

Identifying Critical Success Factors for Southern Italy SMEs: Some Evidences from a Pilot Study

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Abstract

Small and Medium Enterprises (SMEs) play a pivotal role in Italian economy in terms of employment and socio-economic development. Much of the literature on the topic, adopting a deterministic approach, mainly delves on their weaknesses. At the same time, emerging managerial literature underlined the need for define those critical success factors (CSFs) which make SMEs able to stay competitive and viable over the time. In this scenario, research is still lacking of consensus on how address this intricate ssue. Therefore, the aim of this study was threefold, 1) reviewing the literature in order to identify those success factors suitable for SMEs, 2) prioritising the success factors of southern Italy SMEs, and 3) correlating success factors to performances. A preliminary pilot survey was administered. The non-probabilistic sample – 30 southern Italy SMEs – was chosen according to convenience criteria. The survey, built upon the previous research on SMEs, was conducted through an online self-administered questionnaire, while the collected data statistically analysed. The findings pointed out that inter organizational CSFs are more relevant than the external ones; then, it emerged the need for investigating them in a holistic way in order to grasp how they boost to the overall performances.

Keywords

Success factors; SMEs viability; Southern Italy SMEs, Performance.

1. Introduction

Small and Medium Enterprises (SMEs) are considered as the main contributors to socio-economic growth of both developed and developing countries (Singh et al., 2008; Douglas et al., 2017; Sadeghi, 2018). If compared with larger firms, SMEs demonstrate distinctive strengths and weakness. However, much of literature on the topic mainly delves on their weaknesses, underlining the existence of some common problems related to their limited resources. According to this perspective, research mainly underlined SMEs weaknesses, such as low productivity, difficult access to credit and low cash flow, inadequate R&D investments, which led them to be more incline to fail (Franco and Haase, 2010; Artinger and Powell, 2016). However, the extant literature calls for investigating the reasons of SMEs weakness, adopting a non-deterministic approach, because, in an even more competitive arena, SMEs managers should point to improve the overall performance and, therefore, corporate viability (Kim et al., 2008). Defining what exactly are successful SMEs as well as which are the factors at the core of their success is a still wicked issue. To this end, managers should understand what really affects SMEs performance and their ability in adapting corporate conduct to internal and external peculiarities, identifying those specific Critical Success Factors (CSFs) that make firms able to gain a long-lasting competitive advantage (Wu et al., 2005). Even though the importance of outlining SMEs' CSFs (Winkelmann and Klose, 2008; Doom et al., 2010; Haddara and Zach, 2011), most of research on the topic delves on large firms based in developed countries, while few contributions identified SMEs' success factors. Moreover, in the extant literature there is no consensus on how address this complex topic (Sadeghi, 2018), both in terms of which are the success factors able to boost the overall performance and the more suitable methodologies that researchers should choice (Dobbs and Hamilton, 2007). Therefore, this analysis aims to bridge the aforementioned gaps going through three main steps, 1) reviewing the literature in order to identify those success factors suitable for SMEs, 2) prioritising the success factors of southern Italy SMEs, and 3) correlating success factors to performances.

The success factors prioritisation has been based on the analysis of some questionnaires results administered to business owners and managers of 30 SMEs settled in the south of Italy. This led to underline the interdependence existing between these factors and the overall performance. Even if the analysis was conducted on a pilot sample, it worth noting that this study represents the first step of a broader national and international research, which involves many scholars and is aimed at developing an integrative theoretical framework on the topic and a performance evaluation model for SMEs based on their critical success factors.

The remainder of this paper is organized as follows. Section 2 briefly defines SMEs, underling their role in Italian national economy, with a focus on southern SMEs in order to underline their peculiar characteristics and critical issues. The following section 3 delves on a review of literature on SMEs success factors and the measures of performance. Section 4 focuses on research design and methodology, while in the sections 5 findings are presented and discussed. The last two sections conclude with final remarks and theoretical and managerial implications.

2. SMEs: definition and characteristics

Small and Medium Enterprises (SMEs) are the driving force behind the growth of European economy. Thus, they represent an essential source of socio-economic development, able to boost the competitiveness of European markets. These firms – which are near to 200 million –

represent the backbone of European Union (EU) economy, covering for the 2016 the 99.8% of the total number of firms and employing the 66.5% of all European workers (European Commission, 2017). SMEs deliver 57.6% of the total Gross Value Added that the European private and non-financial economy produced (Eurostat, 2017).

SMEs classification and definition highly varies from country to country based on the national guidelines used for their categorization. However, in Europe the most common criteria are the number of employees, the annual turnover and the value of assets. Table 1 depicts the definition of SMEs provided by European Commission (see table 1).

Table 1: European Commission Definition of SMEs

Enterprise Category	Number of employees	Annual Turnover	Balance Sheet Total
Micro	< 10	≤ € 50 m	≤ € 43 m
Small	10 – 49	≤ € 10 m	≤ € 10 m
Medium	50 – 249	≤ € 2 m	≤ € 2 m

Source: European Commission Eurostat

The most EU28 SMEs are micro enterprises (less than 10 employees) and their employment growth (1.5%) is totally due to their rising number, even though in recent years (in 2014 and 2015) the average number of employees were not found to have a significant variation. In 2015, better performances characterized European SMEs, due not only to the improvement of macro-economic conditions, but also to the increase of domestic demand (European Commission, 2015).

The majority of SMEs acts in low export intensity, mainly and sometimes just directed to other EU28 member states; while the most important business areas are: 1) accommodation and food; 2) business services; 3) construction; 4) manufacturing; and 5) wholesale/retail trade (Eurostat, 2017). Thus, these sectors cover over the 78% of SME employment and the 71% of their value-added. It is precisely because of SMEs' numeric and value importance that European institutions (e.g. European Commission, Eurostat, etc.) develop systematic studies, analysis and reports to gain information about SMEs' issues and to support them especially in their early stages. For example, to enhance start-ups development, government introduced specific programs such as the so-called "second chance" (see EU Small Business Act principles), pointing to strength their ability in overcoming the critical stage of market position (European Commission, 2017).

2.1 The role of SMEs in Italian economy

In Italy, as in UE28, SMEs represent the backbone of national economy. In fact, almost the totality (99.9%) of Italian firms have less than 250 employees and 95% of them less than 10 employees (ISTAT, 2016; Eurostat, 2017). These firms also generate about 70% of total value added and about 80% of national employment, being the major driver of national development. In 2015, there were about 6.1 SMEs per 100 inhabitants, while they contributed for 99.9% to national economy; therefore, in EU28 Italy is second just to Greece (European Commission, 2017).

Italian SMEs landscape is characterized by some structural peculiarities, such as the high fragmentation, a familiar capitalism, a lower firms' viability if compared with UE28, a high

concentration in mature industries, a political and economic system characterized by high complexity and one of the highest tax rate.

The fragmentation can be read according to two main directions. The first one characterized by a geographic and territorial orientation, according to which SMEs are concentrated mainly in the northwest regions and, in particular, in the so-called “industrial triangle” (Bellandi, 2002), which encloses Lombardy, Piedmont and Liguria. Other SMEs are settled in regions such as Veneto, Emilia Romagna, Tuscany and Marche (De Luca, 2009; Ganau and Rodríguez-Pose, 2018), often organized in industrial districts. Finally, a high geographic dispersion characterizes the SMEs settled in other Italian regions (e.g. central and southern regions). The second is related to the fact that the national productive system is largely made up of micro firms, the most of them settled in the South of Italy.

In 2016, the number of micro firms has expanded significantly (Cerved PMI, 2017), with a peak in the service sector (73%) (ISTAT, 2016). In the same year, these firms highly contributed (61%) to the growth of national value added (ISTAT, 2017). However, the fragmentation of Italian SMEs in a multitude of micro firms still constrains the development of national productivity and the innovativeness of the country, especially in the southern regions (Wired and Cotec, 2009; Svimez 2015).

Another peculiar characteristic of Italian economy is its enduring orientation towards family capitalism. The family SMEs are distributed all over the country; in particular, 60.6% are settled in the northwest, 68.5% in the northeast, 64.6% in the central regions and 79.2% in the south of Italy (Osservatorio AUB, 2016). According to a recent report, the most of family businesses are characterised by a very small dimension (micro firms) and are mainly active in the craft industry, with a peak in furniture, food and fashion industries, the three pillars of the Made in Italy (Bertoli and Resciniti, 2013; Cappelli et al., 2017). However, in family capitalism, being the ownership concentrated among family members, one of the main risks for business development is the possible conflicts of interest between business and family goals (Koiranen, 2002). Family business inspired a lively debate among scholars, who advanced an ambivalent reading of the phenomenon. On one hand, family business scholars pointed out that familiar values represent one of the key pillars for the competitive success and the viability of family businesses (Coda and Corbetta, 2004; Ward, 2004). On the other hand, the literature (Ciasullo, 2004; Bonti and Cori, 2011) underlined that family capitalism can negatively evolve in the so-called “familism”, based on a close mixing between familiar and corporate asset. This situation can lead to some different consequences, such as the personal benefit for some family members, the misappropriation of funds, a general lack of transparency or even corruption and nepotism. All the afore-mentioned factors constrain SMEs growth and viability, while the dynamism of actual market and business conditions call for fast and prompt corporate changes.

When compared with EU28, Italian SMEs are also characterized by a higher mortality rate and this gap is yet to be completely bridged. Thus, almost 36% of these firms do not survive after the first two years of doing business (Eurostat, 2017). Several are the factors that constrain SMEs surviving, among others bankruptcies and other forms of unintentional business cessations (SVIMEZ, 2016), which are more common among the youngest and smallest firms. In particular, if in the EU28 most cancellations are unintentional (e.g. bankruptcy via creditor legal action), in Italy the situation is quite different, because most cancellations are voluntary and, in several cases, due to bankruptcies (e.g. voluntary action of ownership) and other voluntary business cessations (e.g. the inability in running business) (SVIMEZ, 2016). Therefore, a high mortality rate still characterizes Italian SMEs, even though a smooth turnaround has arisen in the last years (2015 and 2016) paving the way for an economic

recovery, built upon strong financial and income foundations (Cerved PMI, 2017). In particular, in 2016 the total of SMEs grew up to 5 thousand, a significant increase which pushed the number of these firms to 145,000. However, if compared with EU28, Italian SMEs growth rate – as well as their productivity – remains slow (Eurostat, 2017).

Italian SMEs landscape is also characterized by a high concentration in manufacture, which generates almost one third of all national SMEs value added (SVIMEZ, 2015). In this context, a high specialization in mature industries such as fashion, furniture, mechanical automation, food and beverage and a high weakness in high tech industries and the related service sectors emerges. In particular, in the northern regions SMEs are mainly active in industrial sectors (e.g. automotive, metallurgic, mechanics, electro technical, service sector) and in services sector, in the central area, they are mainly devoted to manufacture, which activities have been often concentrated in specific industrial districts or clusters (e.g. footwear, textile, etc.) (Goodman et al., 2016; De Marchi et al., 2017). Finally, in the southern regions, SMEs are mainly focused on agro-food sector and, for smaller rate, on manufacture (ISTAT, 2016).

Last but not least, another structural peculiarity of Italian SMEs is the increasing bureaucratization, which has led to a complex national and local tax system and to the rising of tax wedge on labour and to a national legislative overkill that constrain the general business development (Castelnovo et al., 2014). In sum, the growth of Italian SMEs is constrained by too much government regulations, apart from the high rate of local corruption, which is particularly severe in southern regions.

The table below (see Tab.1) summarizes some of the peculiar traits of Italian SMEs.

Table 2: Italian SMEs’ numbers, people and value added

Type of Enterprise	Number of Enterprises	Share (%)	Persons Employed	Share (%)	Value Added (Billions €)	Share (%)
Micro	3,552,31	95.1	6,657,193	46.5	190.8	29.5
Small	162,263	4.3	2910669	20.3	138.7	21.4
Medium	18352	0.5	1792702	12.5	110.8	17.1
SMEs	3,733.00	99.9	11,360,564	79.3	440.3	68.0

Source: adapted from SBA Factsheet- Italy 2016

2.2 A focus on southern Italy SMEs

The contribution of southern Italy SMEs to national socio-economic growth is still marginal, if compared with northern ones (Ganau and Rodríguez-Pose, 2018), even if in 2015 the starting of the recovery phase of the macro economy has triggered some little progresses in business arena. This progression has been described in the “Report Sud”, a research on the current economic situation of southern Italy (Busetta, 2017), pointing to define strengths and weakness of national economy. However, some negative issues affect southern SMEs, among others a territorial density lower than the national average and a higher business churn rate.

Most of the extant literature analysed some of the specific factors that characterize the context in which southern SMEs operate and which make their development path complex, such as:

- a) The production system weakness due to the smaller firms' dimension, sectors of expertise, innovation and internationalization skills, which negatively affect their competitiveness and productivity (Giannola, 2015);
- b) The lack of skilled human capital, due to the growing migration of skilled workers to escape from a national system characterized by decreasing salaries, low productivity and poor investment in R&D (Sergi and Barberis, 2017);
- c) A difficult access to credit, which is more rigid and costly because of the high risk due to their low profitability and their financial weakness (Banca d'Italia, 2013; SVIMEZ, 2016);
- d) An enduring corruption (SVIMEZ, 2015; Calignano and Hassink, 2016), due to the low efficiency of justice system and the high criminality rate (Bonaccorsi Di Patti, 2009). Thus, in southern regions the organized crime constrains production activities as well as business management (e.g. through extortions, damages, infiltration of public contracts, collusive relationships with institutions, etc.), hindering the free competition and the socio-economic development (Busetta, 2017).
- e) The low efficiency and quality of infrastructures and public services (e.g. education, justice and local transport) (Carmignani and Giacomelli, 2009; Conti et al., 2013; La Rosa et al., 2018), which in these regions makes starting and running business more expensive and complex than in the others (Franco, 2010).

The afore-mentioned contextual factors highly affect southern SMEs development, nourishing a vicious spiral in terms of local and national socio-economic growth. In fact, even if these factors are more evident in southern SMEs, they reflect a weak competitive position in the world ranking (45th place) if compared with other developed countries (The World Bank Group, 2016).

3. Literature review

3.1 Enabling factors to SMEs viability

In managerial literature, a number of studies were aimed at identifying the factors at the core of SMEs' success. However, if, on one hand, scholars recognized the importance of this topic (Winkelmann and Klose, 2008; Doom et al., 2010; Haddara and Zach, 2011); on the other, there is no consensus on the way to address the issues due to its inner complexity (Sadeghi, 2018). In a similar vein, Watson et al. (1998), in their literature review on the most common success factor for SMEs, maintained "there is no simple pattern" (p. 222), while Gadenne (1988) argued that the lack of a general theoretical framework constrains to much research. Echoed these findings Simpson et al., (2012), who maintained that the literature on the topic lacks of consensus on which success factors are able to boost performance and, therefore, SMEs' viability. Moreover, a number of studies often approached success factors as independent entities and, just occasionally, they focused on the interrelations existing between them. Singh et al. (2008) discussed the above-mentioned limits, arguing a "holistic approach has not been adopted to analyse the competitiveness. Researchers analysed certain aspects of competitiveness in isolation" (p. 536). However, in recent times some studies started to challenge this complex issue; in particular, Karpak and Topcu (2010) tried to add the dependence to success measures in order to give priority to SMEs success factors. In a similar

vein, Sadeghi (2018) investigated the influence of a wide set of factors on the success of Iranian high-tech SMEs and developed a specific performance evaluation model.

Even though the literature is still fragmented (Gadenne, 1988; Dobbs and Hamilton, 2007; Douglas et al., 2017), success factors can be divided into three main categories: external environment characteristics, firm’s internal environment characteristics, owners/managers characteristics (Simpson et al., 2012). In the first case, there is a wide consensus on the higher influence that environment features (e.g. social and political systems, legislation and technological trends), infrastructure factors, environment dynamism and competitive intensity have in enabling or constraining firms’ success or failure (Halabi and Lussier, 2014; Rogoff et al., 2004; Watson et al., 1998; Zahra, 1993). Thus, scholars (Ang et al., 2002; Pansiri and Temtime, 2010) considered success factors as directly influenced by the industry sector, the business environment in which SMEs operate and customers’ demands. Drawing on the main characteristics of firm’s internal environment, the extant literature highlighted the importance of the following factors; human capital (Cooper et al., 1994), strategic planning (Olson and Bokor, 1995), financial situation (Theriou et al., 2015), product characteristics (Coy et al., 2007), strategies and plans (Forrest, 1990), organizational size and structure (Meijaard et al., 2005), and organizational culture (Choueke and Armstrong, 2000). Shifting the focus on owner/managers characteristics, scholars underlined that successful entrepreneurship rise up from specific psychological and personal traits. The most common of them are risk-taking in challenging situations (Stewart Jr and Roth, 2001), flexibility and tolerance of ambiguity (Mueller and Thomas, 2001), managerial and leadership skills (Benzing et al., 2009), decision making and problem solving ability (McClelland, 1987), innovativeness and creativity (Stewart Jr and Roth, 2001), educational background, prior knowledge and experience (Simpson et al., 2004), and support of family and friends (Benzing et al., 2009).

Table 1 exhibits the main success factors rising from the review of the literature.

Table 3: Main success drivers and factors.

Main success drivers	Main success factors	References
Policies and regulations	<ul style="list-style-type: none"> • Government support • Financial aids • Private sector protection programs • Private sector labour law • Tax system 	Halabi and Lussier, 2014; Rogoff et al., 2004; Watson et al., 1998; Zahra, 1993.
Technological	<ul style="list-style-type: none"> • Technological progress • Access to technical knowledge • Close relationship with public and private research centres 	Halabi and Lussier, 2014; Rogoff et al., 2004; Watson et al., 1998; Zahra, 1993.
Market characteristics	<ul style="list-style-type: none"> • Demand development rate • Intensity of business competition • Relationship with suppliers • Relationship with retail 	Lussier, 2014; Pansiri and Temtime, 2010; Rogoff et al., 2004; Ang et al., 2002; Watson et al., 1998.
Entrepreneurs characteristics	<ul style="list-style-type: none"> • Experience • Risk acceptance • Creativity and innovation • Leadership skills • Family support • Entrepreneurship values 	Benzing et al., 2009; Simpson et al., 2004; Stewart Jr and Roth, 2001; Mueller and Thomas, 2001; McClelland, 1987.
Firm characteristic	<ul style="list-style-type: none"> • Size • Firm life cycle • Corporate values • Family business 	Theriou et al., 2015; Meijaard et al., 2005.

Human resources	<ul style="list-style-type: none"> • Expertise and competence • Experience • Education • Teamwork capabilities 	Zahra, 1993; Cooper et al., 1994.
Strategic	<ul style="list-style-type: none"> • Strategic intent • Flexibility • Strategic collaborations 	McClelland, 1987; Forrest, 1990.
Organizational	<ul style="list-style-type: none"> • Organizational culture • Organizational learning • Commitment • Responsiveness 	Simpson et al., 2004; Choueke and Armstrong, 2000; Zahra, 1993.
Offering characteristics	<ul style="list-style-type: none"> • Offering quality • Uniqueness of offering • After-sales services • Easiness of use 	Coy et al., 2007.
Company expertise	<ul style="list-style-type: none"> • Marketing • Human resource management • R&D • Customer Service 	Olson and Bokor, 1995; Cooper et al., 1994.

Source: authors' elaboration

3.2 SMEs Performance Measurement

Even though the literature recognised that success has to be related to performances, because they represent the synthesis of success factors (Simpson et al., 2012), a lively debate still focuses on success indicators' definition of (Rogoff et al., 2004) as well as on performance definition and measurement. Drawing on measures, the most common of them are growth (e.g. employed numbers), profits, turnover, profitability and return on investments. However, Saunila (2016) maintained that performances not only represent firms' viability, but also the drivers of firms and their stakeholders' growth and development. In this sense, Olive et al., (2000) considered performance measures as performance indicators, which can "consist of monetary or non-monetary parameters" (p.175). Finally, when applied to SMEs, the number and differences existing between owners/managers goals add complexity to performances' definition and measurement (Beaver, 2002). In a critical review of contributions on performance analysis, March and Sutton (1997) shed lights on the fact that organizations might have multiple purposes. Echoed Murphy et al. (1996), who pointed out the relationships existing between the most common performances measures. The achieved findings revealed that performances could not be approached as a one-dimensional construct. Despite these concerns, the most of research focused on measures used for assessing financial performances and business growth (Reid and Smith, 1999; Freel and Robson, 2004; Wood, 2006). More recently, some scholars recognized the existence of some alternative performance goals (Johnsen and McMahon, 2005; Poon et al., 2006); however, the empirical research on the topic is still limited.

Lumpkin and Dess (1996) argued that the measurement of organisational performances should be based on growth, market share and profitability, "overall performance" indicators as well as on non-financial factors. These factors have been also defined "operational performances", including both how results are achieved in terms of resources utilization, quality and innovation and the objectives and aspirations of owners/managers. Therefore, measures of operational performances enclose how results are achieved in terms of resources utilization, quality and

innovation. However, most of empirical research on the topic tend to use in a deterministic way a specific performance measure, often related to financial parameters and ignoring the relationships between success factors and the overall performances (Sadeghi, 2018). Follows some of the most common measures of performance rising from the review of literature:

- Growth
- Turnover
- Net profit
- Return on Investments
- Employment levels
- Sales
- Market share
- Customer satisfaction
- Customer retention
- Continued existence
- Meeting personal goals
- Expanding infrastructure
- Innovation capability

4. Research Method

4.1 Research design

This study was built upon a mixed method; thus, the extant literature was reviewed with the aim of both determine the main factors that drive SMEs success and the performance measures. This review inspired the design of a pilot survey administered – using a questionnaire for data collection – to 30 Southern Italy SMEs’. The pilot testing of the survey was done in order to check the relevance of questions according to owners/managers perception.

The operationalization of main success factors and the performance measures, which arose from the literature review, led to design the survey and to define the main variable to be assessed. Thus, success factors represent a “dashboard” which let to asses which of them owners/managers perceive as critical for their firms’ success. Due to the explorative nature of the research, the sample of 30 SMEs was non-probabilistic, while the access to these owners/managers was gained via personal contact and through an online self-administered questionnaire.

4.2 Data collection and data analysis

A total of 21 questions were asked to owners/managers in order to gain some data related to: a) dimension (e.g. number of employees, industry sectors, start-up age, legal form and education level), b) success factors and c) performance measures. In particular, the perceived importance of the questions related b) and c) were based on Likert scale of 1-5 (Brown, 2000), where 1 – totally disagree, 2 – disagree, 3 – neither disagree nor agree, 4 – agree, 5 – totally agree. The survey was undertaken over a period of two months (form the 1st March to 30th May 2018), all the questionnaires were returned, with a 100% response rate. Data were analysed using IBM SPSS Statistics 23 and, according to Rieke et al. (2006), were pointed out the factors able to describe the selected constructs through the Principal Component Analysis (PCA)

(Churchill, 1979). In the following, the reliability of each measurement scale rising from PCA was tested (Jolliffe, 2002). In particular, at first the PCA were conducted on the 43 success factors rising from the literature review (see tab.3) and let to identify 5 main independent variables. The same was done with performance measures; thus, 4 dependent variables were identified. The relevance and reliability of success factors and performances were tested through an iterative process which results were values always higher than the minimum acceptance threshold. To grasp CSFs incidence on performances, 4 model of linear multiple regression were tested.

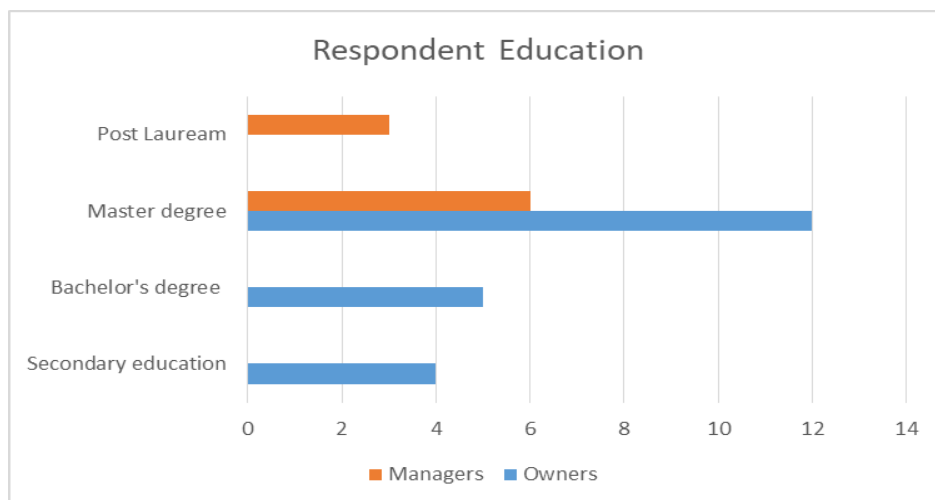
5. Results and discussion

5.1 Sample demographic characteristics

Of the 30 respondents, 70% were business owners, 30% managing directors, 40% of them were women and the remaining 60% men. More in details, 64% owners were men and the remaining 36% were women, while 80% managers were men and just 20% women. Focusing on respondents' education and in particular on owners, 80% had a master degree, 13% bachelor's degree and 7% a secondary education. None were post Lauream educated. The respondent managers had 67% a master degree and 33% bachelor's degree (see Fig.1).

It worth noting that of the respondents 70% operate in a family firm, which property is owned by family members. The most of companies were small-sized, being characterized by a number of employees lower than 50. In particular, 32% were micro enterprises, 61% small and 7% medium, with around 100 employees. The least number of employees at start-up was one and the most was twenty.

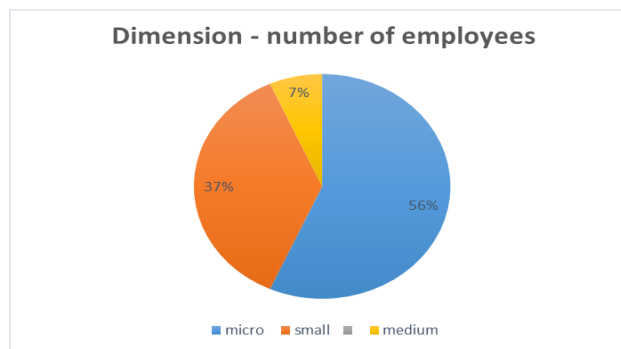
Figure 1: Respondents' education



Source: authors' elaboration

Two of the respondent SMEs had a significant growth in terms of employees' number, passing from 10 to 120 in the first case and in the second case from 1 to 100, but 4 of them had the same number as at start-up and none of them had reduced their head count (see Fig.7).

Figure 2: Number of employees



Source: authors' elaboration

The main sectors in which SMEs act was agro-food and logistics. Follows, wholesale and retail trade, information and communication services, health care services, renting and business services, construction and professional services. In particular, 30% of respondents were active in agro-food, 15% in logistics, 11% renting and business service, 11% information and communication services, 11% construction, 8% wholesale and retail trade, 7% professional services and 7% health care services.

Focusing on the two main industry sectors, agro-food was made up of 67% food enterprises (e.g. pasta factory, tomato canning factories, etc.), 23% SMEs active in wine business, while, and the category logistics was mainly made up of companies active in retail logistic and raw material transportation. The eldest SMEs were active in agro-food and logistics. In particular, the first group were made up of the highest number of enterprises active since from the '60s (eight SMEs), while the second group was made up of enterprises which were born just in the '70s and '80s (see Fig.3).

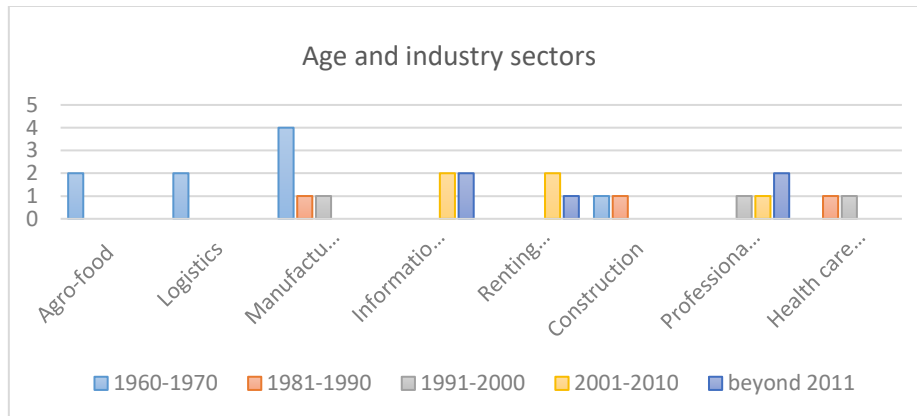
Figure 3: Sample industry sectors



Source: authors' elaboration

Otherwise, the youngest companies were active in Information and communication services; thus, they were born in the first decade of the XXI century and beyond 2011.

Figure 12: SMEs' age and industry sectors



Source: authors' elaboration

5.2 Critical Success Factors identification

The Principal Components Analysis let to define 5 independent variables perceived as success factors: 1) Human Resource Management, 2) Organization, 3) Expertise, 4) Reputation and 5) Public and Private Financial Aids. Table 4 depicts the items related to the success factors, according to respondents' perception.

The findings showed that success factors arise from internal and external influences. In fact, they point out the inter-organizational ability in facing the influence rising from the surrounding environment and the specific business.

Table 4: Items related to success factors

Variables	Items
HUMAN RESOURCES	<ol style="list-style-type: none"> 1. Team work 2. Personnel satisfaction 3. Personnel involvement 4. Personnel empowerment 5. Skilled personnel 6. Good relationships among employees
ORGANIZATIONAL	<ol style="list-style-type: none"> 1. Ongoing improvement 2. Short waiting time 3. IT 4. Leadership capabilities
EXPERTISE	<ol style="list-style-type: none"> 1. Previous experience in running business 2. High education level 3. Adequate training 4. Operational competences 5. Marketing competence 6. Knowledge management
REPUTATION	<ol style="list-style-type: none"> 1. Ethical behaviour 2. Close local relationships 3. International relationships 4. Developing a brand in which customers can recognize themselves
PUBLIC AND PRIVATE FINANCIAL AIDS	<ol style="list-style-type: none"> 1. Access to short-time loans 2. Access to long-time loans 3. Cash-flow

Source: authors' elaboration.

The PCA has been used also for performances measures, pointing out 4 main dependent variables: 1) economic and financial performances, 2) customer oriented performances, 3) innovation performances, 4) business performances. Table 5 depicts the items related to the single performance measures according to respondents' perception.

The findings also showed respondents' sensitivity in going beyond a performances' measurement totally based on financial measure and in using other measures, such as customer satisfaction and retention, innovation and several.

Table 5: Items related to performances.

Performances	Items
ECONOMIC AND FINANCIAL PERFORMANCES	Turnover Net profit Roi
CUSTOMER ORIENTED PERFORMANCES	Client satisfaction Customer retention
INNOVATION PERFORMANCES	Expanding infrastructures Innovation capability
BUSINESS PERFORMANCES	Market share Growth Firm survival

Source: authors' elaboration

Both for success factors and performances, validity and reliability control has been done through KMO test ($>.5$) (Cappelli et al., 2010), Bartlett test ($<.005$) (Tabachnick et al., 2007), the phenomenon explained variance ($>.50$) (Pet et al., 2003; Cappelli et al., 2010) and Cronbach Alpha ($>.70$) (Cappelli et al., 2010) and it provided values higher than the minimum acceptance threshold (see Tab.6). The validity and reliability test confirmed the need for approaching success factors and performance measures according to an iterative process. This test also showed that all items associate to the independent and dependent variables are valid and reliable.

Table 6: Success factors and performance validity and reliability test

VARIABLES		SCALES VALIDITY			SCALES RELIABILITY
		KMO TEST	Bartlett Spherical test (Sign.)	Total Explained variance	Cronbach Alpha
Success factors	Human Resource Management	.891	.000	91.98	.901
	Organization	.881	.000	88.050	.893
	Expertise	.796	.000	85.346	.822
	Reputation	.901	.000	89.389	.930
	Public and private financial aids	.871	.000	86.054	.882
PERFORMANCES	Economic and Financial Performances	.797	.000	84.326	.812
	Customer-oriented Performance	.787	.000	83.222	.833
	Innovation Performances	.798	.000	84.125	.831
	Business Performance	.882	.000	88.101	.894

Source: authors' elaboration

In order to grasp each success factors incidence on performances, a regression model has been tested, correlating the success factors to each performance measure. Thus, the regression models described in the following explains success factors incidence on different performance measures, analysed one-by-one.

Table 7: Linear regression for economic and financial performances.

Model	R	R ²	R ² Adapted	Std. Error	Durbin – Watson
1	.720	.518	.505	.612	1.888

Source: authors' elaboration

Surprisingly, economic and financial performance is highly correlated to reputation, follows expertise and public and private financial aids. This finding challenges what the mainstream literature maintains (Almaas et al., 2002; Doh and Kim, 2014; Briozzo and Cardone-Riportella, 2016), according to which SMEs are highly dependent on external financial aids, because they are considered unable to taking a strategic orientation. Conversely, the findings showed that the respondents had a clear strategic orientation in running business, being the economic financial performance highly dependent on corporate reputation. Finally, the high correlation of expertise showed firms' adaptability, which lies upon the exploitation of inter and intra managerial and entrepreneurial competences.

Table 8: Regression coefficients of economic and financial performances.

Variables	Standardized Beta	Sign.	Collinearity Statistics	
			Tolerance	VIF
Human Resource Management	.311	.000	.871	1.098
Organization	.319	.000	.877	1.086
Expertise	.411	.000	.933	1.055
Reputation	.426	.000	.995	1.048
Financial aids	.373	.000	.889	1.068

Source: authors' elaboration.

Table 9: linear regression of customer-oriented performances.

Model	R	R ²	R ² Adapted	Std. Error	Durbin – Watson
2	.760	.578	.545	.689	1.765

Source: authors' elaboration.

The correlation between the success factors and customer-oriented performances revealed that expertise is the success factor with a higher impact on customer-oriented performances; follows organization and human resources management. Drawing on the expertise, this finding was in line with literature (Guenzi and Georges, 2010; Chen et al., 2016). Thus, firm expertise is built upon good operational, marketing and knowledge capabilities, which rise from skilled and experienced entrepreneur.

Organization is also perceived as an important success factor; thus, organizational learning is fundamental for achieving good customer-oriented performance through the ongoing improvement of internal and external activities (Kammerlind et al., 2004) as well as in shortening the waiting times, typical of the experienced companies. Interesting the important role that IT play in reaching and satisfying customers. Human resources are also critic for SMEs success; thus, as literature argued the human resources development – based for examples on teamwork promotion or on highly skilled personnel – can enhance firms’ performances in terms of customer orientation (Gronroos, 1990; Judd, 2003). Entrepreneurship education of employees contributes to the enhancement of graduate assets.

Table 10: Regression coefficients for customer-oriented performances

Variables	Standardised Beta	Sign.	Collinearity Statistics	
			Tolerance	VIF
Human Resource Management	.307	.000	.882	1.047
Organization	.332	.000	.971	1.018
Expertise	.445	.000	.945	1.015
Reputation	.296	.000	.815	1.055
Financial aids	.282	.000	.803	1.079

Source: authors’ elaboration.

Table 11: linear regression for innovation performances

Model	R	R ²	R ² Adapted	Std. Error	Durbin – Watson
3	.790	.624	.601	.703	1.976

Source: authors’ elaboration.

The correlation analysis between the success factors and innovation performances pointed out that owners perceived the organization as the most critical factors for their success. Thus, organizational and managerial capabilities trigger innovation performances (Brunswicker and Vanhaverbeke, 2015), in terms of initiation, adoption and implementation of new ideas or activities. Organization has been considered as critical for SMEs success also for the IT ability in boosting products or service advancement and in keeping, always, updated company offering (Kampylis et al., 2013). Shifting the focus on the expertise, also in this case the findings were in line with the extant literature; thus, innovation is often triggered by certain entrepreneurs’ psychological and personality traits, such as innovativeness and creativity (Stewart Jr and Roth, 2001), as well as by their educational background, prior knowledge, social skills and experience (Simpson et al., 2004). In sum, knowledge and expertise within products, services and the related markets plays a positive influence on innovation performances (Dejellal and Gallouj, 2000; Wired and Cotec, 2009). The achieved findings also demonstrated the critical influence that human resources management have on innovation performances. In fact, in line with the extant research, a good management of human resources and the promotion on their ongoing learning is seen as is seen as crucial for the rising of innovation (Soliman and Spooner, 2000; Wang and Zang, 2005).

Table 12: regression coefficients for innovation performances.

Variables	Standardised Beta	Sign.	Collinearity Statistics	
			Tolerance	VIF
Human Resource Management	.444	.000	.865	1.055
Organization	.505	.000	.966	1.006
Expertise	.471	.000	.901	1.032
Reputation	.398	.000	.804	0.089
Financial aids	.401	.000	.832	1.066

Source: authors' elaboration.

Table 13: linear regression for business performances.

Model	R	R ²	R ² Adapted	Std. Error	Durbin – Watson
4	.701	.491	.487	.604	1.654

Source: authors' elaboration.

The correlation between the success factors and business performances pointed out that expertise was the factor with highest influence on these kind of performances. Thus, this finding confirmed what the literature (Hillman and Dalziel, 2003; Scarborough, 2016) maintained in terms of the importance of expertise, intended as owners' multifaceted knowledge, rising from their business experience as well as operational and marketing skills, which make them able to manage each part of their business. Reputation has been found to have a clear influence on business performances, as much of research stated (Rose and Thomsen, 2004; Carmeli and Tishler, 2005; Ou et al., 2006). In fact, a strong and favourable reputation – able to attract consumers, skilled workers and investors – represents a strategic resource, being valuable, scarce and difficult to imitate, supporting SMEs in the achievement of a competitive advantage (Alniacik et al., 2011). Finally, organization has been found to have a high influence on business performances, due to leadership capabilities able to stimulate an ongoing improvement of internal and external processes (Ahn and Chang, 2004) in order to be always in touch with market requests (Brynjolfsson and Hitt, 2000). In sum, a proactive approach to resource management is fundamental for ensuring good or for improving business performances (Hughes and Morgan, 2007).

Table 14: regression coefficients for business performances.

Variables	Standardised Beta	Sign.	Collinearity Statistics	
			Tolerance	VIF
Human Resource Management	.323	.000	.798	1.081
Organization	.429	.000	.912	1.055
Expertise	.502	.000	.999	1.038
Reputation	.447	.000	.986	1.052
Financial aids	.361	.000	.811	1.057

Source: authors' elaboration.

6. Final remarks

Southern Italy SMEs are called to face a number of challenges to stay competitive and to overcome those barriers that often limit their business conduct. To this end, a better understanding of those factors that led SMEs' to success is even more important for owners and managers, in order to shape strategies and policies able to enhance their viability (Storey, 1994). Drawing on previous considerations and investigating southern Italy SMEs, this study had three main purposes: 1) reviewing the literature in order to identify those success factors suitable for SMEs, 2) prioritising the success factors of southern Italy SMEs, and 3) correlating success factors to performances.

In contrast with what has been mentioned in the literature review, according to which external factors, such as high rate of criminality, the over-regulation, the complex tax system and the lack of adequate infrastructures, are often considered as the most critical factors in constraining SMEs success. The analysis conducted pointed out that inter organizational factors (expertise, reputation, organization, human resources management) are more important than external factors (private and public financial aids). A possible explanation to these conflicting results lies upon on the need for investigating the success factors no more in an isolated way, but rather considering their interdependences.

In this scenario, firms expertise, intended as the knowledge that owners/managers acquired during the time and passed to their employees (Cohen and Levinthal, 2000), let them to face those environmental and business dynamics, enhancing firms capabilities. Two main reasons are at the core of the higher relevance of inter organization SCFs. The first one is probably due to the findings raised from the demographic characteristics of sample, which showed that the main sectors in which SMEs acted were agro-food and logistics. In particular, southern Italy is characterized by some different districts; one of the most important of them is active in the pasta and food-canning industry. These districts play a great influence on markets, having created a strong sector characterized by high flexibility, innovation ability and high competitiveness (Dimitriadis et al., 2005). As the literature underlined, acting in these regional networks, SMEs can positively influence the business environment in which they operate. The second reason is that the 70% of SMEs were family firms, active from more than 50 years, in which there was a close relationship between family and business objectives. Therefore, this implies a high willingness to preserve firm as family value (Casson, 1999). This is in line with the family business (Bertoli and Resciniti, 2013; Cappelli et al., 2017), which recognizes the influence of founders' values and culture on corporate conduct, representing one of the most important SMEs' strength able to preserve and improve their viability over the time (Ward, 2004). The above-mentioned family values also inspire the whole organization of these firms; thus, they make people open to an ongoing improvement of their knowledge and skills in order to better respond to market demand and stay as competitive as possible. The relationship between family values and business emerges in considering reputation as a CSF, playing a great influence on their overall performance. This shed also lights on familiar firms' ability in stay viable over time, shaping evolutionary paths, supported by the development of medium-long term strategic vision and by a high quality social capital and relational capital (Olson et al., 2003). All these considerations led to shape the following propositions:

Proposition 1: Southern Italy SMEs owners tend to perceive inter organizational factors to be more critical for the success of their firms.

Proposition 2: Southern Italy SMEs owners tend to perceive company expertise as the most important inter organizational factor.

Proposition 3: Southern Italy SMEs owners tend to perceive firms reputation as the enabler of SMEs' viability, because it encloses entrepreneurship values.

7. Theoretical and managerial implications

The overall results of the study underlined that is not possible to isolate in a deterministic way the success factors, because they are mutually interdependent (Cooper et al., 1994; Andersen et al., 2006). At the same time, the analysis confirmed the importance of measuring performance in a holistic way. More in details, the study highlighted the need for embracing a holistic perspective for analysing factors that contribute to SMEs success; supporting the following statement "entrepreneurship ecosystems are complex, multifaceted structures in which many elements interact to produce system performance" (Acs et al., 2015, p.57).

SMEs success is a multifaceted concept that need to be analysed approaching CSFs according to a contextual logic, more than to a deterministic logic. In particular, the findings call for a deep investigation of role that owners/managers family plays on the firms' overall performance. Moreover, in terms of performance measures, the achieved findings underlined the need for identify new performance measures able to catch the wider value created for employees and, more in general, for the context in which SMEs act.

The results of this study open up to interesting managerial implications; thus, they might represent useful guidelines that owners/manager can use in pointing out the most critical success factors, which support them in improving the overall corporate performances. This can also support owners/managers in better define their firms' strengths and weaknesses as well as in shaping specific strategies pointing to enhance those CSFs, according to their specific importance (Storey, 2004). However, it has to be noted that being CSFs context dependent, business specific, limited in their number, selective, changing over the time and market evaluated, the results of this study are not generalizable and not directly applicable to other countries.

Finally, this study was explorative in its nature, being based on a small SMEs sample (30 southern Italy SMEs); thus, the generalizability of the achieved findings is limited. However, the results shed lights on intriguing issues which should be addressed in further research, delving, for example, on a wider sample and on a cross-country analysis, aimed at comparing the factors critical for the success of Italian SMEs and another European country.

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