

**FLEXIBILITY OF SMALL ENTERPRISES
IN THE CONTEXT OF THE EXTERNAL FINANCING
INVOLVING PUBLIC FUNDS**

Abstract:

Micro and small enterprises play a crucial role in stimulating the social and economic development of countries. This group constitutes 99% of all businesses operating in the European Union. Various, multi-element actions aimed at strengthening the activity and supporting entrepreneurship of micro and small enterprises are undertaken in European countries. This aspect is treated as a priority by EU bodies, where, through building strategies, assumptions, and programs, particular actions are taken in order to strengthen the competitiveness of the above-mentioned group and its full activation on the market. Taking into account the large financial deficit of small enterprises, EU funds are often a key element affecting their development. This implies that such companies need to undertake actions aimed at getting subsidies and using them rationally. There are various types of external financing available on the financial market, and the selection of a particular source of financing directly relates to the flexibility of the company.

On the basis of the analysis of the literature, project data, and reports, some content and cognitive gaps were identified in terms of the influence of external (especially public) financing on the flexibility of small enterprises.

Research objectives and hypothesis

The main scientific objective of this thesis is to *study and assess the impact of external financing involving public funds on the flexibility of small Polish enterprises as well as to develop recommendations for economic practice that can maximize positive and minimize the negative effects of using funds co-financed by the European Union..* Achieving the main objective of this thesis was possible by implementing specific objectives, which were formulated as follows:

1. Determination of the level at which external financing is used by micro and small enterprises.
2. Identification, specification, and assessment of "friendliness" of external financing involving public funds, intended for micro and small business entities.

3. Identification and evaluation of risks resulting from obtaining external financing involving public funds.
4. Specification of key factors determining flexibility among the examined companies.
5. Assessment of the flexibility of the surveyed organizations.
6. Determination of the correlation between the flexibility level of companies and the obtained external financing involving public funds.

Within the above-mentioned scope of the dissertation, the following hypothesis was formulated: *external financing involving public funds, through its formalized nature and strict work schedule affects the flexibility of micro and small enterprises.*

Research methods

The implementation of the thesis objectives and verification of the hypothesis required conducting research adequate to the complexity of the topic. Due to the theoretical and empirical nature of the thesis, the following research methods were used:

- an analysis of literature, allowing for the recognition of the issues related to the impact of external financing on the flexibility of small enterprises,
- a questionnaire survey carried out among 140 micro and small enterprises situated in Poland – own research,
- a questionnaire survey conducted among 400 small enterprises from Poland, carried out in 2018 by the research team of the Faculty of Management, University of Lodz, of which the author was a member.
- an analysis of the 4 selected micro enterprises, using the case study procedure.

Thesis structure

The dissertation consists of five chapters, the layout of which was adapted to the objectives set in the thesis.

Chapter 1 is theoretical in nature and presents the character of a small company, the basic concepts and types of SMEs as well as main features such as entrepreneurship, innovativeness, and strong involvement of the owner. The SME sector, which includes micro and small enterprises, was also characterized.

Chapter 2 is connected with the definition of flexibility and the presentation of a flexible management model. The chapter presents the justification for the necessity of having a surplus of resources, which shapes the flexibility of the organization, as well as the fact of the importance of financial resources as a key component of the enterprise.

Chapter 3 describes the characteristics, significance, role, and specificity of external financing as well as a comparison with other capital offers available on the

financial market. An attempt was made to determine the impact of financing on flexibility.

Chapter 4 presents the results of two surveys, which allowed to formulate conclusions concerning the impact of external financing on the flexibility of small enterprises.

Chapter 5 analyses the results of research conducted in the form of case studies. Four deliberately selected cases presenting the impact of external financing on the flexibility of the company were discussed.

Conclusions:

The relationship between external financing and the company's flexibility is influenced by many factors related to the company: scale of activity, age of the enterprise, nature of the industry, planning system, orientation in terms of development and entrepreneurship, as well as some aspects related to the manager's personality: age, experience, level of business knowledge. Business owners have the opportunity to use various sources of financing, both commercial and public. The positive influence of external financing on the company's flexibility and on the possibility of achieving the set objectives is particularly noticeable when it comes to financing from public funds or by using mixed financing. The most favorable conditions for the positive impact of external financing on improving the flexibility of enterprises were observed among the microenterprises operating on the market for over 3 years, having a business plan and being oriented on expansion, development, and opportunities. However, the high level of business knowledge of managers is also important. Entrepreneurs also notice some disadvantages of public financing. The most important of them include complex procedures for obtaining subsidies, lack of guarantee of receiving financial support, and the necessity of long subordination of the company's operation to formalized procedures. The lack of experience of managers in this area is an important problem in obtaining public financing. These factors contribute to the deterioration of the company's flexibility.

Key-words

flexibility, small enterprises, external financing