysis of detailed effects of that influence should be the subject of further research.

## References

- Badzio P. (1994): *Mała przedsiębiorczość*, Warszawa 1994.
- Becker J.J. (1999): 'Wspieranie gospodarki wiejskiej. Cele — metody — instrumenty działania', [in:] *Wielofunkcyjny rozwój obszarów wiejskich na terenach przygranicznych*, M. Kłodziński, J. Okuniewski (ed.), Myślibórz.
- Calof J.L. (1993): 'The Impact of Size on Internationalization', *Journal of Small Business Management* (October).
- Campbell A.J. (1996): 'The Effects of Internal Firm Barriers on the Export Behavior of Small Firms in a Free Trade Environment', *Journal of Small Business Management*.
- Child J., Faulkner D. (1988): *Strategies of Co-operation. Managing Alliances, Networks, and Joint Ventures*, Oxford University Press, Oxford.
- Contractor F.J., Lorange P. (1987): 'Why Should Firms Cooperate? The Strategy and Economics Basis for Cooperative Ventures', *Columbia Journal of World Business*, Vol. 22, Nr 1.
- Creating top-class business support services*, Commission Staff Working Paper, Brussels, 28.11.2001, Document SEC (2001) 1937.
- Das T.K. (2001): 'Trust, Control, and Risk in Strategic Alliances: An Integrated Framework', *Organization Studies*, March.
- DeChiara A., Minguzzi A. (2002): 'Success Factors in SMEs' internationalization Process: An Italian Investigation', *Journal of Small Business Management*, No 40(2).
- Drupka K. (2003): *Strategie eksportowe europejskich małych i średnich przedsiębiorstw*, <http://www.exporter.pl>.
- European Charter for Small Enterprises*, <http://europa.eu.int>.
- The fifth Report on the activities of the European Union for SMEs from 1997 to 2000*, Document COM (2001) 98 final of 01.03.2001.
- The Fourth Report on the Co-ordination of Activities in favour of SMEs and the Craft Sector from 1995 to 1997*, <http://europa.eu.int>.
- Integrated Programme in favour of SMEs and the Craft Sector, Communication from the Commission*, COM (1994) 207 final of 3.6.1994.
- Malecki E.J., Tootle D.M. (1996): 'The role of networks in small firm competitiveness', *International Journal of Technology Management*, Vol. 11.
- Mittelstaedt J.D., Harben G.N., Ward W.A. (2003): 'How Small Is Too Small? Firm Size as a Barrier to Exporting from United States', *Journal of Small Business Management*, (January)
- Plawgo B. (2003): 'Internationalization—the Future of SMEs', in: *Entrepreneurship and Small Business in the 21<sup>st</sup> Century*, ed. B. Piasecki, Wydawnictwo Uniwersytetu Łódzkiego, Łódź
- Report of the Business Environment Simplification Task Force BEST, Volume I–II*, European Communities, Luxembourg 1998.
- Rugman A. (1999): 'Multinationals as regional flagships', [in:] *Mastering Global Business*, ed. B. Bickerstaffe, Financial Times Pitman Publishing, London.



*The sixth Report on the activities of the European Union for SMEs "Creating an entrepreneurial Europe,"* Document SEC (2003) 58.

STRATEGOR (2001): *Zarządzanie firmą*, PWE, Warszawa.

*Support services for micro, small and sole proprietor's businesses. Final Report*, European Commission, Enterprise Directorate-General, June 2002.

Szymański W. (2001): *Globalizacja. Wyzwania i zagrożenia*, Difin, Warszawa.

*Towards Enterprise Europe. Work programme for enterprise policy 2000–2005*, Commission Staff Working Paper, Brussels, 08.05.2000, Document SEC (2000) 771.

Yip G.S. (1996): *Strategia globalna. Światowa przewaga konkurencyjna*, PWE, Warszawa.

### **A b s t r a c t** Impact of Integrated European Business Environment on SMEs Cooperation Strategies

A

The article elaborates on conditions for SMEs in the EU and Poland as far as integrated EU business environment is concerned. It also focuses on the important role of the EU policy and integrated business environment on the cooperation strategies among SMEs. Although it was not the intention of the EU, the integration process favours Large-sized Enterprises in the run for market success. Yet, it does not mean that SMEs are on the lost position. Owing to the EU integration, value creation processes take place within transnational or interregional networks of suppliers, customers, competitors. Nowadays, more and more products offered on the worldwide market are becoming effects of complex systems. The analysis of detailed effects of that influence should be the subject of further research.