

FUTURE AND POSSIBLE WAYS OF DEVELOPMENT OF CZECH SME'S IN MORAVIA-SILESIA REGION

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ABSTRACT

The article shortly and briefly informs about the function of SME sector in economy of the Czech Republic. It pays attention to disproportion between amounts of SME's companies within each branch of economy – their share of total amounts of companies – and the level of employment and output of the SME's sector. The article predicts possible areas of doing business, which is suitable for the SME sector. Also the attention is paid to the educational structure of unemployment labour force within Moravian-Silesian County and the possibilities of potential employing of those human resources. As the entrepreneurial environment is getting tougher under ongoing globalization influences, author recommend to the SME entrepreneurs to provide their activities within the branch of trade, agriculture, entertainment (such as hotel industry etc.) and services. The branch of finance will get tougher under the influence of international competitors in the Czech Republic.

KEY WORDS

SME, competitiveness, employment, entrepreneurial environment.

1. Significance of SME in economy of the Czech Republic

About significance of sector of small and medium entrepreneurship (SME) within country's economy is no doubt surely. Directly this sector is object of interest from side of state and it is in interest of national strategy to support this sector according to possibilities. Reason for this supports is beside reality that it is handling mostly about regional entrepreneurs which – due to its size – they don't have big negotiating power and possibilities, which are characteristic to big companies and particularly to multinational corporations then. Affirmative why SME deserves attention and support is their fast

reaction to market needs (flexibility), big count of rising (and however dying too) companies, through this they fluently react to entrepreneurial environment of given region. Further then they are able to offer specific services and products in branch, where are big companies unable or unwilling to offer given products. Integral part of these functions is fact, that sector of SME is source of technical innovations and herewith their implementator. From point of view of national economy plays role of indicator of quality of entrepreneurial environment – they first react on market opportunities; they find market niches, in which they can offer its services. But comparing big companies they much earlier die as reaction to rougher conditions of entrepreneurship or to increasing of competitors in given branch of entrepreneurship. Also SME is important player on field of outsourcing, where they can offer its services to big companies, which have need to outsource its chosen activities.

In table 1, share of SME on total count of companies in Czech Republic in 2004 is – in dependence on branch – in range from 99, 42 – 99, 97 %, what represents crushing superiority on count of companies of this sector in Czech economy. Totally is in average share of count of SME on total count of companies in Czech Republic 99, 85 %. From this count are then whole 85, 41 % entrepreneurs and only 14, 85 % of sector of SME creates corporations (absolutely 144 724 corporations).

Table Nr. 2 shows actual companies count of sector of SME in year 2005. Comparing this table and table nr. 1 it is obvious, that share on market in count of companies is still absolutely significant, and for particular branches is still between 99, 42 – 99, 96 %. By more detailed view it can be discovered, that count of subjects changes within particular branches – for example in trade it came to decline of count of corporations for more then

10 000 and count of entrepreneurs for more than 14 000. More significant is decline in finance branch, where is count of corporations in 2005 smaller for nearly 10 % and by entrepreneurs even for 60 %! It handles absolutely about decreasing of 8 909 entrepreneurs from sector SME. On the second side it comes to significant increase of count of SME in branch of services – for 9 164 corporations and 28 867 entrepreneurs doing business in this branch.

Searching reasons for these changes greatly overreaches size of this article, nevertheless it response to tendencies of globalization of market and increasing influence of big companies, what underlines necessity of support of entrepreneurship of sector SME.

Above mentioned data can lead to false suppose, that sector of SME is dominant player on market of national economy. If we will consider only relations of count of companies, is this statement to certain extent well founded, but it is necessary to give to sector of SME more detailed view from other viewpoints. Important information are following tables which present disproportions in position of companies of SME in the Czech Republic. For example table nr. 3 states counts of employees in SME and total share of employee on total count in the Czech Republic. Here it could be seen, that for example in industry branch takes number of SME whole 99, 42 % from total count of companies of current branch in the Czech Republic. However employees, who are working in this sector within SME is only 49, 96 %. By analogy it can be deduced similar conclusions for other branches (see table nr. 2 and nr.3). By this easy comparing are disproportions of sector of SME much more obvious. Most significant difference is then in branch of transportation and wholly transparent seems branch of finance (here sector of SME shares on count of companies by 99,82 % but it employs only 20 % of employees). This information wholly clearly demonstrate coming of dominant players of multinational character to current branch.

Yet more in details we can see mentioned disproportions when overlooking information, which brings following table nr. 4. Outputs, which are produced by sector of SME within the Czech Republic have appropriate level (comparing information from tables 1-3) only in branch of trade, hotel industry, services and agriculture. In other branches outputs of SME apparently lag behind for their competitors on the market, for example in building produces sector of SME (99,42 % of count of companies and 49,96 % of count of employee) only 36,45 % of outputs. Yet more significant is then difference in branch of finance, where SME produces only 21, 61 %! These

branches are according to opinions for entrepreneurship within SME very problematic. By analogy comparing other branches it could be deduced position of sector SME (see table nr.2-4). Because branch of industry and finance is surely very finance demanding as for self starting of business, as for development of entrepreneurship in this branch (regarding competitive pressure from side of big companies), is so low percentage share of SME adequate count, which demonstrates weak position of SME within national market. It is question, whether it is suitable to support development of SME in these branches, or whether they are sufficiently perspective for surviving of SME in current branches. It is necessary to search the answer in country policy in area of support SME and in functional market relations, who sector of SME in current branches tolerate up to now.

2. Possible ways of development and surviving of sector SME in market environment

Regarding above stated it can be deduced, that best possibility for existence of SME is branch of trade, hotel industry, services and agriculture. In these branches performs SME its traditional aim (see chapter 1) the best way. Though, that these branches are relatively strongly deputed by SME companies, is here possibility of origin next company most easy, because for sector of SME is typical fast origin and downfall of entrepreneurial activities.

For industry branch can originate more way explanation leading to polemic, whether it is lucrative for sector of SME or not. Regarding count of companies sizes industry branch third post, but outputs and counts of employees largely stay behind awaited values.

In finance branch is situation much more clearly – sector of SME plays here boundary-value problem only. That is why it can be expected, that entry to this sphere of entrepreneurship will be from all the hardest and most risky. At the same time it can be dedicated to reality, that in case of strengthened position of big plays on market it will go to gradually displacement of next SME players from this branch.

If we come out from suppose, that sector of SME flexibly react to entrepreneurial environment as by often origin as by downfall of companies. It seems branch of agriculture, services, hotel industry and trade as branches, where entrepreneurs of sector SME (in case of worsted conditions) have the biggest chance of surviving – also in this branch they will hold on (of course the best of them) for the longest time.

Integral part of possibility of surviving on the market is quality of provided services and question

of quality human resources, which are working for current company. Regarding reality, that Moravia Silesian region was territory of heavy industry, which was after 1989 in deep restructuring and decline of operations. It got in this region to dramatic increase of unemployed persons. It could seem like, that due to big count of applicants for work will be relatively big offer of work force. But it is necessary to realize, that structure of inhabitants, which earlier worked in heavy industry doesn't match to requirements to skills and abilities of workers, which are in sector of services, trade and so on demanded. At the same time it goes to significant migration of inhabitants for work, namely to region of Prague. Then in not least batch it goes to foreign destinations. After entry of the Czech Republic to EU have opened possibilities of legal work in some of member states, where Czech citizens exercise more likely unqualified work though. Regarding data from Employment office is in current time in evidence of Moravia-Silesian region to the end of 2005 96 528 applicants for work, what is rate of unemployment 14, 2 %. As it is possible to see from graph nr. 1 is this unemployment traditionally highest in Moravia-Silesian region in common with Ústí region. To 31.8.2006 is then count of applicants for work in Moravia-Silesian region 89 059 (table nr. 5). These numbers are (comparing average of the Czech Republic) alarming.

By view on count of people, who are in Moravia-Silesian region without work, it is possible to faulty suppose, that obtaining of workers, who will with its doing in company benefit to increasing of quality activities in regions, must be enough. Unfortunately opposite is through, when we will have respect to education structure of applicants for work, who are in evidence of Labour office, we will find, that most of them are applicants with basic or high education without school leaving exam (what isn't amazing information surely).

If we suppose, that we predict chances of existence of entrepreneurs of sector SME in branches stated above, we can come from statement, that for output of quality work in this branches is surely needed workers with knowledge and abilities according to at least ability to have education on level of high school with school leaving exam. When we see

educations structure of unemployed in city of Ostrava, it can be stated, that potential entrepreneur with aim to establish (or wide spread) its activities in given region will definitely hit the problem with choosing quality work force (see table nr 6). From total count of 24 567 applicants for work to 30.6. 2006 is without school leaving exam 20 274. If we consider, that similar relation is in whole region (more detailed analyse oversize range of this article again), it is sure, that though in region is big potential offer of workers, there is at the same time lack of workers, who would match awaiting its majors and owners of companies.

Conclusion

We can state at conclusion, that we predict chances for origin, development and surviving of entrepreneurs within sector of SME in Moravia-Silesian Region particularly in branch of trade, hotel industry, services and agriculture. Contrary in finance branch there are waiting for potential entrepreneurs threats, which will obviously lead to end their entrepreneurial activities.

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Enclosures

Table 1: Number of economically active small and medium entrepreneurship

2004	Number of companies			Share of SME on total count of companies in CZ (%)
	Corporations 0-249 employees	Entrepreneurs 0-249 employees	Total of SME	
Industry	25 687	133 263	158 950	99,42
Building	6 457	92 818	99 275	99,93
Trade	53 699	243 372	258 071	99,95
Hotel Industry	4 742	47 630	52 372	99,97
Transportation	5 387	41 468	46 855	99,79
Finance	1 114	23 498	24 612	99,88
Services	43 793	260 894	304 687	99,94
Agriculture	3 845	43 465	47 310	99,90
Total	144 724	847 408	992 132	99,85

Source: MPO from data of ČSÚ.

Table 2: Number of economically active small and medium entrepreneurship

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Table 3: Number of employees in small and medium entrepreneurship

2004	Number of employees (thousands)			Share of SME on total count of companies in CZ (%)
	Corporations 0-249 employees	Entrepreneurs 0-249 employees	Total of SME	
Industry	545	110	655	49,85
Building	126	50	176	80,00
Trade	278	109	387	78,18
Hotel Industry	45	59	104	88,89
Transportation	62	33	95	32,20
Finance	11	5	16	23,53
Services	258	80	338	78,60
Agriculture	118	10	128	85,91
Total	1 443	456	1 899	61,50

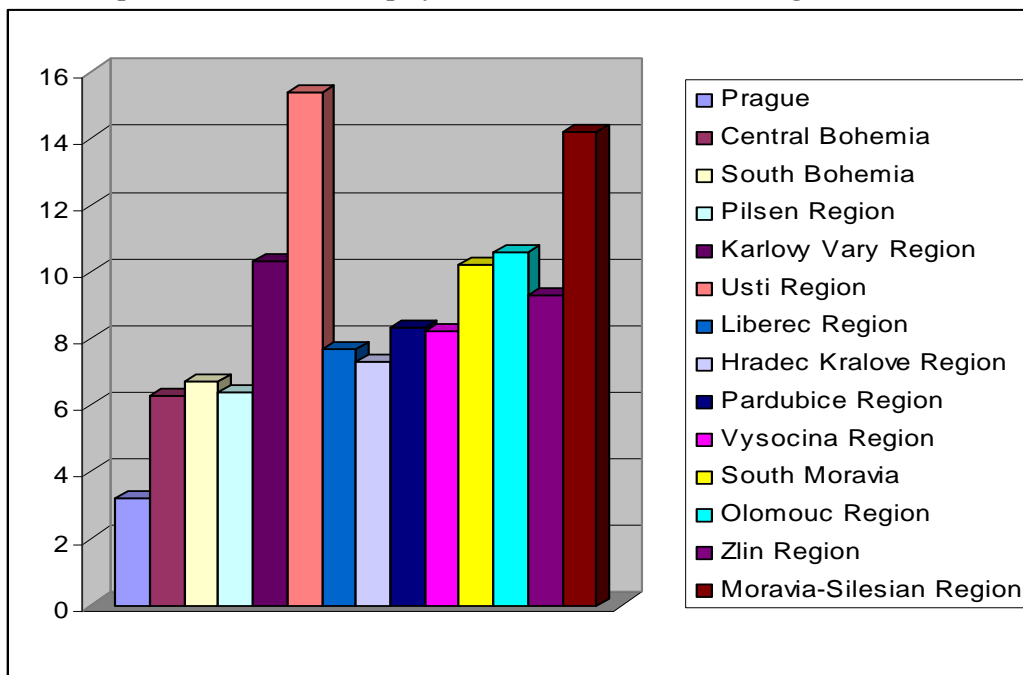
Source: MPO from data of ČSÚ

Table 4: Outputs of small and medium entrepreneurship

2004	Outputs (mil. €)			Share of SME on total count of companies in CZ (%)
	Corporations 0-249 employees	Entrepreneurs 0-249 employees	Total of SME	
Industry	3 1914,34	5 207,85	37 122,2	35,57
Building	8 692,4	2 232,4	10 924,81	66,59
Trade	15 517,35	3 599,47	19 116,82	84,17
Hotel Industry	1 240,07	1 833,04	3 073,2	88,2
Transportation	5 741,84	2 582,01	8 323,85	47,97
Finance	672,72	339,4	1 012,12	15,11
Services	14 819,08	4 620,6	19 439,68	86,98
Agriculture	3 536,71	1 089,54	4 626,25	86,63
Total	82 134,52	21 504,31	103 320,81	52,15

Source: MPO from data of ČSU

Graph 1: The Rate of unemployment to 31.12.2005 in % (average of CZ 8,9 %)



Source: Labour office Ostrava

Table 5: Unemployment in Moravia-Silesian region (to 31.8.2006)

Regions of MS	Number of unemployed	Number of free work places	Number of unemployed for one free work place	Rate of unemployment
Bruntál	7221	394	18,3	13,1 %
Frýdek-Místek	13 026	1 254	10,4	10,6 %
Karviná	25 697	911	28,2	18,0 %
Nový Jičín	8 486	1 474	5,8	9,5 %
Opava	9 978	854	11,7	10,5 %
Ostrava	24 651	3 400	7,3	14,6 %
Total of MS region	89 059	8 287	10,7	13,2 %

Source: Employment office Ostrava

Table 6: Qualifying structure of unemployed (Ostrava 30.6.2006)

Degree of education	Number of unemployed
Without education	33
Incomplete basic education	22
Basic education + practical school	9 406
Lower high school	9
Lower high school special	478
High school special (skilled)	9 471
High school or high school special (without school leaving exam)	174
Complete high school (general)	681
Skilled with school leaving exam	859
With school leaving exam without skilled	2 515
Higher special	76
Bachelor education	103
University education	722
Doctoral education	18
Total	24 567

Source: Employment office Ostrava