

Smes Survival Research Project in Northern Italy¹

Paola Castellani, Chiara Rossato, Francesca Simeoni, Rossella Baratta

Department of Business Administration

University of Verona (Italy)

email: *paola.castellani@univr.it* (Corresponding Author), *chiara.rossato@univr.it*,
francesca.simeoni@univr.it, *rossella.baratta@univr.it*

Abstract

SMEs are extremely important to the Italian business economy as they make up 99% of all enterprises and generate nearly 70% of total value added and almost 80% of employment. However, SMEs productivity is 10% lower than the European average. In addition, among Italian SMEs, there is a 36% mortality rate within the first two years of doing business.

It is therefore of pivotal importance to understand which are critical factors for the survival of the business. The evaluation of these factors however may be difficult, and then it is crucial the way in which they are asked to entrepreneurs.

The object of this paper is to present the results of an initial pilot survey sample of 33 Italian SMEs. Entrepreneurs were asked to rate the importance on a 5 point Likert scale of several survival factors and barriers to their business, that have been derived from previous studies on SMEs. The sample is representative of Northern Italy.

This paper represents the initial phase of a broader study: further steps of the international research will investigate other Italian regions.

Keywords

Survival factors; Italian SMEs; entrepreneurship.

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1. Introduction

Small and medium sized enterprises (SMEs) have long been recognised as the drivers of socio-economic growth in both developed and developing countries (Wijewardena et al., 2008). They contribute to new job creation and reduction of poverty (Karadag, 2015), improve forward and backward linkages between sectors, provide support to large-scale enterprises and the required flexibility to adapt to market failures, facilitate the development of policies that are more oriented towards decentralization and rural development (Zonooz et al., 2011). Despite their several advantages over large-sized competitors, SMEs have weakness and challenges of their own. They face complex problems affecting their performance and eventual survival (Pansiri and Temtime, 2010).

The context of this study is an investigation about critical factors for the survival of Italian SMEs. SMEs are extremely important to the Italian business economy (OECD, 2014); however, they face a lower productivity with respect to the European average, and a quite high mortality rate. It is therefore important to understand which are critical success factors and barriers for business survival, and the evaluation of these factors is highly dependent on how surveys are administered to entrepreneurs.

The aim of this paper is to present the results of an initial pilot survey sample of 33 Italian SMEs to reflect on the initial evidence regarding the success factors of the SMEs and the barriers to their survival.

From this pilot research it is therefore possible to have these outputs:

- the definition of SMEs within the European and Italian context;
- the definition of the characteristics of small entrepreneur;
- the determination of the measures of SMEs performance;
- the identification of critical success factors for SMEs in Italy, as perceived by their owners or managers;
- the identification of the barriers to SMEs survival as perceived by their owners or managers.

The rest of the paper is organized as follows: the definition of SMEs and their importance in European Union and in Italy is presented in section 2, the theoretical background is presented in section 3, research methodology is explained in section 4, main results are presented in section 5, and are discussed in section 6 with conclusions and further research possibilities.

2. The definition of SMEs and their importance in EU and Italy

There are different definitions and classifications of small businesses from country to country based on specific countries guidelines for their categorization.

The official European Commission definition of SMEs takes account of three factors: level of employment, level of turnover and size of the balance sheet (Table 1). SMEs comprise three different categories of enterprises, namely micro-enterprises, small enterprises, medium-sized enterprises (EC, 2017).

SMEs are the backbone of the EU's economy as they constitute 99,8% of all EU-28 non-financial business sector enterprises with a total of 23,8 million businesses and account for 66,6% of total employment (93 million persons) and 56,8% of value added. Almost all (93%) of the SMEs are micro employing less than 10 persons (Muller et al., 2017).

Table 1 - Definition of SMEs in EU and Italy

Company category	Number of employees	Annual turnover (euro)	Balance sheet total (euro)
Micro	< 10	< 2 million	< 2 million
Small	< 50	< 10 million	< 10 million
Medium-sized	< 250	< 50 million	< 43 million

Source: Muller et al., 2017

According to the latest data available from Eurostat, in 2013 the average business birth rate was 11% and the average death rate was 10% (Muller et al., 2016, p. 57).

In all but four Member States, very small businesses accounted for 95% or more of all business births. In 2013 these births were concentrated among businesses with 0 employees in many countries. In the same case were also highly concentrated business deaths. “Less than 2/3 of such firms survive to their second anniversary. The two year enterprise survival rate increases with enterprise size. However, even in the case of enterprises with more than 10 employees, almost 1/5 do not survive to their second anniversary” (Muller et al., 2016, pp. 60-61).

Most pressing issues for SMEs in 2016 were ‘finding customers’ and ‘availability of skilled staff or experienced managers’ (Muller et al., 2017, p. 23).

The compound annual growth rate in 2015 and 2016 was 1,6% for EU-28 SME employment, and 3.5% for value added (Muller et al., 2017, p. 24). The levels of EU-28 SME value added and the number of EU-28 SMEs increased even more sharply in 2016 to 11% higher than in 2008. In particular business services showed the strongest SME employment growth. Instead annual growth in EU-28 SME value added was broadly similar in all key sectors. However, the recovery is not shared by SMEs in all Member States: only 9 countries show full recovery by 2016 in the number of SME enterprises and employment and SME value added; while in six countries (included Italy) SMEs have not yet recovered with regard to each of the three cited performance indicators (Muller et al., 2017, p. 28).

On average in 2015 to 2016, the knowledge intensive and relatively low export oriented sectors were the main drivers of EU-28 SME employment and value added growth.

It is expected that in 2018, ten years after the onset of the financial and economic crisis of 2008/2009, the number of SME enterprises and employment and the value added generated by SME, in the EU-28 non-financial business sector, will be respectively 13%, 3% and 18% higher than in 2008 (Muller et al., 2017, p. 42).

In Italy SMEs are more important in the non-financial business economy than is average for the EU. As shown in table 2 below, the share of Italian SME employment is 78.6% compared to an EU average of two thirds. In particular micro companies are conspicuous by their high share of SME employment (46%). The share of SME value added is two thirds in comparison with the EU average of 56.8% but SME productivity equal to approx 40.700 euro (value added per person employed) is slightly lower than the EU average (euro 43.000). (EC, 2017, p. 2).

Table 2 - Italian SMEs: number and share of enterprises, employee and value added

Class size	Number of enterprises			Number of persons employed			Value added		
	Italy		EU-28	Italy		EU-28	Italy		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	3.538.488	95.1%	93.0%	6.567.225	46.0%	29.8%	197.5	29.3%	20.9%
Small	159.637	4.3%	5.8%	2.869.837	20.1%	20.0%	140.5	20.8%	17.8%
Medium-sized	18.082	0.5%	0.9%	1.781.052	12.5%	16.7%	118.5	17.6%	18.2%
Total SMEs	3.716.207	99.9%	99.8%	11.218.114	78.6%	66.6%	456.5	67.7%	56.8%

Source: EC, SBA Fact Sheet Italy, 2017

In 2012-2016 Italian SMEs registered a drop of 4.3% in employment but value added increased by 5.1%. In 2015-2016 the number of employee increased (+ 1.1%) and also the value added grew (+2.4%). Nevertheless, the economy has still not recovered from the crisis, the 2016 level of SME employment was still lower than 2008 (EC, 2017).

It is expected to continue the stagnation of Italian SMEs. The forecast for 2018 is an increase in value added (only by 0.3%) and a fall of 2.4% for SME employment.

In alignment with the expectations of the SME sector and the Small Business Act principles, the Italian government adopted numerous policy measures in the areas with the greatest progress like the areas of access to finance and skills and innovation; then the areas marked by moderate progress like entrepreneurship, responsive administration and State aid and public procurement. Italy has put a lot of effort into the internationalisation of SMEs since 2008. It defined innovative SMEs recognizing benefits related to reduced red tape, tailor-made labour law, tax relief. Furthermore Italy was one of the first countries in UE to set up rules for the online crowdfunding platforms. Less effort was instead put into single market and environment.

The adopted measures, also those undertaken in previous years, aimed to promote innovation and increase investments and to stimulate growth and competitiveness in future years.

It is also necessary to provide for a newly designed legislation, administrative rules and procedures to be made simple and easy to apply. The burden of bureaucracy and administrative compliance is still heavy. Late payments constitute a major obstacle for Italian SME's cash-flow. The new Public Procurement Code adopted in 2016 to bring simplification, increase transparency, reduce administrative burden and rationalise the sector, is not fully implemented because of the lack of regulatory instruments and guidance. So the participation of SMEs in public tender remains problematic as regards insufficient knowledge of tender procedures, demanding requirements for participation, inadequate segmentation of procurements and so on. Difficulties in accessing credit and finance are still faced by Italian companies. It was also noted that due to insufficient ICT training and ICT skills the performance of SMEs' turnover and sales in e-commerce is low. And the digital identity public system, introduced in 2016, is taking off slowly in the country. Another difficulty concerns poor public support to SMEs for resource-efficiency measures or for the production of green products. It is poor in comparison with many other EU countries (EC, 2017).

3. Theoretical background

3.1. SME Performance Measurement

The concept of success is often associated to the terms of growth or profitability (Jarvis et al., 2000; O’Gorman, 2001; Beaver, 2002). It has been also simplified as being equivalent to continued trading and failure equivalent to ceased trading (Watson et al., 1998). Kesper (2001) stated that SMEs may be termed successful if they have endured the first two years of existence and the owner has met his/her main goals and objectives. Others considered a successful business as having been in existence for longer than two years, having a staff component of more than five and less than 30, making a profit and expanding in terms of infrastructure and growth (Nieman et al., 2003). Brooksbank et al. (2003) equated success with high performance. “There is, however, much debate on how performance should be defined and measured, particularly in the context of small businesses” (Simpson et al., 2012, p. 272). Financial measures such as increases in turnover, profit and return on investment have been traditionally focused. Other measures of performance can be the number of employees, the market share, the turnover, the value-added and the sales (Rajan and Zingales, 1995). A study of McDermott and Prajogo (2012) showed that the interaction between exploration and exploitation innovation has a positive effect on SMEs business performance. But for defining success, criteria based on the personal objectives of the small business owner-managers cannot be ignored (Jennings and Beaver, 1997): desire for personal involvement, responsibility and independent quality and style of life. According to Jennings and Beaver (1997) success can be defined as “the sustained satisfaction of principal stakeholder aspirations” (p. 68). Walker and Brown (2004) argued that “given the strong entwined nature of the business and the owner, personal success often equates to business success” (p. 588) and the relevance of non-financial lifestyle criteria is always higher. From this perspective measurement of performance will consist of a mixture of both financial and non-financial measures “directly related to the definitions of success and the critical factors of success as perceived by the owner-manager” (Simpson et al., 2012, p. 271; Watson et al., 1998).

3.2 SME critical success factors

It is important to underline that while a common measure of success in business is still to be defined, the number of factors that can influence the success potential of businesses and their survival are very large (Beaver, 2002; Simpson et al. 2012). Some Scholars highlighted that success factors can differ from firm to firm depending on size, age, type of industry (Pansiri and Temtime, 2010), enterprises objectives, management practices (Gadenne, 1998), business environment in which the SME operates and requirements of customers (Simpson et al., 2012, p. 270). “It could be said that the concept of success factors unique to each industry group could even prove to be unique to each owner and each organisation, to such an extent that the owner’s perceptions of success would be a relevant starting point” (Simpson et al., 2012, p. 275).

Relating to the characteristics of the entrepreneurs and managers, the decision to stay or not in business is not forced to arise as a result of profit (Harada, 2002). Simpson et al. (2004) put in evidence that a successful entrepreneur has to be ‘goal-oriented’, ‘decisive’, ‘pragmatic’, ‘resolute’, ‘flexible’, ‘self-confident’. They suggested that entrepreneurs with technical and mental abilities, ‘human relations skills’, ‘high achievement drive’ and ‘creativity’ can contribute to the success and to the survival of a small business (p. 484).

As regards the objectives of small business owners-managers, they often related to personal goals, strongly influenced by employees, customers and the social context. Watson et al. (1998) found that a good motivator is the satisfaction of owing a business. Sturges (1999) and

Greenbank (2001) underlined also the job satisfaction and the enjoyment and feeling to do a job well for both owner and employees. Harada (2002) studied that an entrepreneur's previous experience in the industry, previous knowledge of the market and related business experience, have a positive effect on turnover (Simpson et al., 2004, p. 485). This supported the studies of Aldrich and Martinez (2001) who found that prior knowledge is necessary for success, either through training, experience or formal education.

Other success factors identified by Scholars are the “uniqueness of culture, shared values, a collaborative approach between owner-manager and staff, the use of core competencies and building on strengths, employee relations, job satisfaction and fulfilment for owner and staff” (Simpson et al., 2004, p. 485).

Urban and Naidoo argued that for SMEs is essential to develop skills in all management functional areas, in particular the critical functional area of operations that are at the heart of many organizations. “An entrepreneur's technical and operations competencies are an important form of expert power that facilitates the implementation of the business vision and strategy” (p. 147). Heizer and Render (2004) underlined that efficient operations constitute an opportunity for SMEs to improve their productivity and profitability, to reduce costs and improve customer service.

Skills and competencies are acknowledged as critical success factors driving SMEs, that can be further enhanced through the provision of accessible and appropriate skills training (Urban and Naidoo, 2012, p. 147).

The recruitment of quality staff resulted an important challenge and a barrier to success in small firms (Williamson, 2000; Pansiri and Temtime, 2010). For many firms, the attraction, development and maintenance of the human resource were a critical success factor (Pansiri and Temtime, 2010, p. 47). Sales and marketing issues also resulted to be very important problems encountered by small businesses (Huang and Brown, 1999). Maintaining good relationships with customers, having a good product or service, having good marketing skills and creating a brand customers were associated with as critical success factors (Douglas et al., 2017).

Another factor of success, pointed out by Gadenne (1998), was the availability of financial resources.

Urban and Naidoo (2012, p. 151) highlighted that “an important issue facing SMEs worldwide is continuous improvement. In today's markets the inputs of customers and their fast changing needs makes it imperative that enterprises continuously improve the way business is conducted”. De Wit et al. (2007) put in evidence that SMEs need to consider continuously improving production costs, delivery schedules, manufacturing skills, supplier relationship and productivity in all practices. This makes it necessary to continuously improve SME production strategies with customized products and process-focused operations (Gaither and Frazier, 1999).

Mukhtar (1998) studied the differences between male and female owner-managed small businesses in the UK and found that male and female business owners have different motivations and forms of entrepreneurialism.

Teng et al. (2011) underlined the contribution of environmental conditions to business success. They related to satisfactory government support, support of friends and family and access to capital (p. 52).

However the owner's perception of success would be a relevant starting point. Success lacks relevance if the entrepreneur does not view a factor as critical and successful (Simpson et al. 2004, p. 484).

3.3 SME barriers to survival

Urban and Naidoo (2012, p. 150) in their study on SMEs in South Africa found that the survival and growth of a SME are threatened by a lack of entrepreneurial knowledge and business management skills and a lack of training in the field of operations. Also the lack of insight, inflexibility, emphasis on technical skills were characteristics shared by failed firms (Pansiri and Temtime, 2010).

Zimmerer and Scarborough stated that managerial mistakes, failure to develop a strategic plan and poor financial control were the most important reasons for business failures in small enterprises (Karadag, 2015). In this last regard, so were also financial shortage as no accounting background, cash flow analysis, financial records (Pansiri and Temtime, 2010). Salazar et al. (2012) argued that the lack of a strategic outlook in the financial issues was a major threat on the longevity of SMEs as “many of the factors that contribute to failure can be managed properly with strategies and financial decisions that drive growth and the organization’s objectives”. In the 80s of the last century Haswell and Holmes (1989) studied problems of SMEs in different industries and found that managerial inadequacy, incompetence and inexperience were major problems, regardless industry.

Oertel and Walgenbach (2012) argued that partner exits increase the mortality risk of small and medium-sized organizations because “such exits disrupt work routines and communication patterns” (p. 465). “Since partners in small and medium-sized organizations are often participants in important decision-making processes in organizations, their exit is usually followed by restructuring processes that are often complex, cost and intensive” (p. 465). A partner exit usually implies a loss of knowledge and capital investment of organizations and may affect the market strategy of an organization, since some clients can no longer be attracted.

According to a survey of European Commission in 2015, SMEs experienced difficulties in ‘finding customers’, ‘availability of skilled staff’ and ‘access to finance’. The latter was reported only by 10% of enterprises (Muller et al., 2016, p. 70).

A survey of Akinboade (2015) on 575 SMEs located in Cameroon’s central and littoral provinces’ highlighted that a poor location of business, the lack of government support, the burden imposed by municipal regulation and the time taken to be in compliance with tax regulations, negatively affects turnover growth. Also corruption in municipal government has been identified as an important barrier to success (Douglas et al., 2017).

4. Methodology

The context of the research is to an investigation about the critical factors for the survival of Italian SMEs. Due to the explanatory nature of the research, a quantitative survey based method was preferred (Saunders et al., 2009).

The pilot survey was conducted through a questionnaire to 43 Italian SMEs. Since the sample of the pilot survey does not need to be representative of the total population, a convenience sampling technique was adopted (Saunders et al., 2009), and the easiest cases to obtain were selected. Even if not representative, respondents should however be similar to the ones who will be addresses by the actual research (Fink, 2017), therefore only Italian SMEs were included in the sample, in compliance with the selected criteria chosen for the final research, including companies with at least two years of life. The aim of the full research in fact is to examine critical factors for the survival of Italian SMEs, and a two-year threshold was deemed an appropriate proxy to measure survival. Entrepreneurs were chosen on the basis of personal knowledge with the researchers, they were contacted on the phone by the

researchers and directly asked to participate to the survey. An online, self-administered questionnaire was then sent to the entrepreneurs that accepted to participate, together with a cover letter explaining the main purposes of the study. From the initial 43 companies that were contacted, 33 complete questionnaires were received and made the final sample of the pilot study because for the purposes of pilot tests incomplete questionnaire may not be useful.

The questionnaire addresses entrepreneurs, managing directors or executive directors only, since they have a leading role in the company, and they are supposed to have sufficient knowledge about the company and the business.

A cover letter, underlining the target of the questionnaire, was sent to respondents together with the link to get access to the online survey. In the letter it was specifically mentioned that: *“in order to guarantee a better result of the research, the questionnaire should be fulfilled by the entrepreneur himself, or by someone with sufficient knowledge about the company and the entrepreneur, and that is able to answer in his behalf”*.

The survey instrument was developed after a thorough literature review on SMEs survival and success factors.

The questionnaire used in the pilot test is made of 5 sections.

The first part of the questionnaire deals with the respondents' demographic details and the company's general characteristics. This is a quite long section, containing 23 questions concerning: the name and the location of the company, the selection of the role played by the interviewer inside the company among 'entrepreneur', 'managing director' or 'executive director', his level of education, his age and gender, business information concerning the legal framework of the company, the business sector, the year of foundation, the scope of operation (whether locally, nationally or internationally), the number of employees at the start of the activity and currently, the possible presence of the owner's family among the company's employees. The interviewees was asked if he/she has had previous experience in managing the business, if his parents owned a company (the same or another company) and if they were working in the same activity. Then the respondents was asked the gender of the owners, the presence of family ties between the owners, the possible abandonment of the company and the occurrence of a failure by a holder or partner, the receipt of financial aid, if any, of what kind, the use of support / advice services, the endowment of a website, the use of social media and who would take over the management of the company if the owner could no longer do so.

Section 2 involves only one question, and respondents are asked their level of agreement on a 5 point Likert scale with respect to 10 personality traits they identify with. They were asked if they are decisive, resolute, pragmatic, self-confident, creative, focused on achieving success, goal-oriented, expert in business and if they have good interpersonal skills and an excellent knowledge of business activity.

In Section 3, respondents were asked to select from a list of indicators which they use to measure the performance of their company. The indicators proposed on the basis of literature analysis are: growth, turnover, net profit, return on investment (ROI), employment level, sales, market share, customer satisfaction and customer loyalty, business survival, achievement of personal goals, expansion of infrastructures, capacity for innovation. Then a heading “other, please specify” is added, to include all possible relevant topic and to allow potential suggestions to come from respondents (Bell, 2006; Fink, 2017).

Section 4 involves a list of 33 possible critical SMEs success factors that can be rated on a 5 point Likert scale ranging from very unimportant to very important. Section 5 involves instead a list of 29 possible barriers for the survival of the business that can be rated, again on a 5 point Likert scale, from very small to very large. The heading “other, please specify” is

added to both sections 4 and 5. Critical SMEs success factors and barriers were derived from the literature review.

In the final part of the questionnaire, respondents are asked the time they needed to complete the survey, and whether they have any additional suggestion or observation, as recommended by the literature (Bell, 2006). Respondents also find the possibility to leave their email contact if they wish to receive additional information.

The aim of this paper is to present the results of an initial pilot survey sample of 33 Italian SMEs to reflect on the initial evidence regarding the success factors of the SMEs and the barriers to their survival and to verify whether the variables identified in the analysis of the literature are confirmed for the Italian SMEs as there are no scientific studies conducted in this field in the Italian context.

In the next section, results deriving from the analysis of the pilot questionnaires are presented.

5. Results

5.1 Demographics

Of the 33 responses collected, 94% were from corporations, 3% were from partnerships and 3% were from sole ownership businesses. The 67% of the small firms analysed were family business and just over 48% of 33 SMEs had undergone changes in partners.

The analysed SMEs operated in different sectors of Italian industry including, in particular, manufacturing (49%), retail and wholesale (18%), professional and technical services (9%), rental and mechanical workshop (9%) information and communication services (3%), training and entertainment (3%), hospitality (3%), travel (3%), construction (3%).

Also the geographical extension of these SMEs operation is quite diversified: 7 company worked only locally, 9 only in Italian market, 4 only in the EU area, 2 in EU and extra-EU market (but not in Italy), 3 firms operated in Italy (but not locally) and in all the market of the world and other 3 companies had wholly internationalized their business and covered all the world. The last 5 SMEs operated in a market that is the result of a combination between local, Italian, EU and Extra EU areas.

The age of these SMEs was between 2 years and 69 years and the mean age was around 30 years old.

The respondents themselves included 24 CEOs, 5 top managers, 4 employees. With regard to the education level of respondents, 15% had postgraduate level, 6% had university level, 64% had college level and 15% had a secondary school level education.

About the dimensions, 12% of the respondents were medium enterprise with maximum 108 employees while 36% were micro firms with less than 10 employees and 52% were small firms with no more than 45 employees.

5.2 SMEs Supports

The most popular sources of support for the 33 respondents were the consultants (included trade associations) and then the market contacts, while the least used supports were academics and government supports agency (Table 3).

Table 3 - Sources of support for SMEs

Business Support	Mean	Std Deviation
Consultants	2.70	0.94
Market contacts	2.03	0.94
External Accountants	1.58	0.85
Network of social contacts	1.48	0.66
Academics	1.39	0.60
Government Support Agencies	1.15	0.36

Source: Authors own data

5.3 Performance Measurement

The most used performance measurement was the customer satisfaction followed by turnover, net profit, innovation capability and growth. Less relevant were financial indicator like market share, sales and return on investment. However the latest used measures were meeting personal goals and expanding infrastructure.

5.4 Entrepreneurial Characteristics

The respondents' opinion about the entrepreneurial characteristics highlight that the most important features were the excellence knowledge of the specific business, the goal orientation, the personal determination. To be experienced business person, to be resolute and creative were the least important characteristics but their mean value were more than 3.24 that reveal a sufficient attention also to this features (table 4).

Table 4 - Entrepreneurial Characteristics for Italian SMEs

Entrepreneurial characteristics	Mean	Std Deviation
I have excellent knowledge of my business	4,21	0,64
I am decisive	4,15	0,50
I am goal oriented	4,15	0,61
I have good interpersonal skills	3,94	0,69
I am self-confident	3,91	0,83
I am pragmatic	3,70	0,83
I have high achievement drive	3,67	0,91
I am creative	3,64	0,92
I am resolute	3,58	0,89
I am an experienced business person	3,24	0,70

Source: Authors own data

5.5 Critical Success Factor

On the bases of the respondents opinion the three most important factor that contribute to the success of their business were the good quality of products and services, the ethical behaviour, the maintaining good relationship with customers.

The least important and crucial factors for the success of the 33 SMEs were instead perceived the good local knowledge and the having a high level of education (table 5).

Table 5 - Critical Success Factors for Italian SMEs

Critical Success Factors	Mean	Std Deviation
Good quality product or service	4.61	0.98
Ethical behavior	4.48	0.82
Maintaining good relationships with customers	4.48	1.08
Continuous improvement	4.39	1.04
Employee empowerment	4.33	0.84
Ability to find new customers	4.30	0.76
Being able to recruit high quality staff	4.27	0.90
Good financial management	4.27	1.08
Good employee relations	4.24	0.82
Having government policies that foster an environment that is favourable to small businesses	4.24	0.89
Short waiting times	4.21	1.01
Satisfied employees	4.21	1.01
Having good operations skills	4.15	0.89
Being able to retain high quality staff	4.15	0.99
Employee involvement	4.12	0.84
Having good leadership qualities	4.06	0.98
Supplier quality	4.03	1.03
Creating a brand that customers associate with	3.97	0.83
Having access to appropriate training	3.97	1.00
Knowledge management	3.94	0.81
Use of information technology (IT)	3.91	0.93
Having sufficient cash to pay suppliers	3.88	1.04
Working in a cluster	3.82	1.03
Being able to access business advisors	3.76	0.89
Having good marketing skills	3.76	0.92
Benchmarking ability	3.73	0.83
Convenient location	3.73	0.96
Having access to long term credit	3.70	0.94
Having access to short term credit	3.48	0.89
Having previous business experience	3.42	0.82
Good international networks	3.42	1.10
Having a high level of education	3.39	0.78
Good local knowledge	3.33	1.22

Source: Authors own data

5.6 Barriers to the survival

Based on the perception of the respondents the most relevant barriers to the continuity of their business is the high level of business taxes followed by the lack of skilled workers, high local government taxes and the excessive government regulation.

Conflict between family members, the lack of education of the management, partial change in ownership and difficulties resulting from the generational passage were not felt as particular considerable barriers to the survival of the SMEs (table 6).

Table 6 - Barriers to Italian SMEs' Survival

Barriers to the Business	Mean	Std Deviation
High business taxes	4.48	0.65
Lack of skilled workers	4.03	0.66
High local government taxes	4.00	0.94
Too much government regulation	4.00	1.08
High costs of production or labor	3.79	1.05
Inability to recruit quality staff	3.64	1.02
Lack of operations skills	3.61	0.80
Lack of product or service innovation	3.61	1.14
Poor financial management skills	3.52	1.11
Lack of training opportunities	3.45	0.94
Inability to attract new customers	3.45	1.06
Lack of management skills	3.42	0.97
Lack of business knowledge	3.39	1.16
Lack of marketing skills	3.33	0.90
Lack of government support	3.33	1.05
Lack of access to finance	3.27	1.01
Lack of vision	3.27	1.33
Lack of business experience	3.21	1.02
High rents for premises	3.21	1.28
Changing neighborhood environment	3.18	0.89
Lack of infrastructure	3.18	0.92
Local competition	3.18	1.07
International competition	3.18	1.20
National competition	3.09	1.12
Lack of business advisors	3.06	0.84
Difficulties resulting from the generational passage	2.88	1.25
Partial change in ownership (if applicable)	2.82	1.04
Lack of education of the management	2.82	1.20
Conflict between family members (if applicable)	2.67	1.36

Source: Authors own data

6. Discussion and conclusion

The results of the pilot research confirm the evidence emerging from the literature analysis. All the characteristics of entrepreneurship have an average higher than 3.24 and critical success factors report an average above 3.33

The study also confirms the importance of many barriers to survival highlighted by literature analysis, except for some barriers considered unimportant (given their average below 3) as the ‘difficulties resulting from the generational passage’, the ‘partial change in ownership’, the ‘lack of education of the management’, the ‘conflict between family members’.

It would probably be appropriate for respondents to express themselves by indicating in an order of importance the characteristics of entrepreneurship, the critical success factors and the barriers to survival that they consider most relevant.

Or, in any case, it would be appropriate for respondents to express on which investments they would focus their attention by indicating them with a priority order. In this way the direction in which they would orientate and support the development path of the company would emerge with greater clarity.

The factors on which companies would invest to ensure their success and the barriers to which they would pay more attention to ensure their survival would be identified with greater adherence to reality.

The companies interviewed have an average of 30 years and are open to the international market. None of them records a reduction in the number of employees compared to the start time. Under this last aspect, companies have therefore increased their size.

Among the most important features of entrepreneurship stands out the excellent knowledge of the business.

Regarding the critical success factors as well as good quality of supply and maintaining good relations with customers, respondents stressed the importance of continuous improvement. As emerged from the analysis of the literature in fact SMEs need to consider continuously improving production costs, delivery schedules, manufacturing skills, supplier relationship and productivity in all practices (Urban and Naidoo, 20012, p. 151).

And among the barriers to survival they underlined the high taxation at both national and local level, the lack of specialized personnel and the bureaucracy resulting from the excessive regulation to which companies are subjected. In this regard they complain about the further difficulty of the existence of a different regulation from country to country, an element that affects competition.

“It is generally accepted that the business environment of SME’s is extremely difficult, dynamic and diverse and that even within the same industry different SMEs experience different trading conditions. These features make it very difficult to draw conclusions about the CSFs and performance of SMEs in general” (Simpson et al., 2012, p. 267).

This paper represents an exploratory study of Italian SMEs. The questionnaire can be further developed and the research can be usefully directed to a greater number of companies operating in the same sector and operating in other Italian regions in order to obtain more valid and reliable data.

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