

Overcoming barriers faced by small businesses in Malta – a study with a European perspective

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Background

The importance of the small business enterprise has been growing in most economies including that of Malta. Small businesses have always been important to an economy but in recent years governments in countries across the globe have increased their focus on these type of businesses as they are now being seen as integral to the well being of an economy. Small business owners are now seen as innovators, economic growth generators and employment creators.

Statistics from practically all European government agencies confirm that small businesses form the backbone of all economies when it comes to the number of people they employ and their share of the Gross Domestic Product. It is therefore logical for political movers, policy makers, small business service providers and other stakeholders to ensure that any barriers faced by small businesses are navigated and overcome for the benefit of all nations and their citizens.

Unfortunately, significant number of businesses face multiples barriers to grow and develop, including:

- ❖ failure to obtain the required levels of finance
- ❖ Weak general business administration skills
- ❖ inadequate cash management
- ❖ Intense competition
- ❖ finding customers
- ❖ finding skilled staff
- ❖ regulation and excessive bureaucracy

Overcoming the above and other barriers is considered key. The scope of this research study is to analyse the various barriers, focus on the main ones and present potential solutions to the various stakeholders.

Objectives

- ❖ This study attempts to analyse the barriers faced by small businesses in Malta.
- ❖ Clear distinction is made between micro / small business and medium sized businesses. In Malta there is a perception that SMEs are the small businesses employing a handful of people with a modest turnover when actually they would be referring to the micro segment of SMEs.
- ❖ This study distinguishes between micro/small business and medium-sized businesses as the barriers faced by the two can be different
- ❖ This study goes on to offer solutions to stakeholders how to overcome barriers.

Research Questions

- ❖ What are the barriers to growth and sustainability faced by small businesses?
- ❖ Are they any different from those faced by medium and larger businesses?
- ❖ How can small businesses in Malta overcome the various barriers to growth and sustainability to achieve their objectives?
- ❖ What are the solutions available in Malta to overcome these barriers?
- ❖ What can we learn from other small countries in Europe to help us overcome these barriers?
- ❖ How important do small business owner/managers consider the different skill sets needed to run a small business and why?

Research Methodology

RESEARCH APPROACH – A deductive approach has been adopted.

RESEARCH DESIGN – A quantitative design has been chosen as this goes very well with the research approach adopted, i.e. deductive.

RESEARCH STRATEGY - Data was collected through a survey in the form a questionnaire and through the mining of secondary data with the main source being the SAFE (Survey on the access to finance of enterprises of the EU). According to Curran and Blackburn secondary analyses of data gathered by national agencies have been infrequent in small business research, however, there is considerable potential in such data sets.

TIME HORIZON – Given the time constrains the study employed a cross-sectional research.

SAMPLING - Convenience sampling was adopted given the simplicity and ease of research albeit mindful of high vulnerability to selection bias.

The Survey & Analysis

- ❖ With the main barriers faced by Maltese small businesses already identified in the literature review the author closed in on the 3 top barriers with the survey questions being focused on said barriers, namely availability of skilled staff, costs of production/labour and competition.
- ❖ The questionnaire was made up of 20 questions which took the respondents between 5 and 7 minutes to complete.
- ❖ The questionnaire contained attribute, behavioural and opinion questions.
- ❖ The Likert rating scale was used.
- ❖ SPSS was used to analyse the data with a number of correlations extracted.

Preliminary findings

- ❖ Most small businesses are performing well with the vast majority reporting increasing or stable profitability.
- ❖ Growth ambitions show a healthy trend with 60% of microbusinesses having moderate / rapid growth objectives with the figure standing at 79% for small businesses.
- ❖ Around 40% of both micro and small businesses consider the level of government support as satisfactory with 15% finding it unsatisfactory and the rest having no opinion.
- ❖ Around 40% of micro businesses consider themselves as having a good awareness level of local initiatives which support small businesses with the figure reaching 75% for small businesses.
- ❖ Most businesses find it difficult to recruit new employees with microbusinesses finding it easier to recruit.
- ❖ Most business are concerned about the rising costs especially the micro ones.
- ❖ Formal business planning is not given its due importance with very few microbusinesses having actually conducted a written business plan at some point.
- ❖ Around 64% of microbusinesses are finding it difficult to recruit employees while the figure stands at 75% for small businesses.
- ❖ Less than 15% of microbusinesses have employee development programmes in place as compared to 25% for small businesses.
- ❖ Respondents with a higher level of education tend to own and manage the Small Business segment while respondents with a lower level of education tend to run the microbusinesses.

References

- Curran, J., 2000. Researching The Small Enterprise (Sage Series In Management Research). Sage Publications Ltd.
- Survey on the access to finance of enterprises (SAFE) Analytical Report 2018 - Publications Office of the European Union, 2018