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Key Success Factors and Barriers for Small Businesses: Comparative Analysis

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Abstract

This paper analyses the current situation of small businesses, their outlook and their problems in Europe and in Russia. The number of small businesses opened, legislative system, number of self-employed without employees, influence of bureaucratic system on small business's life, unemployment and corruption are considered in this study. The object of this paper is understanding what can modify the life of small companies. Thus the analysis of every factor is useful to understand how the economy could change, what is correct and what resolutions make the life of small businesses better. The analysis is made using data from Eurostat, Rosstat, and Fedstat (an OECD institutional website), studying how values of indicators have changed during recent years. The results clearly show that the development of small companies is correlated with the development of good institutions, a sane community and trust and optimism in economy and small business sector.

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1. Introduction

Small businesses have an important role not only in the economy, but also in social life since they compose our social fabric and can explain to us how our society is changing. This essay compares the settings in which small businesses operate, analyzing the differences among individual countries in the European Union and Russia. This study analyses situations and conditions typical of every country; therefore the paper pays attention not only to how many small businesses there are in every nation but especially to some indices that have been chosen according to a specific criterion, which examine factors that in one way or another influence the life of small businesses.

This essay analyzed the level of the legislative system, an index that OECD studies every year, because it can influence the work of small businesses; for example it shows how easy it is to have relations with foreign agents. Then it studied the number of self-employed without employees; this is important because it is useful to understand the dynamics inside the world of small businesses. Then it analysed the rules of the bureaucratic system into small

business's life, since every day a small business must interact with institutions. In addition, this paper examines the level of general and youth unemployment because it is useful to understand how the future economic situation can evolve. It can also show how every national government is working and how small businesses are answering against the on-going crisis.

In the end, the index about corruption is useful because it gives an idea about how small businesses can compete to win public works, or how they can access public funds or investments. In conclusion, this essay wants to be an overview in which the reader has a total vision of small businesses and the context in which they operate, understanding factors that can influence their life; a prospect that can help the reader to see what works and what does not, comparing one national situation with another, which is useful to create a basis for future analyses about small business.

2. Literature review

Social marginalization has declared that society is founded not only on social hierarchies, but also on different grades of social integration. Yet a different grade of social integration is created by an economical structure that is not able to grant an acceptable level of welfare to all people (Ranci, 1996). In this way the misfit is that kind of subject that fits inside a category but it is excluded from all the decisions about the enjoyment of the resources. (Gallino, 1993). Social marginalization means poverty, people who are not able to be self-sufficient, who are unable to satisfy their first needs, and that cannot increase the level of welfare of a nation. Applying this theory to economy (regarding these subjects as small businesses) gives an idea of the importance to resolve the actual economical crisis. There is inefficiency inside the economy. In some countries it is much more than in others but it is generally present, though it is improving. On the one hand, this inefficiency is probably based on the level of technology and organization of work and workers (Vinarelli, Piga, Piva, 2004), and it is probably made of an inappropriate subdivision of labour (Dosi, Marengo, 2011), on the other hand it is probably made because people do not act in order to maximize the result, so technology and allocation of resources does not affect the inefficiency (Leibenstein, 1957). The Economic Theory of marginalization declared that from these negative factors individuals are more likely to start their own business; they were marginalized misfits who became entrepreneurs as a result of a change in their previous lifestyle (Collins, Moore & Unwala, 1964). But the analysis of the last ten years shows how this process has not only stopped, but it is also working in the opposite direction. This is the reason why a lot of small-scale entrepreneurs are closing their small business and becoming unemployed. In 2009, the economical global crisis was so big it the GDP decreased -0.5%, the trade world collapsed, registering a -12% loss, and the only index that increased was unemployment. There are at least three causes of this crisis; one is attributable to finance, because in the last twenty years there was the belief that the financing debt, with huge leverage, would be absorbed by the growth of the economy; the second is an "American cause", because this country continued to increase its level of debt, reducing its savings of GDP leaving it close to zero; the third is a "geo-economical cause" that include three imbalances: USA consumes too much and saves too little, China consumes and saves too little and the EMU does not have a unitary power of decision, while having a single currency and a good economic structure (Curzio, 2010). To understand the crisis helps in understanding small business and its life, because every theory concerning small business at present must consider this problem as the context in which small businesses work.

3. Data and methodology

Small businesses are that kind of company with less than nine workers. Data about the number of small businesses that are closed or open, the general level of unemployment, the level of corporate income tax and personal income tax, are taken for European Union from the Eurostat database. Fiscal pressure, level of unemployment were known from the Rosstat and Fedstat databases, data about the number of self-employed without employees and about the legislative system are taken from the database and publications of OECD, while data on corruption are taken from publications made by Transparency International. All data about small businesses (closed or open) and about the self-employed with no employees of their own are represented in absolute value. The time line of this study takes into consideration publications of last year's data, and compares them with another previous year (usually no more than three or four years), so it is valid of every data used to make this study.

Data about income tax, personal income tax and fiscal pressure are considered in a percentage compared to the

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