

**An investigation of the action taken by businesses in the
Irish Small and Medium Enterprise Sector to ensure
survival since the beginning of the financial crisis in 2008,
with particular focus on wholesale companies**

MBA in Finance

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DECLARATION

I, Vitaly Kravchenko, declare that the work contained in this dissertation is entirely my own and that all sources used have been acknowledged as per the requirements.

Signed: Vitaly Kravchenko.....

Date: 22 August 2014

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Abstract

This research sets out to examine the evidence in regard to Irish Small and Medium Enterprises' (SMEs) survival during the financial crisis, which emerged in Ireland in 2008. The research analyses the importance of SMEs to the Irish economy, how SMEs were affected by both the financial crisis and the subsequent austerity measures imposed by the Irish Government over several years and ultimately how individual companies took action to survive the difficult conditions which emerged during the financial crisis.

The research was carried out through interviews with a qualitative approach in the Dublin area, with a particular focus on wholesale companies in the retail and convenience trade. The Irish wholesale trade totals 6.6% of the Irish SME sector and employs 7.34% of the total number of people employed in the sector (CSO, 2011, pp. 41 - 42). The data was collected from business owners and accounting departments (senior management who are directly involved in strategic decisions).

The issues addressed by this research are recent and remain highly relevant. This research aimed to add to the existing research on the impact of the financial crisis on SMEs by identifying and analysing strategies used for survival.

The research confirmed that Irish SMEs tackled enormous pressures to survive since the financial crisis commenced in 2008. SMEs faced a lack of support from the banking sector, perceived ineffective action by the Irish Government combined with severe austerity measures imposed on the economy from 2008.

The conclusion to the research implies the degree to which individual SMEs were affected was determined by their size. The micro SMEs had less resilience than their larger counterparts. Ultimately, SMEs were challenged to innovate their business and by successfully meeting this challenge, they could ensure their survival.

1. Introduction

1.1 Background

The financial crisis emerged in Ireland in 2008 as a result of a “perfect storm” combining the knock-on effects of the global financial crisis with the bursting of the Irish property bubble. Faced with a loss of confidence in Irish banks, the Irish Government took the decision to issue a blanket bank guarantee for Irish banks and to recapitalise them using public funds, which further exposed the Irish structural budget deficit (European Commission, 2012). As evidence of the dramatic turnaround in Ireland’s economy, the Gross Domestic Product (GDP) Growth Rate reached an all-time high of 5.50 percent in the first quarter of 2007 and a record low of -3.50 percent in the fourth quarter of 2008 (Trading Economics, 2014). By 2010, Ireland’s bond yields on the international markets had reached an unsustainable high and the Irish government was forced to seek a bailout from the “Troika” – the International Monetary Fund, the European Central Bank and the European Union.

From the time of the bailout – November 2010 – Ireland did not participate in the bond market until its first foray back into the market in July 2012 (while still engaged in the bailout programme). In the meantime, the Irish Government embarked on an unprecedented austerity programme, which between the years 2008 -2013 removed €28 billion from the Irish economy in spending cuts and taxes under the watchful eye of the Troika (The Economist, 2013). Despite implementing a significant programme of austerity, Ireland’s bond yield continued to fluctuate wildly reaching a yield of 14% in July 2011. The high yield illustrated that investors were not confident in the stability of the Irish economy and the chance of default was high.

This lack of confidence in the stability of the Irish economy was felt domestically as well as internationally. Evidence of this can be seen from data produced by the ESRI and KBC bank, which illustrates a sharp drop in Consumer Sentiment from 71.8 in October 2007 to 42.0 in October 2008. (Hughes, 2008, p.1)

Amidst a turbulent economy, this research focuses on the strategically important SME sector. The sector plays an important and invaluable role in generating employment in Ireland and making a large contribution to the Exchequer. Data indicates that Irish SMEs contributed over €10 billion to the Exchequer on an annual basis (Enterprise Europe Network, 2010). Indeed it can be posited that the Irish economy relies to a great extent on SMEs as the sector provides two thirds of Irish private sector employment and the Irish government has acknowledged that the SME sector is a key driver of the nation's economy (McHugh, 2010). Competition amongst the individual SME sectors is intense particularly in the wholesale and retail trade due to the large number of companies competing and this means that individual companies must revise their strategy to be able to continue sustainable business. This was particularly true with the commencement of the financial crisis in 2008 when SMEs in Ireland were forced to develop a multi-faceted approach to dealing with the challenges facing their companies at a time when the competition is extremely tough. During such a crisis, intense pressure is placed on business owners and management, who must make difficult strategic decisions to ensure survival. However, such a crisis does provide a very good opportunity to analyse, understand and identify the best strategy and fresh ideas to move forward and strengthen a business.

1.2 Aim and objectives

The objective of this research is to provide a better understanding of how Irish SMEs developed actions to enable survival during the crisis, managing to implement the best strategies and ideas to increase their performance and to decrease their costs. The principle is to analyse the best strategies and practises that were used during the crisis. This research is intended to highlight the importance of particular strategies or ideas in achievement of the organisation's goals. There will also be an analysis on how business strategies were modified as the recession took hold and the impact of austerity in the economy came to be felt.

These objectives will be accomplished through face to face interviews with business owners, accountants or senior management in three companies combined with extensive research.

1.3 Experience of the researcher

On an individual note, as the researcher has worked in Irish SMEs in the retail and wholesale sector for the past 10 years, he has “up close and personal” experience of how the crisis has provided a significant challenge for all aspects of the business. In addition, the researcher has witnessed how this crisis provided an impetus for SMEs to analyse their methods of working and streamline processes to gain greater cost effectiveness.

There is no doubt that liquidity is a considerable challenge brought about by banks inflexible attitude towards SMEs. As the researcher currently works as a financial controller in a SME, he has seen how SMEs must delicately balance the payments system to maintain liquidity. As such, these experiences have provided a significant motivation for this research.

1.4 The organisation of the dissertation

This section presents an introduction to sections to be covered in this dissertation.

1. Introduction

The Introduction section gives a brief review of aims and objectives of this research.

2. Literature Review

Section two will deal with the literature review regarding the importance of SMEs, the impact of the financial crisis on SMEs in Ireland with a review of the best strategies, business activities and improvements used for survival during the financial crisis.

3. Research Methodology

Section three - Research Methodology - is to establish the appropriate methodology at each layer of the research “onion” model, analysing the importance and understanding of the utilisation of the model and the rationale of the approach used to address this topic.

4. Data Analysis and Findings

Section four is an analysis of the answers provided during interviews. The main aim of this section is to find a descriptive pattern of answers to approve or disapprove with the hypothesis discussed in the section “Literature review”.

5. Discussion

Section five is a discussion of the main findings of the research. An interpretation of the results of the research is provided as well as suggestions as to how SMEs can survive and improve their business at times of crisis.

6. Conclusions / Recommendations

This section is a summary of the research with concluding thoughts and recommendations for future effort and opportunities.

7. Self-reflection and skill development

Section seven is a critical assessment of skills development and a reflection of the knowledge acquired during this research in several aspects and areas.

8. Bibliography

9. Appendix.

1.5 Scope and limitations of the research

The researcher initially made the decision to carry out qualitative research of five wholesale companies in the retail trade. However, the researcher did experience a significant reluctance on the part of SMEs to participate in this research combined with some companies initially agreeing and then cancelling. Time constraints meant that there was not a sufficient opportunity to approach additional companies. Therefore the research culminated with in-depth face-to-face interviews of three companies.

The researcher acknowledges that a full picture cannot be obtained by investigating the behaviours of three companies but at the same time investigation of these companies did provide sufficient opportunity to recognise patterns of behaviour and permit certain conclusion to be drawn. The researcher aimed to supplement all investigations with theory and further analysis combined with informal discussions with people working in the SME sector. In addition, the interviews with the three companies were as in-depth as possible to gain full advantage of the opportunity of meeting with them.

It is recognised that the nature of this research contains confidential information about business performance, techniques and uniqueness of companies. A high percentage of Irish companies are small in size and often are family businesses. The researcher had noted there may be a lack of willingness to disclose business information due to a fear that this information may be used by rivals and this fear seemed to be realised when companies did not wish to participate in the research.

The researcher did identify that it must be made clear to the interviewees that the information is purely for research purposes and assure the interviewees that sensitive business information will not be disclosed to third parties. There was a strong onus on the researcher to ensure that the interviewees felt comfortable and trusted the researcher with the information, which they were divulging.

The researcher was also aware of the need to keep the focus specifically on the topic of actions undertaken by SMEs since the financial crisis as there was a risk

that the research could be unfocused due to the broad nature of the topics relating to SMEs in Ireland.

1.6 Contribution of the study

While there has been much research generated about the impact of the global financial crisis on the Irish economy, it is believed that this research, which will analyse the particular actions used by SMEs, and their effectiveness during the financial crisis, is fresh and new, particular given the planned focus on wholesale companies in the retail trade.

This research will be provided to the companies with the view that it will assist them in the future to develop optimal strategies for business development. While it is hoped that the worst of the financial crisis is over, it is also inevitable that Irish SMEs will face considerable challenges in the future. This was best articulated by the economist Morgan Kelly in a speech at University College Dublin on March 7th 2014. Professor Kelly considers that the Irish government does not provide assistance to the Irish SME sector and “if the Irish banks were forced to deal with bad loans to small- and medium-sized enterprises, we could be facing something really, really terrible, quite soon” as many companies within the sector are still struggling with debts from the property boom which they could not repay. Due to their debts, these businesses were “an existential risk to the economy”, he stated (Keena, 2014). It is therefore hoped that this research may enable SMEs to learn from each other and develop best practice regarding crisis management to assist with continued challenges as they present themselves in the future.

2. Literature Review

Introduction

The research was conducted with a view to understanding the importance of SMEs to the Irish economy, how the financial crisis impacted on SMEs with a particular focus on a number of companies, what challenges SMEs faced as a result of the financial crisis and how they reacted proactively and developed strategies to ensure survival. This research involved analysing how theory and strategy can be adopted in SMEs and how beneficial theories can prove in application. Furthermore, the researcher sought to establish if the SME owners and managers were able to avail of government support programmes or if they were forced to develop their own strategy.

A literature review involving SMEs and their survival during the financial crisis posed some challenges. First of all, the financial crisis is very recent and as such in-depth research into the effect of the crisis on SMEs is not readily available. Following consultation with several lecturers and a Dublin Business School librarian, the researcher took the decision to primarily review opinions generated by the main Irish Financial Institutions, Central Bank of Ireland, Government of Ireland, Irish Small & Medium Enterprises Association (ISME), Chambers Ireland, Irish Business and Employers' Confederation (IBEC), the Small Firms Association (SFA), Economic and Social Research Institute (ESRI) and a number of other institutions, which generate research relevant for this study. In addition to this, the researcher utilised surveys, newspapers, online publications, academic journals and documents produced by the above institutions enabling the research to incorporate data, which is as up to date as possible. A complete list of sources used in this research is in Appendix 2.

It was judged important to conduct a literature review in relation to the SME sector and to highlight the significance of the following questions in details:

- Why SMEs are important in Ireland?
- The impact of financial crisis on SMEs in Ireland

- Challenges faced by SMEs
- Government support for SMEs during the crisis

2.1 The importance of SMEs in Ireland

SMEs are defined as enterprises with less than 250 employees engaged (CSO, 2011, p. 7). In 2005 the European Union adopted a new definition for SMEs with 3 categories Micro, Small and Medium. Figure 1 provides details for each size of enterprise.

	Employees	Turnover	Balance Sheet Value
Micro	<=10	<=€2M	<=€2M
Small	<=50	<=€10M	<=€10M
Medium	<=250	<=€50M	<=€43M

Figure 1: TYPES OF SME. Source: McHugh, 2010, p. 2.

The importance of SMEs to the Irish economy can be seen in figures released by Ireland’s Central Statistics Office (CSO) in 2011, which showed that there were over 189,000 active enterprises in Ireland with over 99.8% of them being SMEs. It is interesting to note that the same report stated that SMEs employed almost seven in every ten people in the business economy and that half of turnover in the business economy was attributable to SMEs (€163.5 billion for SMEs in comparison to €162.7 billion for large enterprises). This indicates that SMEs in Ireland are a powerful contributor to employment and also to fiscal revenues in Ireland. The Office of Revenue Commissioners of Ireland confirmed this in a 2013 report which acknowledged that SMEs produce the majority of employment in the economy. In the same report, Revenue characterised the SME sector as indigenous, employment-intensive, non-exporting, service firms. However, it is important to note that many SMEs are involved in exporting and depending on the business type; this can form a significant portion of business. In the wholesale trade, companies are often only involved in export to a minor degree. As a sector, SMEs are heavily reliant on GDP and domestic demand (Revenue, 2013, p. 18). Prospects for SMEs are more closely linked to the domestic economy than that of

larger firms (Lawless, McCann, and O'Toole, 2013, p. 1). Further evidence of the importance of SMEs and domestic demand is that 56% of private sectors workers are employed by indigenous, non-exporting SMEs (Department of Finance, 2013a, p. 3).

Mr. John Perry T.D., the Irish Minister for Small Business between 2011 and 2014, emphasised that SMEs in Ireland are crucial and how developing a framework for creation sustainable jobs will bring Ireland back to economic growth stating that “Indeed, and I am sure you have all heard this before but it bears repeating if each of the 23 million SMEs in Europe were to take on one extra employee then the unemployment crisis in Europe would be over” (Department of Jobs, Enterprise and Innovation, 2014). This underlines the importance of SMEs both as an employment retainer and an employment generator.

There are many types of SMEs in Ireland specializing in diverse areas of business. The most immediate tool to differentiate SMEs is between Irish owned SMEs and foreign owned SMEs. In their 2011 report, the CSO provided some interesting statistics regarding the difference in Gross Valued Added (GVA) between Irish owned SMEs and foreign-owned SMEs. GVA is the gross income from operating activities and is the balance available to enterprises to pay employees and realise a return on investment. According to the CSO data, in 2011 SMEs generated €41.1 billion in GVA with the breakdown as follows; Irish owned SMEs solely engaged in the domestic economy generated 39.7% of this GVA figure and accounted for 62% of the employment in all SMEs. GVA in Irish owned SMEs engaged in international trade generated a further 27.6% of GVA and accounted for a 27.3% employment share. Foreign owned SMEs accounted for a third of the GVA figure but only 10.7% of total SME employment (CSO, 2011, p. 7).

As the main focus of this research is on SMEs in the wholesale trade, it is valuable to note the data relating to the sector from the CSO. According to the CSO, there were 12,466 enterprises in the wholesale trade in 2011 with the number of persons engaged 88,125 (2011, p. 42-43). The wholesale trade

averaged a gross operating surplus as a percentage of turnover of 6.8%. The wholesale trade accounted for 52.3% of GVA in the entire Distribution sector, while accounting for 27% of persons engaged in the sector (which employed 326,000 in 2011).

2.2 Irish Government Policy towards SMEs

The state is an important direct economic actor for example as a customer, supplier or owner of businesses (Johnson, Scholes and Whittington, 2014, p. 34).

When the financial crisis developed in Ireland, the Government was a coalition of a large party – Fianna Fáil – with two smaller parties – the Green Party and the Progressive Democrats. With the advent of the financial crisis, the Government’s main focus was on the banks and rescuing the banks that were judged “too big to fail”. This resulted in a dramatic knock-on effect for SMEs who were left to deal with a sudden reduction in available credit from banks combined with a wave of austerity measures imposed by a government, who were “fire-fighting” the worsening economy. Austerity measures were introduced by the Fianna Fáil led government and continued when the Fine-Gael / Labour government came to power after the February 2011 general election. Since 2008, over the course of seven budgets, €28 billion was taken out of the economy in spending cuts and tax rises, which amounts to 17% of GDP (The Economist, 2013a).

The effect of these austerity budgets can be seen by focusing on the measures relating directly to SMEs

Date of Budget	Measures affecting SMEs
15/10/2008	<ul style="list-style-type: none"> • Introduction of an Income levy – at the rate of 1% to gross income up to €100,100 per annum or €1,925 per week and a rate of 2% to income in excess of that amount. • Levy on car parking facilities of 200 euro when car parking is provided by an employer in a major urban

	<p>centre</p> <ul style="list-style-type: none"> • Change in PRSI ceiling - from €50,700 to €52,000 • Increase in standard VAT rate from 21% to 21.5% • Increase in excises on petrol, alcohol and tobacco • 3 year tax exemption for start-up companies up to the point that their tax liability does not exceed 40,000 euro.
07/04/2009	<ul style="list-style-type: none"> • Doubling of income levy (to 2%, 4% and 6 %) • Doubling of Health levy (to 4% and 5%) • Increase in PRSI ceiling €52,000 to €75,036. • Increase in excise on tobacco and diesel • Establishment of an Enterprise Stabilisation Fund with a budget of 100 million euro over two years (2009-2010) for companies facing difficulties since 1st July 2008 who have sound business models and business plans • Establishment of a National Asset Management Agency
09/12/2009	<ul style="list-style-type: none"> • Extension of the existing scheme providing a three year exemption from tax on the income and gains of new start-up companies to include companies who commence trading in 2010. • Reduction in VAT rate from 21.5% to 21% • Decrease in excise on alcohol
07/12/2010	<ul style="list-style-type: none"> • Introduction of a Universal Social Charge (USC) to replace income levy and health levy at the following rates and thresholds; 0% < €4,004, 2% €0 to €10,036, 4% €10,037 to €16,016 , 7% > €16,016 • Reduction of tax credits, standard income tax rate bands and age exemption limits. • Reform of Relevant Contracts Tax
06/12/2011	<ul style="list-style-type: none"> • Universal social charge - Increase of lower exemption threshold from €4,004 to €10,036 • Illness Benefit – removal of the 36 day tax exemption limit for illness benefit

	<ul style="list-style-type: none"> • Increase in VAT from 21% to 23% • Excise duty on tobacco is increased • 3 year tax relief for start-up companies extended to enterprises commencing a new trade in 2012/2013/2014
05/12/2012	<ul style="list-style-type: none"> • Removal of weekly PRSI allowance from full rate and modified rate PRSI contributors • Increase in the minimum annual PRSI contribution for self-employed earners from €253 to €500 • 3 year relief for start-up companies extended to allow any unused relief due to insufficiency of profits to be carried forward for use in subsequent years. • Increase in excise duty on tobacco products and alcohol • Increase in VAT cash accounting threshold from 1 million to 1.5 million with effect from 1st May 2013.
15/10/2013	<ul style="list-style-type: none"> • Start Your Own Business – income tax exemption for individuals up to 40,000 euro starting their own business after being employed for a period of at least 15 months prior to the establishment of the business. • Increase of excise on alcohol and tobacco products • Focus on the shadow economy – in the mineral oil and alcohol products sector to give a boost to legitimate trade. • Increase in VAT Cash Accounting Threshold – from 1.25 million to 2 million euro from May 1st 2014

Figure 2: Budget measures 2008-2013. Source: Department of Finance (2008-2013)

These measures introduced over several years had significant effects on SMEs. A brief summary of their cumulative effect sees that the introduction of income levies followed by the Universal Social Charge were taxes on labour and changes in excise duty increased business costs. VAT changes affected the retail and wholesale trade by making purchases in Northern Ireland and the wider United

Kingdom more attractive due to the lower VAT rate. The measures introduced to help start-up companies along with the VAT threshold reductions introduced in the budgets for 2013 and 2014 were however a positive step to assist SMEs.

The current Irish Minister for Finance, Mr. Minister Noonan T.D., appointed in 2011, has stated that the Government must support and encourage entrepreneurs to start their own business in Ireland. This theory forms a key part of the Medium Term Economic Strategy (MTES) and the Action Plan for Jobs (APJ), which sets out a range of actions to deliver on this objective in 2014 (Irish Government News Service, 2014).

Generally, the Irish Government have stated that SMEs play a vital role in the recovery of employment growth in Ireland with one of the key priorities of the current Programme for Government to ensure that an adequate pool of credit is available to fund SMEs in the real economy during the restructuring and downsizing programme (Department of Finance, 2013c). One of these priorities is to fund SMEs is to insure that during the bailout programme all required finance was available such as bank and non-bank sources and other financial institutions.

The Government has a significant role to play to ensure that SMEs do not contribute to unemployment and furthermore that long-term, they generate employment. Measures such as the tax exemption for start-up companies for three years can significantly assist with this. Creation of new firms is very important as new firms are the vital force for creation of new products, new technology and innovations. Roche et al (2011, p. 5) noted that in many EU states active employment policies have been adopted to encourage employers to retain staff while providing assistance to those who have lost their jobs. This has often been combined with other strategies such as expenditure on infrastructure programmes, cutting taxes or providing subsidies to companies to ensure their survival through the recession.

Overall Government supports for SMEs are coordinated by the SME Policy Unit of the Department of Jobs, Enterprise and Innovation. A further arm of the Unit is the Advisory Group on Small Business, which was established on the 16th June

2011. The objective of this group is to facilitate structured and regular dialogue between the Minister for Small Business and the representatives of the SME sector on issues of concern (Department of Jobs, Enterprise and Innovation, 2013). The Group is comprised of business representatives, representatives from small enterprise associations, and representatives of Chambers Ireland and enterprise development agencies (Barry et al. 2011, p. 2).

Another aspect of Government action to support SMEs was the introduction of an important initiative called “Prompt Payment”, which requires all central Government Departments, the Health Service Executive, local authorities and other public service bodies to pay their suppliers within 15 calendar days of receipt of invoice (Department of Jobs, Enterprise and Innovation, 2011). This can have a significant positive effect on cash flow in SMEs.

Furthermore, the Credit Review Office was established following an announcement by Minister Michael Noonan in the 2009 budget that he intended establishing a simple review process, which could be used by SMEs (and also sole traders and farm enterprises) which are refused credit, had their credit facilities reduced or removed by banks participating in the NAMA scheme - Allied Irish Banks, Bank of Ireland, Anglo Irish Bank, EBS and Irish Nationwide Building Society (Credit Review Office, no date).

Another initiative was the establishment of Microfinance Ireland, which is a not for profit lender, established to assist micro enterprises (employing less than 10 full time staff with a turnover of less than €2 million) who may have difficulty in accessing credit through traditional means. Microfinance Ireland is responsible for delivering the Microenterprise Loan Fund provided by the government (Microfinance Ireland, 2013). The Microenterprise Loan Fund was established via an act of the same enacted in 2012 (Department of Jobs, Enterprise and Innovation, 2012).

The Government also introduced the SME Credit Guarantee Scheme, which aims to encourage additional lending to SMEs. It is targeted exclusively at companies who have faced barriers to lending because of an inadequacy of collateral or a

lack of understanding of a business sector or model (Department of Jobs, Enterprise and Innovation, 2014 and Local Enterprise Office, 2014).

There is however a question as to the adequacy of government supports for SMEs. Mark Fielding, CEO of ISME, has pointed out, as recently as earlier this year, that among SMEs the highest dissatisfaction is shown for the government's handling of business costs for SMEs as well as deep unhappiness with Minister Noonan for prematurely scrapping the lending targets for the bailed-out banks, in January (ISME, 2014). Mr. Fielding further added that SMEs have lost patience with the Government.

2.3 The Impact of the crisis on SMEs in Ireland

The financial crisis had a severe effect on the Irish economy. From 2007-2012, national income fell by more than 10% as a result of the bursting of a property bubble, a disastrous banking crisis and deep fiscal adjustment (Callan et al. 2014). This figure by the Economic and Social Research Institute (ESRI) illustrate the sharp decline in real GDP and real GNP in 2008.

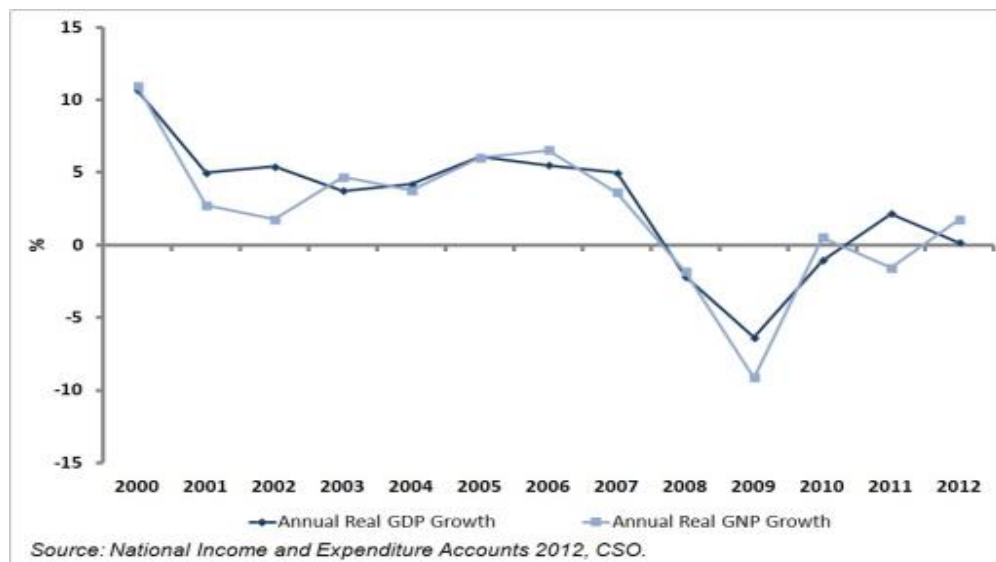


Figure 3: Annual Growth in Real GDP and Real GNP: 2000 – 2012. Source: ESRI, 2014.

Between the years 2008-2013, the Irish Government embarked on an unprecedented austerity programme, which removed €28 billion from the Irish economy in spending cuts and taxes under the watchful eye of the “Troika” (The Economist, 2013).

The impact of the crisis on SMEs was significant. Between 2007 and 2010, the SME sector lost 15% of its total workforce and produced 18% less final output (Chambers Ireland, 2013). The number of SMEs in 2011 shrank to 189,055 from almost 220,000 at the height of the economic boom in 2007, with a further decline in numbers of SMEs predicted (CSO, 2011).

In 2006, there were almost 16,700 new enterprises created. In contrast, in 2011 there were 11,800 new enterprises created. This was a significant drop in numbers from 2006. However, the CSO notes that even the 2011 figure shows an improvement (the figure for enterprise births had increased by almost 600 in comparison to 2010) (CSO, 2011, p. 8). According to the CSO (2011, p. 23) since the end of 2007, the number of deaths against births of enterprises are higher. Also the percentage of new companies surviving has declined. As an example, the one-year survival rate showed a decline from 89.8% in 2007 (for 2006 births) to 83.5% in 2011 (for 2010 births). The two-year survival rate showed a decline from 81.0% in 2008 (for 2006 births) to 71.0% in 2011 (for 2009 births) (CSO, 2011, p. 25). This illustrates that it is extremely difficult for young companies to compete in tough economic conditions. Due to their limited resources, inexperienced management and a lack of financial stability, small businesses suffer relatively high mortality rates with data from the UK suggesting that 31% of small companies have failed two years after start up and after five years 51% have failed (Scarborough, 2014, p. 43).

Employment losses as a result of enterprise deaths increased dramatically from 2006 to 2009, rising from almost 17,000 in 2006 to just over 34,700 in 2009 (CSO, p. 24). The SME sector most affected by job losses due to enterprise deaths was the Service sector where 53,700 jobs were lost in the five year period up until 2010. The construction sector was also severely affected by enterprise deaths with 45,600 jobs lost. These figures do not relate to job losses in still

functioning enterprises (CSO, p. 26). These figures form an important aspect of this research as the focus falls on how the surviving SME's weathered the financial crisis. The research will investigate the actions SMEs used to survive the crisis and differentiate themselves from the 30,945 enterprises which failed between 2007 and 2011.

While Ireland looks to be on the way to economy recovery, the country is still deeply vulnerable to changes in the world economy and complete recovery is still a considerable distance away, which means that challenges will continue to face SMEs.

2.4 Challenges facing SMEs

There are a number of challenges facing SMEs both externally and internally.

External Challenges

The external challenges facing SMEs, which are a direct result of the financial crisis, are for example credit constraints arising from the banking crisis. When major problems emerged in the Irish banking system, banks almost ceased lending money and there are still significant difficulties in accessing sufficient credit lines. Based on the Department of Finance SME Credit Demand Survey for 2013 it is believed:

Banks are not lending remains an issue, with a significant minority (6%) of SMEs not applying for credit because they believe the banks are not lending. Micro companies in particular require more help, with those who have looked for credit having done so more informally, and perhaps more needs to be done to encourage formal applications from smaller companies (Department of Finance, 2013b).

This is particularly true for younger companies who may be relying on overdraft facilities and/or bank loans to fund their business prior to reaching the profitability stage. A prolonged period without credit will result in more SMEs going out of business. This is a result of the weak position of the Irish banking sector, which has led to funding difficulties in the SME sector (Firball Media,

2014). Even among those, who can access credit, the cost of borrowing is often prohibitively expensive to be used as a long term liquidity solution. This directly affects short and long term employment and as a consequence economic growth as stated by Gerlach-Kristen, O'Connell and O'Toole (2013).

The Central Bank of Ireland has noted that both pre and post crisis, Irish SMEs are amongst the most reliant on banks in Europe across a variety of measures. Consequently, it can be concluded that Irish SMEs have been disproportionately exposed to weaknesses in the banking sector in comparison to their European counterparts. The share of bank borrowing by SMEs has fallen by approximately one half between 2005 and 2012. The Central Bank notes that there is a risk that SMEs are turning to more costly forms of borrowing as they cannot access bank credit (Lawless, McCann and O'Toole, 2013, p. 4).

A report by the Advisory Group on Small Business (2011) noted that the big ticket items for small businesses (enterprises with less than 50 people engaged) were:

1. Lending Facilities and Access to Finance
2. Labour market costs and Flexibility
3. Local Authority Structures

In the short-term the Group emphasised the importance of helping businesses compete on a level playing field by reducing the cost burden on small firms, improving competitive practices and tackling issues, which undermine legitimate firms. In addition to this the Group advocate helping businesses to help themselves by improving cash flow, management development and making information readily available.

Internal Challenges

On an internal level, many companies are inhibited by a lack of managerial and technical skills (Jones and Tilley, 2003, p. 1). SMEs face the same challenge that larger businesses experience but the difference is that larger businesses have the personnel to deal with challenges along with directors and departments

(McSweeney, 2014). Beardwell and Claydon (2010, p. 18) cite research that states that SMEs based in the UK, which account for 94 per cent of all employers in the UK economy, use less Human Resource Management practices such as training, team-working, problem-solving and functional flexibility than larger organisations. This in turn may limit the growth potential for SMEs as they are not upskilling their workers.

Wage costs are another significant factor as employees in SMEs were paid on average of almost €29,800 in the total business economy while the lowest average wages in the business economy were in the Distribution sector at €27,500 (CSO, 2011, p. 36). It had also been reported that there was a 2 per cent increase in wages across the retail and wholesale sector between 2008 and 2012 (Callan et al. 2014). This puts additional strain on company finances. According to a 2014 survey, gross wages are the 8th highest in the euro area while net wages are the 6th highest (National Competitiveness Council, 2014, p. 4).

SMEs also face the challenge of cutting costs as there are significant business expenses facing SMES: in the total business economy in 2011, over €38.6 billion was paid in personnel costs. Almost €5.2 billion or 13.4% of this was in the form of employers' social security payments e.g. employer's contributions to the PRSI scheme, superannuation funds, PRSA's and other pension schemes. The breakdown for SMEs was 88% wages and other salaries and 12 % on social security costs (CSO, 2011, p. 9). On average, employees in SMEs were paid almost €29, 800 (CSO, 2011, p. 37). In addition to personnel costs, utility costs are also a significant challenge for SMEs as electricity costs for SMEs in Ireland are the 5th most expensive in the euro area, while Ireland is the 5th most expensive location out of 16 for industrial water costs (excluding waste water costs) (National Competitiveness Council, 2014, p. 4).

Research of the Irish Economy by the Economic and Social Research Institute (ESRI, 2014) shows that today the main challenges for SMEs in Ireland is to increase customer numbers. This requires implantation of an effective strategy. Lynch (2012) makes an important point when he notes that the basic elements of the implementation process are as applicable to smaller organisations as they are

to larger organisations. He adds that all organisations need to monitor the progress of task implementation along with identifying the correct programme of implementation (Lynch, 2012, p. 498). This can pose a challenge for SMEs as it may mean diverting personnel to monitor task implementation.

2.5 A Strategy for growth

Marsden and Forbes define a strategy as an action a company takes to achieve one or more of its goals and the strategic management process is the way in which managers develop strategies. They furthermore identify that the strategic management process is often summarised as consisting of four major steps: analysis, formulation, implementation and evaluation/adjustment (Jones and Tilley, 2003, p. 34).

A manager is a person who directs resources to achieve a stated goal, which includes individuals who direct the efforts of others, purchase inputs to be used in the production of goods and services or are in charge of making other decisions (Baey, 2010, p. 3). A manager must direct resources and the behaviour of individuals for the purpose of accomplishing some task (Michael, 2010, p. 3). A further definition of strategy is a decision rule that describes the actions a player will take at each decision point (Baey, 2010, p. 353).

Strategic management is the process of developing a game plan to guide a company as it strives to accomplish its vision, mission, goals and objectives to keep it from straying off course. The goal of developing a strategic plan is to create a competitive advantage for the small company (Scarborough, 2014, p. 104). An important element of this is to understand the strengths and weakness of company.

There are a wide variety of strategies, tools and methodologies that can be applied for business growth. However the question is which of them are most effective in Ireland, particularly since the current crisis emerged in 2008. One must consider

the important indicators, which should be taken into account when building up a strong business. There are a number of financial drivers which dictate strategy;

1. Cash
2. Sales (should be according to forecasts)
3. Profit margins
4. Margin of safety or break-even point
5. Productivity
6. Debtor or stock turnover

(Burns, 2011, p. 233).

The researcher examined how applicable theory is in relation to the reality of the SME sector in Ireland and how companies implement theory with discipline, good management and clear strategy.

In 2008, the world stepped up into a new phase – a world economy during the global financial crisis and then a political crisis. Adam Smith and David Ricardo refer to economy as “political economy”. Indeed, currently the global economy is linked to politics even if they are different areas - “For classical economists, it was impossible to understand politics without economics or economics without politics” (Friedman, 2011). Nowadays, traditional strategies and tools do not provide efficiency for business growth. The new environment requires innovations and implementation of contemporary approaches combined with many other tools and methodologies. The question as to what is the best approach to this is pertinent for everyone.

Economics is the science of making decisions in the presence of scarce resources and decisions are very important because scarcity of resources implies that by making one choice, you give up another (Baey, 2010, p. 3).

Research by Roche et al. (2011, p. 11) identified two patterns of responses by firms to the crisis; half of the firms implemented general HR retrenchment programmes comprising pay freezes, limiting overtime, short-time working, redundancies and more rigorous work regimes. These measures were often implemented by firms severely affected by the recession. The rest of firms

focused in the main on pay freezes, limits to overtime working and greater management of work regimes.

SMEs are however not homogenous and the very size of SMEs dictates how effective a change of strategy can be. For example, in smaller companies, there can be a lack of both management and technical skills, which can limit effective growth (Jones and Tilley, 2003, pp. 9-10). In addition to this, many small firms lack the time, resources, expertise and technology to develop new innovations. An additional issue can arise from the absence of formal management training and a lack of higher education amongst employees in the SME sector (Jones and Tilley, 2003, p. 7-8). Also, there can be constraints terms of finance, labour and marketing which can inhibit innovation (Jones and Tilley, 2003, p. 138). Small firms can often be family operations relying on a central owner/manager with an informal structure (Jones and Tilley, 2003, p. 35).

From this literature review it is clear that management and human resources play a crucial role in business success. This role is increasing with time and it looks like it will be more important in the future. Indeed, education, information technology, life and business style, marketing and other trade activities are more advanced than ever before. A lack of proper management skills in a company can lead to a company not fulfilling its potential and ultimately can lead to the demise of the company. New technology and innovations are growing so rapidly that it requires constant revision of all activities in business. Traditional methods of strategy and activities in business are shifting to new forms of communications.

This research is an opportunity to investigate the difficulties encountered by companies when they try to implement effective strategy during a financial crisis. There needs to be a situation whereby SME principals will be able to identify their own needs and those of their staff in order to find cost-effective, relevant, development opportunities to meet such needs (Expert Group on Future Skills Needs, 2005, p. 5).

There are many ways that establish how companies build up ultimately and what form of growth path they exercise. "The best way to predict the future is to create

it," said Peter Drucker (Kirby, 2013). The FutureSME programme was born out of this desire to empower SMEs to control their future. The programme was developed on a European level with partners from across the European Union over four years spearheaded by a team from the University of Strathclyde (Scotland) (Corcoran, 2014). Out of this grew a business model for SMEs to grow their business. Mike Gaffney, the managing director of LEAP Management Consultants who deliver the FutureSME business process in Ireland, explains that a lack of clarity regarding business goals could be the biggest threat to recovery for many SMEs, and that is why he advocates utilizing the FutureSME visual strategy that can transform a business. FutureSME is a business model of the future for SMEs taking the best practices and disciplines from highly successful larger companies and designing a unique methodology that allows these practices to be effectively applied to all businesses. It utilises Visual Strategy to create a culture which lasts beyond the programme and which supports sustainable growth (FutureSME, 2014).

The main principle is to keep a strategic focus and clear vision of business goals. The key for success is the visual strategy which provides clarity where business is going, how it is going and clear responsibilities for everyone who is involved. Indeed, human resources are crucial for any business. Discipline must be enforced to ensure clarity of strategy.

The Expert Group on Future Skills Needs identifies that management capability is one of the four 'essential conditions' identified for Ireland's success (Expert Group on Future Skills Needs, 2005, p. 4). It is identified that poor management skills in SMEs is the main worldwide problem in the failure of small businesses. The lack of professionalism, management skills, difficulties identifying the main issues within the company all are key weaknesses. Informal way of learning and communications play very important role in business. Another very important factor for success is strong leadership, which plays an extremely valuable role for sharing experience and to bring sufficient knowledge for success. Usually owner-managers have high motivation for growth as the conflict of interest is low in comparison to companies where directors are appointed on behalf of

shareholders. Owner-managers are empowered to take decisions faster as they usually do not have to await the permission of others.

Mike Gaffney of LEAP suggests that:

The biggest challenge they (business owners) have is keeping a strategic focus and how to develop the business on an on-going basis to make sure the business is progressing...There is no head space to ask are we doing the right things, and can we do things better? (Kirby, 2013).

There are interesting observations emanating from Roche Manufacturing Ltd based in Co. Galway, who were badly affected by the financial crisis, particularly in 2008-2009. Jimmy Roche, the founder of the company, decided to carry out a pilot transformation programme in Roche Manufacturing in 2009 as part of the research for the FutureSME project. They defined the objectives of the company and implemented several innovations such as cost cutting, protecting the skills developed over many years, establishing a leadership strategy while maintaining the confidence of all involved with regular reviews of progress. As a consequence, these strategies ensured survival and the continuation of a successful business. In conclusion to quote Jimmy Roche “Leadership skills must be demonstrated at all times in order to achieve our goals... we must have the skills to react appropriately to the challenges we have faced and will face in the future” (FutureSME, no date).

Before the crisis the main ultimate aim of the business for growth was to gain profit. However the crisis brought another impetus to business development - mere survival.

It is important for organisations to understand the activities which they undertake that are important in creating value and which are not (Johnson, Scholes and Whittington, 2014, p. 83). This leads to value for customers and in turn gives the organisation a competitive advantage. After all, if one wishes to attract customers from a competitor, you must convince the customer that the alternative product or service offers greater perceived value (Burns, 2011, p. 346).

There always remains the option for SMEs to consolidate that is changing the way the firm operates. In a declining market, this can involve cost reduction, volume reduction and perhaps even selling off part of the business. There is also an opportunity to develop synergy that is assessing how much extra benefit can be obtained from providing linkages between activities and processes which were previously unconnected (Burns, 2011, pp. 347,352). Beardwell and Claydon (2010, p. 36) identify what they call a slack labour market that is when there are more people seeking work than there are jobs available. A further component of this slack labour market is that employers do not replace workers when they leave. If workers are hired, they are often taken on temporarily.

Innovation is highly important for SMEs. In this context, innovation does not just mean creating new products or processes but rather means the development and exploitation of any resources of the organization in a new and radical way. Innovation accelerates the traditional thinking of the organization and thereby delivers the possibility of new competitive advantage (Lynch, 2012, p. 58). It is important to note that innovation is a process rather than a single event (Jones and Tilley, 2003, p. 139).

Hellriegel et al define managerial competencies as sets of knowledge, skills, behaviors and attitudes that contribute to personal effectiveness (Hellriegel et al., 2008). Martin and Staines (2008) concluded that lack of managerial experience and skills are the main reasons why new firms fail.

It is highly important for SMEs to invest in technology and particularly information technology. Technology aids in evolving a multi-pronged strategy but also in maximising business opportunities. However new SMEs, without access to capital, may find it difficult to purchase necessary technology (Phillips and Wade, 2008). Smallbone et al. (2003) found that, the cost of production can affect the growth of new SMEs.

2.6 Conclusion of Literature Review

The literature review established that SMEs are an important part of the Irish economy. They contribute the bulk of employment to the economy and the Irish Government has recognized their importance. SMEs were heavily affected by the financial crisis. The effects experienced were brought on by a combination of a sudden reduction in credit available combined with significant austerity introduced by the Government, which had a contracting effect on the economy. In addition to this the sudden contraction of GDP affected SMEs due to their heavy reliance on the domestic economy. Challenges present themselves for SMEs on both an internal and external basis. SMEs must develop suitable strategies for confronting these challenges in order to ensure survival. Effective leadership, human resource management, cost-management and training can all prove to be effective tools in relation to this.

3. Research Methodology

Introduction

This research is aimed to establish the most appropriate strategies, tools and methodologies which were used by Irish SMEs during the financial crisis which started in 2008. As a consequence this study might be used to improve further in SMEs. The research was gathered via primary and secondary research.

The primary research was conducted via a number of face-to-face in-depth interviews with SME management. The questions during the interview were extensive. Further primary research was conducted via informal discussion with those involved in the SME sector.

Secondary research was conducted using books, surveys, journals, newspapers which provided relatively up-to-date information regarding the effect of the crisis on SMEs. These secondary sources also pointed to measures, which may have been used by SMEs to cut costs and improve productivity, which proved useful during the interview process.

It was identified early in the research that sources pre-2007 would be of limited use due to the significant changes to the Irish economy that were a result of the financial crisis. There is certainly an enormous amount of information available regarding SMEs but the researcher was obliged to ensure that the information was both up to date and specific to the area of research. Some useful theory that dates from pre-2007 was utilised in a minor way.

3.1 Research Questions

Argyrous (2011, p 3) defined that a research question states the aim of a research project in terms of cases of interest and the variables upon which these cases are thought to differ. In terms of this research, it was identified that the aims were to;

1. Examine the effects of the financial crisis on the SME sector

2. Analyse the actions taken by SMEs in light of the financial crisis
3. Assess how effective these actions were in ensuring survival of the SMEs.

In more general terms, this research sought to establish the most valuable strategies, techniques and tools were used by SMEs in the post-crisis period up to the present date which could be beneficial for other companies in the future. The most appropriate techniques and procedures will be discussed in detail in part 3.3 Proposed Methodology. Saunders et al (2011, p29) state that the integration of ideas from these techniques is essential to have a clear direction.

When developing the research question, it was necessary to define the “who”, the “where”, the “when”, the “what” and the “why”. Perhaps, the easiest area to address initially was the “who”. The researcher has a longstanding interest in SMEs and was therefore confident that the SME sector provided ample opportunity for research. The decision to focus on wholesale companies was borne out of a desire to investigate a sector, which is under considerable pressure from the large multiple retailers. The “where” was also relatively simple to define as Ireland. This was clear from the outset that the research would be focused solely in Ireland as SMEs are by their nature reliant on the domestic economy and the researcher is based in Ireland, which makes access to Irish companies easier. In addition to this, it was judged unfeasible to carry out an investigation of SMEs on a Europe-wide or worldwide basis due to the timescale involved and the scope of the research. The “when” was also relatively easy to address as there was an immediate focal point in time that is the commencement of the financial crisis in Ireland in 2008. There was such a dramatic and immediate change in the Irish economy in 2008 and this provided a significant opportunity for research into the how SMEs were affected and how the austerity in the Irish economy impacted on the SME sector. The “what” was significantly harder to define as crafting a research is highly dependent on successfully refining a relevant “what”. The “what” was defined as an analysis of how SMEs survived the crisis using in depth interviews with several companies. The “why” is due to the importance and relevance of using an analysis of how SMEs survived to assist companies in the future to survive crisis.

The most important question is why SMEs are so important in Ireland and indeed in other countries. This research is carried out at a local level in Ireland. However knowledge and practical strategic tools acquired for this research are applicable around the world.

The motivation for this research developed through a long period of discussion but the researcher did realise that the most important reason for undertaking this research is to define the actions, which ensured survival during the financial crisis.

The importance of defining clear research questions at the beginning of the research process is crucial. As Saunders et al stated:

The importance of this cannot be overemphasised. One of the key criteria of your research success will be whether you have a set of clear conclusions drawn from the data you have collected. The extent to which you can do that will be determined largely by the clarity with which you have posed your initial research questions...It is important that the question is sufficiently involved to generate the sort of project that is consistent with the standards expected of you (2011, p. 30).

In order to clarify the research questions the Russian doll principle was used to identify the core idea of each question. Saunders et al (2011, p31) advocate breaking down the research questions from the original statement, stripping away the complicated layers and obscurities until the very the heart of the question is exposed in the same way as the Russian doll is taken apart to reveal a tiny doll at the centre.

Defining the research questions enabled the researcher to proceed to drawing up a set of questions to be used in the interview process. The independent opinion of a number of people was asked regarding the structure and nature of questions to be asked during the research process in respect of clearance, understanding, structure and appropriateness. It was extremely important that all these questions bring clear and valuable answers. They were tested independently prior to the series of interviews commencing. A detailed questionnaire for the interview is in Appendix

1. These questions were provided as template for the interview with participants offered the opportunity to make additional points as required. There was also an option to refuse to answer a question if the participants did not feel comfortable to divulge information on any particular topic.

From a result of the answers gathered from interviews, theories regarding the most efficient strategies, techniques and tools were developed and compared with secondary data collected, with a further review of literature to identify more specific areas of relevance.

3.2 Proposed Methodology

By using the research “onion” model this chapter provides an insight to the most appropriate methods of research philosophy, approach, strategy, choice, time horizons and techniques and procedures. Each layer of this model is important. Analysing each layer from the outer to inner layers enables one to identify the most appropriate research methodology to use at each layer and at the final stage to collect valuable data from surveys and or interview. Each layer will be discussed in further detail to establish the most appropriate techniques for collecting data. The primary research will be conducted through face-to-face in-depth interviews using a qualitative approach.

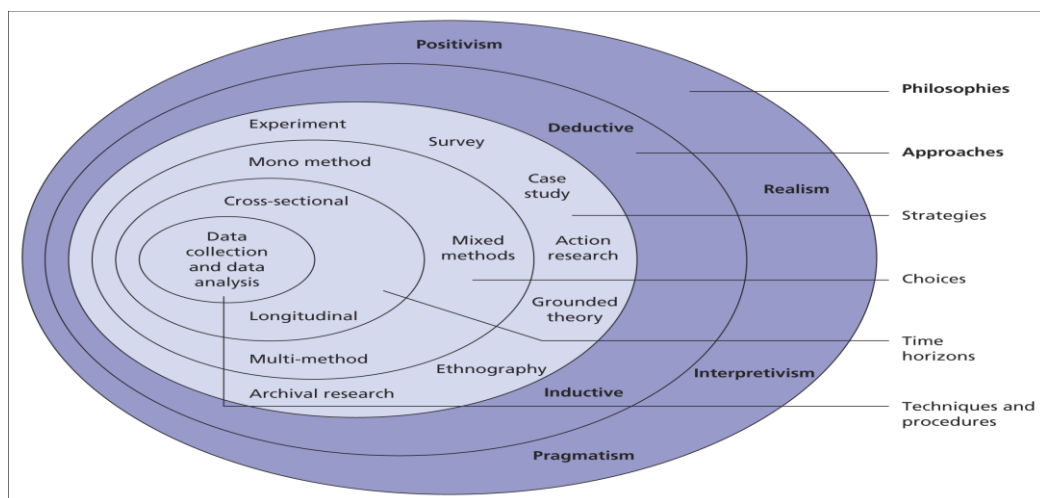


Figure 4: The research ‘onion’, Source: Saunders et al (2008).

3.2.1 Research philosophy:

The first layer of the research “onion” starts from identifying appropriate research philosophy which suggests four main philosophies positivism, realism, interpretivism and pragmatism. According to Riley et al. (2006, p. 17) both positivism and interpretivism research are based on a common desire to understand behaviour - “It is that interpretive researchers can never be absolutely sure that they have acquired the ‘world view’ of the people they study, nor that they give the meaning they encounter the correct or only valid interpretation”. Positivism seeks to apply scientific research methods, testing hypothesis from existing theory usually using quantitative methods. Interpretivism considers multiple realities. Realism is based on real formations independent of human perception.

Discussing all of the above research philosophies, it was believed that it is not possible to apply realism, positivism or pragmatism as the current financial crisis is relatively new and ongoing. There could be a complex combination of methods and tools used by SMEs not based on any scientific approach or theory. Hence the most appropriate research philosophy is interpretivism.

Furthermore, it is also possible to apply subjectivism as well as defined by Saunders et al as the view that social phenomena are created from the perceptions and consequent actions of social actors” (2011, p. 108). The interviews are with active participants in the SME sector.

3.2.2 Research approach

The next layer refers to the use of theory that it may be made explicit in the design of the research. Saunders et al (2011, p 117) states that one must question whether your research should use the deductive approach, in which you develop a theory and hypothesis and design a research strategy to test the hypothesis, or the inductive approach, in which you would collect data and develop theory as a result of your data analysis.

The goal of the primary research is to collect appropriate data and to establish the most appropriate conclusions based on the survey. For this reason the survey is qualitative with an inductive approach. The collected data will be compared with secondary literature review and conclusions will be drawn.

3.2.3 Research strategy

The third layer is to establish the most appropriate research strategy to design the best way of collecting valuable data to answer specific questions. As the following statement highlights:

...we must emphasise that no research strategy is inherently superior or inferior to any other. Consequently, what is most important is not the label that is attached to a particular strategy, but whether it will enable you to answer your particular research question(s) and meet your objectives (Saunders et al. 2011, p. 135).

The appropriate method of collection data was discussed and established that face-to-face interviews with several companies would be the best option. In this instance the best research strategies would be Grounded Theory strategy. This could be helpful as stated by Saunders et al summarising Goulding (2002), for research to predict and explain behaviour, the emphasis being developed and building theory (2011, p. 142).

3.2.4 Research Choice

The following fourth layer is to identify the best research choice. A mono-method would be the best choice which will be justified in this section.

Firstly it is essential to classify a choice between quantitative and qualitative technique as it highlighted by Saunders et al. (2011):

Quantitative is predominantly used as a synonym for any data collection technique (such as questionnaire) ... that generates or uses numerical data. In contrast, qualitative is used predominantly as a synonym for any data

collection technique (such as interview) ... that generates or use non-numerical data (Saunders et al. 2011, p. 145).

In this proposal the numerical data is not required. Hence, the qualitative technique will be applied through interviews. The structure of questions is complex. Some of questions required only short answers but a significant number required lengthier answers. As a consequence of this discussion a single data collection technique such as mono method is considered appropriate for this proposal.

3.2.5 Time Horizon

The Time horizons section considers the period of time fitting for researchers. According to Saunders et al, the cross-sectional studies are “the study of a particular phenomenon (or phenomena) at a particular time”. (2011, p. 148). Longitudinal studies are where development of events are observed over time that the researcher is able to exercise. By applying this theory, this research can be considered as cross-sectional due to the limited time range involved and the focus on a particular phenomenon – the financial crisis.

3.2.6 Data Collection. Techniques and Procedures

Within this section research methodology using the research “onion” method is discussed focusing on how each layer is important to pursue a clear philosophy, strategy, choice, techniques and procedures for collection of core primary data.

In order to answer research questions the primary data has to be gathered through semi-structured interviews using a qualitative method: “In semi-structured interviews the researcher will have a list of themes and questions to be covered, although these may vary from interview to interview” (Saunders et al. 2011, p. 312). Indeed, questions were prepared, however the interview discussions often generated some more additional information to achieve optimal results.

The conclusion of research “onion” layers is in Appendix 3.

3.3 Sample selection

It is crucial to decide accurate sample selection. The wrong selection will not provide sufficient material for research. There are two types of sampling technique probability and non-probability.

With probability samples the chance, or probability, of each case being selected from the population is known and is usually equal for all cases. ... For non-probability samples, the probability of each case being selected from the total population is not known and it is impossible to answer research questions or to address objectives that require you make statistical inferences about the characteristics of the population (Saunders et al. 2011, p. 207).

Firstly, for this study it is impossible to select the entire population. Hence it is a sample, in this case in-depth interviews with three companies combined with discussions with others in the general business field. Secondly, the probability of each selection is not known and the answers cannot be predicted in advance. Hence, the selection is non-probability sample. Furthermore, the framework of selecting a non-probability sampling technique proposed by Saunders et al. (2011, p. 227) helped to decide the most appropriate sample technique of questions. By doing so it suggests that the use purposive sampling with focus on importance of case: use critical case sampling, would be the best scenario for sampling. Also, it is important to take into account that the study is a specific area in financial analysis and only directors, top management, accountants or relevant advisers can answer this interview questions.

3.4 Ethics

“Research ethics: the appropriateness of the researcher’s behaviour in relation to the rights of those who become the subject of a research project, or who are affected by it” (Saunders and Lewis, 2012, p. 74). The ethical issues may arise at any stage of research. It is extremely important to take into considerations code of ethics for all individual participants or companies which are involved at any stage of research.

Due to the sensitive nature of this research the information obtained will be used only for dissertation purposes. The privacy of the participants must be respected. All participants were informed in advance with detailed requirements and purpose of this research by email, post, phone call or face to face contact. The participation is strictly voluntarily and individuals can decide whether to participate or not. It is understood that it might be difficult to persuade participants in interview. However, it will be explained the benefits of this research and tailor it to suit each participant. Furthermore, reactions and effects of participants might be different due to interpersonal relations.

3.5 Summary of Methodology

This chapter aims to explain the methodological approaches to the research as well as the rational for the choices. The research was limited due to the small sample size but the researcher aimed to acquire as much information as possible via in-depth face-to-face interviews. It was envisaged that these interviews would add to the literature review and provide evidence of the actions taken by SMEs to ensure survival since the beginning of the financial crisis in 2008.

4. Data Analysis and Findings

Introduction

The aim of this chapter is to analysis and present data collected using a qualitative approach with general conclusions. The detailed reasons for using a qualitative approach were discussed in the previous chapter 3 Research Methodology. The researcher aims in this chapter to approve or disapprove the hypothesis discussed in literature review and to compare it with data collected.

Findings from interview of three participants are discussed in this chapter. The eighteen questions asked of participants are presented in Appendix 1. All participants were contacted by phone, email or in person in advance of the actual interview. The participants were also provided with the questions prior to the interview.

4.1 Qualitative data analysis, coding and categories

Saunders et al (2011, p. 470) define qualitative data as being all non-numeric data or data that has not been qualified and can be a product of research strategies. Furthermore, they emphasise that this data needs to be analysed and from this analysis data can be developed.

To put it simply, as Saunders et al (2011, p. 471) describe it as similar to sorting a jigsaw puzzle where small pieces represent data which will tell us the whole picture and understanding of the problem when this puzzle is completed.

The general set of procedures for qualitative analysis identified by Saunders et al (2011, p. 479) are the following activities:

- categorisation
- ‘unitising’ data
- recognising the relations and developing the categories that can be used to facilitate this

- developing and testing theories to reach conclusions

The researcher pursued the procedures identified by Saunders et al to analyse the data collected using pre-prepared template questions for interview which enabled an in-depth discussion with the participants and also had the option of including additional questions should the need arise.

At this stage the researcher, guided by the purpose of this research, identified and rearranged relevant patterns of data collection. The data collection was labelled and coded into categories for the next step of recognising relationships between analysis and hypothesis and theory.

The next stage of activities - recognising relationships - enabled further developing of categories and patterns to generate explanations of objectives for the research and the most applicable relationships between hypothesis and theories.

The final step of data analysis involved the generation of final findings and patterns and developing hypothesis for testing. Saunders et al emphasise the importance of testing the appearance of an apparent relationship or connection between categories in order to be able to conclude that there is an actual relationship (Saunders et al, 2011, p. 483).

By applying these guidelines, the researcher was able to develop alternative explanations and to build well-grounded conclusions.

According to Saldana (2008, p. 3) a code in qualitative inquiry is most often a word or short phrase that symbolically assigns a salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data.

The data collected from interviewees is confidential and all participants were assured that their names would not be mentioned. In this case all companies and interviewees in relation to its dissertation will be referred to as company Alfa, Beta and Gamma.

4.2 Research findings

In this part, the nature and aim of the interview questions will be discussed. All questions for the interview were introduced to participants in advance of the interview.

The aim of the first 4 questions was to provide an introduction to the company, the nature of the business and the position of the interviewees and if any correlation between the size of the company, the length of time the company was in business and the strategies employed by the company during the crisis.

Questions 1 – Can you give a brief description of your position in the company?

The interviewees for this research were a senior manager, an owner and a national manager.

Question 2 - How long has the company been in business?

The companies were all in business for more than 20 years.

Question 3 - Size of the company:

Micro: fewer than 10 employees including yourself	1 interviewee
Small: between 10-50 employees including yourself -	1 interviewee
Medium: between 50-249 employees including yourself	1 interviewee

Question 4 - Does the company operate on an international level – importing and exporting goods or does it operate solely in Ireland? If operating internationally, what percentage of the business does that constitute?

All companies which were interviewed operate internationally mainly with the UK and a small portion of trade with other countries. However, the percentage of

business operations internationally is comparatively small, averaging at less than 6%.

The remaining questions directly relate to the objectives of this research.

Question 5 - How has the financial crisis affected the company performance? Would you describe it as having a severe effect, moderate effect, little effect or no effect at all?

The aim of this question is to detect whether the financial crisis affected the company performance or not. It is a specific question, upon which the further questions depend on.

All the interviewees confirmed that the financial crisis affected their company performance either moderately or severely. The numerical data was not a concern for this question. It was important to identify the level of effect on the company performance affected by financial crisis.

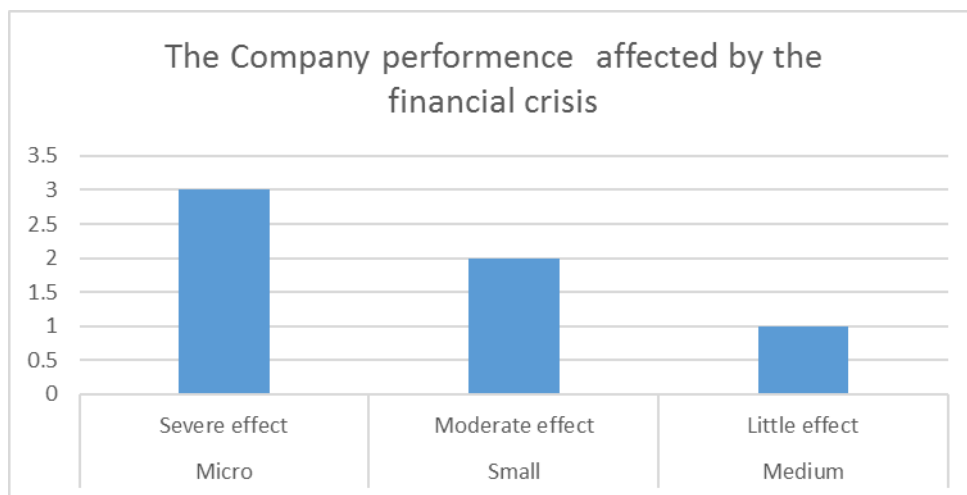


Figure 5: The Company performance affected by the financial crisis

The next set of questions from 6 to 13 is the core questions for this research.

Question 6 – Could you advise if there has been an increase or decrease in terms of the following since 2008? If possible, please estimate the percentage increase or decrease of turnover, number of customers, number of suppliers, bad debts to turnover, liquidity problems/cash flow, employee numbers and bank debt?

This question is intended to identify the most affected area of the business.

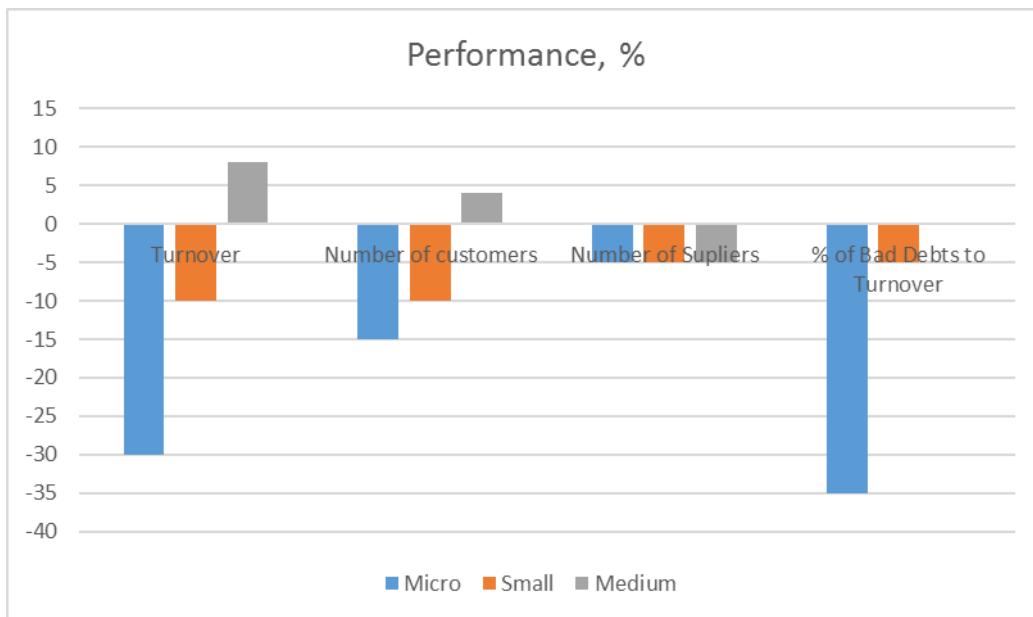


Figure 6: Performance of main problem areas

It is difficult to measure liquidity issues. However, it was identified that liquidity issues badly effected company Alfa (micro). It took them about 5 years to recover from the crisis. The small company Beta had some liquidity issues which were managed relatively well with monthly monitoring. The medium company Gamma did not experience liquidity issues.

In terms of employee numbers, Alfa reduced their employees by 2 people via redundancy. Beta managed to employ two additional staff. Gamma remained unchanged in terms of employee numbers.

Question 7 - Has the company used any particular strategies to improve performance? Such strategies could include utilising academic theory, professional advice, availing of any government support programmes or any other strategy?

This question is one of the most important to address the objectives of this research and identify if any strategies, techniques, or programmes were used for survival for some and to improve performance for other enterprises.

The answers supported the evidence uncovered in the literature review. However there was a conceptual difference between secondary and primary research answers. Literature provides only general data, opinions and recommendations based on theory and statistics. Interviews supply concrete practical actions based on actual experience and actual actions which is the main aim of this research.

None of interviewees mentioned any use of academic theories and strategies. However all of them utilised independent advice and their own strategy based on their own experience or that of others. For example, company Alfa significantly utilised professional advice such as business courses and advice from relevant business institutions. In addition to this, there was close communication and sharing experience with companies in the same area. While, there may be some concern about sharing advice essentially with competitors, Alfa advised that competitors were actually of great assistance during the crisis.

The strategy of the company identified as Beta and Gamma was an independent review of business operations at each level by different professional advisors and implementation of identified actions for the company.

Question 8 – In relation to question 7, can you specify any particular actions, which were undertaken, such as redundancies, cost-cutting etc?

This is very specific question to identify any techniques in detail such as redundancies, cost-cutting among other issues.

The companies all identified effective human resource management as the source of the most effective actions. The companies sought to establish where costs could be minimised. All companies mentioned wage costs as a significant business cost and emphasised the importance of explaining to staff the need to reduce the wages bill. They stated that the preferred option was to make across the board cuts to wages of a small amount e.g. 5 %. However, if this did not have a sufficiently positive impact, then redundancy was the next option and Alfa were indeed forced to embark on a redundancy strategy. In addition to this, companies went through a process of eliminating all unnecessary expenses. Utility suppliers were switched to ensure the best value was obtained.

Question 9 - Do you notice any improvement as a result of the implemented strategy and actions? How would you rate the impact on a five point scale poor (1), inadequate (2), average (3), good (4), excellent (5)?

The purpose of this question is to identify the actual contribution of any strategies and action which were implemented.

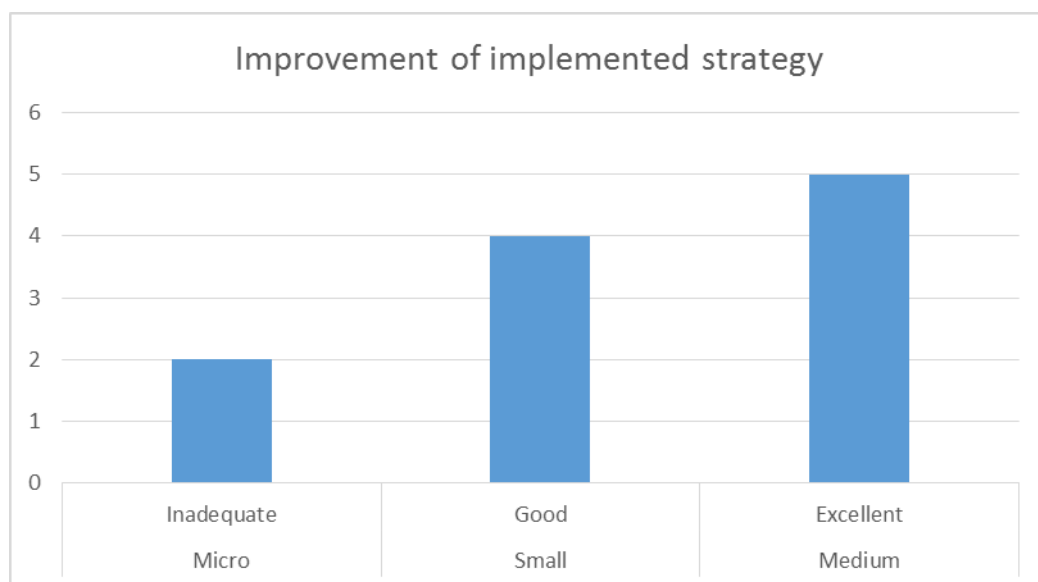


Figure 7: Improvement of implemented strategy

One of the major issues for all interviewed companies is cash flow and bad debts. The importance of strategy and actions for implementing strategy is crucial. All companies utilised strategy for survival and improvement of business. All

participants noticed that the implementation of a focused strategy resulted in the survival of the company and indeed an improved performance. However, the impact of the performance indicated that there was a correlation between the size of the company and the success of the strategy.

For example, liquidity and bad debts issues almost destroyed company Alfa. Using specific actions such as cost-cutting, redundancy and implementation of professional advice helped to improve cash flow issues and bad debt recovery, the survival of the company was achieved over a period of five years.

The participants all advised those that despite efforts to implement a successful business strategy, their companies were hugely affected by external factors, which sometimes made their strategy irrelevant. These external factors cannot be controlled. Specifically, they identified a major issue of bad debts, inadequate government support and banks reluctance to provide finance.

Question 10 - Can you detail your opinion about the importance of strategy in this company? Regular revision of strategic objectives)

The aim of this question was to identify the importance of any strategic decisions. Also if any strategy was used how often it was revised and adapted to objective of the business. All interviewees reacted instantaneously that strategy is incredibly important currently. Before the financial crisis nobody paid attention to it but now it is recognised as essential. Regular monthly analysis of the need for improvements was conducted in all the companies and some even conducted an even more frequent analysis.

It was stated very clearly by all participants that their reaction to the financial crisis was not as quick as it should have been. They stated that they did not react in a timely manner and only took action when the crisis was already having a significant impact. This was identified as a loss of opportunity as a quick reaction could have limited the impact and enabled the companies to be pro-active rather than reactive. Crucial decisions were not taken until it was almost too late.

Question 11 - In your opinion, what is most important aspect to improve business performance – Management, discipline, business relationship, customer focus, innovations, other? Please explain why?

The answers provided again supported the evidence of the literature review. The answers to this question correlate the theory outlined in the literature review with all participants confirming the important aspects to improve business performance are customer focus, discipline, innovations, management, business relationships and other minor factors.

Companies all identified discipline as an extremely important aspect in any business activities and as a fundamental factor for success for business along with customer focus, innovations, strong management, business relationships and strong performance. They all stated that without discipline it is impossible to create strong management and productive business relationships.

Weak management leads to business failure. Lots of weaknesses were identified by participants such as a lack of fast strategic decisions by management proving to be costly.

One of the participants emphasised the importance of focus on strategic objectives, combined with regular monthly revision and implementation of revised strategy.

Question 12 - How would you rate functionality (performance) of the following departments on a five point scale poor(1), inadequate(2), average(3), good(4), excellent(5):

The rationale of this and the following questions is to compare functionality of main departments in business activities pre and post crisis.

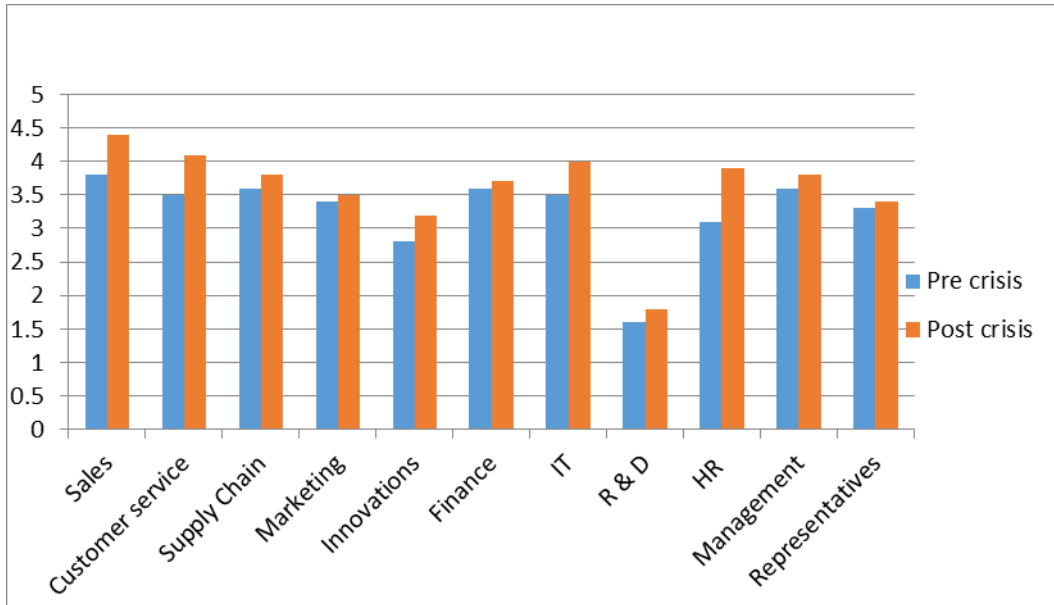


Figure 8: Functionality of departments pre and post crisis.

It was discovered that almost all activities were improved since financial crisis started. Interviewees advised that the financial crisis increased competition while encouraging businesses to think differently, to create something new and effective to ensure survival, giving a motivation for innovation and utilising new ideas in each department. All companies stated that the financial crisis is the time for revising and improving all activities in business. Otherwise the alternative is business failure.

Question 13 - In your opinion which area specified in Q12 should be improved for a positive effect on performance?

The main focus and priority for the participating companies is innovation. Innovations bring fresh ideas and provide a competitive advantage particular and deliver substantial added value in industry.

The second priority which participants focused on is customer service. A manager of company Alfa shared their strategy in this area. This strategy was adapted in the last few years and essentially identified a number of valuable customers and invested in the relationship with these customers. This gives a great opportunity to secure strong relationships with a stable secured performance and profit.

Another point of this strategy is that by eliminating focus on unnecessary customers it gives an opportunity focus on valuable customers, while significantly reducing bad debts (the company had a high proportion after the crisis. This tactics were successfully implemented by selecting valuable customers and using recommendations from difference relationships and sources available.

The third priority was a combination of effective human resources and management.

Question 14 - Do you think that in a recession, the government should help SMEs or is it purely the company's own responsibility to cope with the financial crisis?

The question about the role of government during financial crisis was not the main focus in this dissertation. However, as the government claims to play a significant role in supporting SMEs, it was interesting to investigate how true this was in reality. Despite the claims of the Government, all participants complained about the lack of support from the government. They all felt that they could not rely on the government for support and had to remain self-sufficient. They also complained of the government's lack of action on banks and not taking action to ensure that banks supported SMEs. Of particular concern was the fact that banks had removed overdraft facilities for some of the companies. There was a common consensus amongst all the companies interviewed that they felt alone in dealing with the financial crisis.

Question 15 - What do you think the government has done to assist SMEs to date? Are you familiar with the support programmes available?

One of the answers was that Irish government failed to assist SMEs to date. None of the participants were really familiar with the support programmes available. According to the literature review there are numerous programmes available. It is possible to charge that government have not delivered enough support to SMEs.

Question 16 - What is your opinion on what the government should do to help SMEs going forward?

All participants wanted greater support programmes from the government particularly for new enterprises.

Question 17 - What do you consider as the main challenges facing the wholesale industry in the future?

Participants identified the need to transform their businesses to keep up with changing times and the emerging threat from large competitors.

Question 18 - Is there further comment you would like to make?

Participants also mentioned the importance of team work and encourage all employees to think innovatively and rewarding any new initiatives. A culture of support within a company was seen as a good framework for maximising idea generation.

5. Discussion

Introduction

The aim of this research was to investigate the best practical actions taken by businesses in the Irish SME sector to ensure survival since the beginning of the financial crisis in 2008, with a particular focus on the wholesale industry. The rationale of this research was to source ideas from real experience of a number of companies, who survived the crisis and improved their performance. These ideas could be used and implemented by any SMEs in the future as guidance to successful business.

The literature review pointed to some interesting ideas about how SMEs can improve their performance particularly during times of crisis. There were significant indicators of general strategies and actions, which could be taken by SMEs in order to improve performance. However, the uniqueness of each individual SME meant that some of the answers, which emerged during the in-depth interviews, were impossible to predict in advance. There were certainly many interesting points which emerged and these will be detailed in this chapter.

As emphasised in the literature review, SMEs in Ireland play a hugely significant role in the Irish economy. SMEs produce the greatest proportion of Irish GDP and adequate support of SMEs is essential for the Irish economy.

5.1 Effect of Financial Crisis on Companies

The in-depth interviews clearly illustrated that all the companies were affected in different ways. The company identified as Gamma declared that there was a little effect from the crisis while the other companies stated that they were either moderately or severely affected.

The company identified as Alfa was the most severely affected as a result of the financial crisis due to the chaos that emerged in the Irish banking sector. The

company had its overdraft facility removed by the bank and removed credit facilities. This had a major effect on Alfa and resulted in a four year period of difficulty for the company. All companies did identify cash flow as a problem, which often led to liquidity issues.

A certain pattern can be identified as a result of the responses to the questions regarding the effect of the crisis on companies. From this research, it can be deduced that the smaller the company, the greater the effect of the crisis. Alfa – a micro-sized company was severely affected, while Gamma – a medium sized company was only slightly affected. An explanation for this was provided in the secondary research conducted in the Literature Review. In comparison to micro and small businesses, medium size companies usually have more available financial resources for research and development, innovations and professional expertise. It gives them a significant advantage for accessing the best available resources such as new technology, professional labour, the best expertise, marketing etc. Very often micro and small companies are not able to afford such expenses. The existing literature does suggest that one advantage that micro and small companies have is their flexibility. They may be quicker to react as they do not have large management structures. However, this requires creative management and a desire for innovation on behalf of the manager(s).

Another issue mentioned as a significant difficulty was VAT fraud in Ireland. The company identified as Beta lost several customers due to this reason. The fraud involves customers purchasing products from Northern Ireland where a zero percent VAT rate applies and then fraudulently claimed the full VAT rate from the Irish Revenue, which is 23%. Such action is of course fraudulent and risks being exposed during an audit. However, it is a risk that it seems micro companies are willing to take according to the evidence of Beta. One reason for this may be that micro companies are audited less frequently than larger enterprises so the risk of exposure is lessened. It means a loss of revenue for Irish companies who lose customers to their competitors in Northern Ireland as well as a loss of revenue for the Irish government. Companies identified this as particularly prevalent when the VAT rate was increased to 23%.

Companies also identified labour costs as a significant effect of the crisis. The wage bill was significant and the various levies that were introduced in the budgets became labour taxes. All companies identified difficulties with imposing wage cuts but also highlighted their importance for the survival of the company. Redundancy was not favoured by any company but Alfa had to embark on a redundancy programme as there was no other option. Beta identified “natural attrition” as strategy, which they embarked on but this is only applicable when there is sufficient staff turnover.

5.2 Strategies for Survival and Growth

In the literature review, there were a number of strategies for growth outlined such as a sustained effort to increase customer numbers, customer focus, innovations, cost-cutting and effective leadership. It is always interesting to compare if and how such theory is applied in reality particularly in the case of SMEs.

The interviews revealed that academic theory played no part in the decision making process of SMEs. There was a generally dismissive attitude displayed by those interviewed towards academic theory. They seemed to be of the attitude that when one is trying to keep “your head above water”, you do not have time to consult academic text books. The researcher found the attitude of the participants on this issue to be harsh as they did all admit to utilising professional advice, which is undoubtedly informed by academic theory.

One of interviewees declared that:

Independent advisors just reminded to relook at the basics. At the end of the day all of business professionals have a lot of the theory but they do not have solutions to the classic problems. But the classic problem is getting momentum. The classic problem is getting people actually to do what they supposed to do in theory. There is no expert can tell you how to do that. How you get up in the morning is up to you. It would be simplistic to say that there was no academic theory after 35 years of

experience. It would include in addition irreplaceable experience of life in business and a combined team effort.

Another interviewer claimed similarly that independent business experts simply reinforce the basics in business which we know already. However, the experts are really helpful for a particularly focused project for improvement business operations and performance.

The companies did all share the same priority of reviewing all expenses and seeking to reduce costs as much as possible. Implementing an effective cost-cutting strategy was identified as the top priority. Cost cutting only included salary reduction as a final option. Alfa was forced to implement a redundancy programme when the cost cutting options were exhausted and the company was still in a difficult position.

Another very interesting strategy, which was not identified in the literature review, was maximisation strategy. The point of this strategy is to maximise outcome from all available resources such as technology and mainly human resources. The labour is the main cost in any business. The ability to use combined functions in limited human resources provide a great advantage and flexibility of use and possibility for good quick decisions strategy.

In contrast to literature review the focus on customers was not discussed deeply. The findings did suggest one interesting point regarding customers – the strategy of eliminating non-profitable or troubled customers using referencing system or by recommendations. This strategy helped to reduce significantly the level of bad debts and reduce the debtor collection period with major improvement of cash flow. This strategy is good for micro companies with a smaller number of customers. It is very difficult to follow this strategy for small and medium enterprises as the number of customers is greater.

There are many government programmes are provided and currently available but only one company used any of them. Through the “Scheme to support employment programme” one of interviewed companies was able to save

significantly and even to increase employment. The fact that the much lauded schemes introduced by the Government were not utilised by the companies suggests that either they have not been effectively advertised or explained to SMEs or alternatively that they are not seen as having worth.

Another example of a strategy mentioned during interviews was to use every possible opportunity to maximise profit by maximising margin. As competition is currently extremely strong in all areas it is very difficult to approach new customers. Also, it is difficult to compete with big players such as supermarkets. When a few similar companies combine a focused strategy of buying product in a large bulk with a good margin and then sharing it between several companies, which allows for the maximisation of profit without increasing number of customers. Although the companies stated that they did not use any academic theory, this idea above is a clear example of pricing strategy for profit maximisation which is discussed by many theorists. For example, the bargaining power of customers is discussed by Porter in his Five Forces Analysis.

Another strategy which was identified by Beta the companies was the importance of focusing on effective Segregation of Duties. This can be more challenging in SMEs where this is a small workforce and the necessary tools may not be readily available but it is a very important nonetheless to avoid fraud. This particularly relevant for SMEs in the wholesale and retail trade where there is a significant amount of cash and stock on the premises.

Interviewees also highlighted the importance of cultivating relationships. A number of reasons can be identified for the importance attributed to this. One reason is that the small size of Ireland means that the sectors of the economy are often closely related. Your competitors are most likely to be well-known to you. An additional reason is the concept of “Strength in numbers”. This is particularly true in the wholesale industry, where there is intense competition from the supermarket multiples, and where good personal relations can contribute to effective deals whereby margins can be increased. It was also suggested by Alfa that customer numbers can be increased by devoting time to cultivating relationships where your company can be recommended to third parties. As one

participant commented “if you treat people in the same way you would like to be treated you will eventually get a reward.”

There was also an interesting point, which emerged, suggesting that the success of any strategy that was implemented was also related to the size of the company. The findings suggested a correlation between the impact of the financial crisis on companies and the impact of strategy implementation. The smaller the company, the less success the strategy had. All interviewees acknowledged the importance of strategy with one interviewee commenting “Strategy is important. However if it doesn’t work we can blame only ourselves. If we do not react fast, if our business decisions are slow it is only our fault”. All interviewees expressed a preference to review business performance and monitor the company to ensure the company is on the right track at least once a month. This was particularly applicable to micro-enterprises, which are vulnerable due to their small size.

Effective leadership was also highlighted as important. However, it was difficult to assess exactly how effective the leadership was in participating companies as the researcher was conducting interviews with senior managers, who were unlikely to be self-critical. Although, it has been judged that on an internal level many companies are inhibited by a lack of managerial and technical skills (Jones and Tilley, 2003, p.1).

All participants concurred that good management practice, customer focus, business relationship, innovations and discipline are all very important.

Some interesting points emerged in discussions regarding the functionality of different departments. Findings for this question revealed a clear fact confirmed by all interviewees that despite the current situation of the company, the functionality of all departments has improved since the crisis. The reason was that pre-crisis companies were reluctant to implement changes but the crisis forced companies to implement change. As discussed in the literature review and confirmed by interviewees, the financial crisis affected almost all SMEs in Ireland at different level. It is essential for companies to improve functionality of all departments at a time of crisis. According to CSO (2011, p. 21) it had a heavy

impact on Irish SME employment falling to 78.2% in 2011 of the 2006 level which corresponds to over 31,000 job losses. It was advocated that financial crisis provided a great opportunity for many companies to go through a value chain of all departments within a company and to improve its functionality.

The interviewees stated, in no particular order, the main focus for improvement in performance would be the following departments - management, sales, customer focus and innovations. One interviewee stated that “Management dictates all operations” in support to importance of areas within the company.

In discussions regarding the Government’s role in assisting SMEs, there was a significant disparity between the literature and the opinions of the participants. All agreed that the Government should play an important role. However, they all stated that there was a vast difference between “should” and “does”. All participants lamented the lack of effective action from the government and echoed the thought that they felt alone and abandoned by the government. Many of the participants were not aware of all of the programmes supposedly available and dismissed mention of them as “all talk, no action”. If these interviews are to be used as a sample of SMEs in Ireland, it would suggest that there is a lot of work left to be done by the Irish government.

5.3 Limitations of research

The researcher is acutely aware that there are a number of limitations to this research. The sample size was small and initial approaches to companies were treated with some suspicion. The researcher believes that this is due his own employment in a SME and the fear that there may be a nefarious attempt to gain advantage over a competitor. In addition to this, it was the first time for the researcher to conduct such interviews and it was a steep learning curve. This was particularly true when compiling interview questions and anticipating that certain questions would elicit certain answers and then the surprise when actually the answers were different. For example, the researcher expected that some questions

would generate lengthy answers and other questions would generate shorter answers but this was not always the case.

6. Conclusions / Recommendations

A number of important conclusions can be drawn from the research. The clear conclusion is that SMEs do not survive while standing still. They must move forward constantly. The findings from the series of in-depth interviews confirm the research by the Economic and Social Research Institute (2014), which shows that today the main problem for SMEs in Ireland is to increase customer numbers, customer focus, innovations, cost-cutting and effective leadership.

It became clear from the interviews that the financial crisis provided an impetus for companies to change their mode of operations. The methods applied to effect change were varied as was the extent of the impetus for change. However, there were several consistent aspects. Whatever changes are implemented, they must be constantly reviewed to ensure that they are effective. This is particularly true for SMEs where there is a possibility that complacency can set in without constant review. A SME is much more vulnerable to risk than larger enterprises so review is necessary to ensure that positive changes are being instigated. The research also underlined how important it is for SMEs to have a clear view of their aims and objectives and to review their progress on a regular basis. It is also interesting to explore how an artificial impetus may be created to further assist companies to develop and innovate. Without the impetus of a financial crisis, there is a possibility that companies may become complacent.

The research also identified that building and improving key relationships is essential for business growth. This is applicable both for customers, suppliers and competitors. The relatively small size of the Irish economy makes this essential. The benefits of building relationships with customers are increased customer loyalty along with delivering a unique customer experience. An enhanced relationship with suppliers may bring increased value in terms of pricing structures. The importance of relationships with competitors is the opportunity to make strategic alliances between smaller enterprises in order to be able to compete with larger enterprises.

Another important aspect to this research is underlining the importance of experience. While theory is useful, all participants emphasised that there is no compensation for business experience. A sense of timing and a business head was judged by all participants to be more important than any academic theory. Although, there is no doubt that even if they were not aware of it, their business acumen was directly informed by academic theory. Another aspect which the researcher became aware of while conducting this research was the suspicion with which SME owners/managers regard any academic study of their business. When the researcher approached companies, several immediately declined and several others agreed in principle but then proved impossible to schedule an interview with. The researcher can posit several potential reasons for this. It may be that in such an economy SME owners / managers are reluctant to give away any competitive advantage by disclosing their secrets to success. Another possible factor was that the issue of time. SME owners / managers often manage many duties and it can be concluded that spending several hours making a contribution to academic research seems futile especially when they do not seem to be ostensibly benefiting from it.

From a government perspective, it can be surmised that they need to put a greater emphasis on actions to help SMEs. While there seems to be a great amount of talk from the government about helping SMEs, the evidence from the interviews showed that SMEs do not see evidence of this support. This is further backed up with an ISME survey from earlier this year pointing out deep levels of dissatisfaction with the Government among SMEs. If the Irish Government is truly serious about the importance of SMEs then they need to take significant action to show that.

6.1 Limitations and Future Scope of Research

An immediate limitation was the sample size taken. While it is possible to deduce some broad patterns from in depth interviews with three companies, a broader sample could have introduced other themes. The researcher could have anticipated that there would be many refusals and therefore could have

approached more companies. Unfortunately, due to the length of time it took to receive answers combined with several companies pulling out, the researcher had to accept using three companies.

In terms of opportunities for future research, the researcher would expand out to the research for many more companies. In addition to this, he would see if he could offer a tangible benefit to the participants to increase enthusiasm for participation. It would be both interesting and beneficial to produce research specifically for SMEs analysing anecdotal evidence of how SMEs can cope with crisis.

7. Self-reflection and skill development

Introduction

This chapter will provide an opportunity for the researcher to reflect on the process of conducting this research and what was learned in the process. This provides an invaluable opportunity to identify the lessons that were learned, the achievement and setbacks along the way and the overall experience. It also is chance to evaluate the progress of development through the research and use the experience accrued as a learning tool for future development. The researcher will seek in this chapter to identify the processes involved, the sources used, and the formulation of the dissertation as well as the learning outcomes.

7.1 Reflection on process

The researcher had a long-time personal interest in small and medium enterprises due to work engagements pursued in many such enterprises. The researcher always had a natural curiosity as to what ultimately made a business a success particularly in a tough economic climate. Further emphasis was added to this by the researcher pursuing an MBA in Finance in Dublin Business School where considerable time was spent analysing the origins, consequences and results of the global financial crisis. It was out of these two strands that the idea of analysing how SMEs ultimately survived during the financial crisis emerged. Furthermore, as the researcher holds a Bachelor degree in Accounting and Finance, there was an additional capability added to the study of SMEs particularly from an accounting and financial point of view. An initial idea had been to investigate a topic relating to the stock market. However, the initial investigations into the stock market revealed to the researcher about the importance of the role that SMEs play in the global economy. This is particularly true for the Irish economy where SMEs are a vital part of the economy.

As a consequence of this realisation, the researcher took the decision to carry out an in depth investigations of SMEs and how the global financial crisis impacted

on them. In particular, the researcher wished to investigate what strategies were used by SMEs to ensure survival throughout the conference.

The difficulty of combining research with a full-time job posed some challenges for the researcher. Time management was an issue at the beginning particularly as it seemed there was an enormous amount of information to be digested. The researcher would have looked at more international research in the context of the dissertation but time limitations hindered this. In addition to this, it took some time to refine the exact topic for the dissertation. There is a vast amount of information available but many sources share similar research and therefore it proved challenging to source original information. There was also little research previously done into the strategies used by SMEs during the crisis.

As the research was for a topic that is very current, it was decided to use the most up to date information available namely online materials, reports and academic journals. In addition to this, Google Scholar was found to be a valuable tool in sourcing appropriate material. The advice of a Dublin Business School Librarian to source suitable literature in the library system was also most welcome.

As a result of intensive research, it was discovered that the main issue for SMEs in Ireland and globally is management, decision making by management and discipline in all actions in relation to making decisions at all three levels of business strategy strategic, tactical and operational. Following analysis of research, it became clear that according to theory today innovations play an unprecedented role in business growth and success. Some theories which discussed in chapter 2 were discussed after this discovery. One of the most interesting aspects of this research was the realisation that the theory actually corresponded with reality as this was confirmed with primary research through interviews.

The researcher utilised the many resources available in the DBS library particularly in identifying existing literature and theories applicable for the research. However, the researcher also understood the importance of using

contemporary resources and with this in mind, utilised journals, articles and statistics which provided relevant information for SMEs.

7.2 Reflection on sources

The researcher did anticipate that there would be a large volume of relevant information available and this was certainly confirmed. However, there was some difficulty in finding specific literature with up to date information and relevant contrasting views.

The researcher followed the instructions of DBS Postgraduate Business Guide Book 2014 which provides clear requirements for writing dissertations. Also, a few books about research analysis recommended during the MBA course were taken into account for writing this dissertation. Furthermore, during the MBA course the researcher experienced significant improving in reading and analysing lots of different sources quickly to identify relevant information.

The main principle for this research was to read, analyse and make relevant notes and references for sources immediately. Using this strategy made it easy to track notes, references and to build links, comparisons and contrasts between different opinions, studies, researches and statistics.

As previously stated, there is a vast abundance of information available. However the researcher felt it necessary to disregard a number of sources as the information was too out of date to be judged useful. In addition a useful resource was reviewing past dissertations. The researcher did feel it necessary to exercise caution in this regard as there is a risk that one can be too heavily influenced by the work of others and therefore your own originality can be malignly influenced. Therefore, the researcher decided to merely read past dissertations but not to any great extent.

As previously mentioned, the researcher has extensive SME related work experience and therefore felt comfortable in the sphere of SME research. In order

to source relevant information, it was necessary to examine a great number of statistics, which the researcher would not usually be familiar with.

7.3 Reflection on dissertation formulation

The sources which were used in this dissertation provided plenty of support in many ways. The secondary research provided an extensive view of how important SMEs are in Ireland. There was however an absence of research on the specific area of research that is how exactly SMEs survived the financial crisis.

It was identified that the knowledge accumulated during the MBA course generated a significant ability to balance the evidence and findings. The main priority was to formulate clear simple to interpret questions which would give appropriate answers. Once when questions were formulated interviews were conducted. Simple structure and clear questions enabled the sourcing of relevant evidence to balance them using knowledge acquired during the course and research literature and guidance recommended and available in the library.

The research findings pointed to one clear conclusion. For SMEs to survive during the crisis, innovation was essential. Standing still was simply not an option. All SMEs needed to reflect on their business model and see how improvements and innovations could be made. While it had been anticipated that this may be finding, the degree to which it was true proved surprising. Another interesting finding was that the size and structure of the company reflected to what degree innovations could be applied. For example, family run companies can be more resistant to change because very often it is very difficult to make fast and robust decisions due to the sometimes difficult nature of family relationships.

While the literature did indicate some of the findings, extensive information was only uncovered via the interview process. The interviews also showed that while theory can be useful, when a business owner is focused on keeping his/her business going, applying theory is often not the main priority.

7.4 Reflection on learning

It was very interesting to observe the learning process curve and learning style during the process of completing the dissertation. Kolb's learning styles provide a clear understanding of different learning styles. However, as everyone is individual and unique, Kolb's learning styles cannot be considered definitive guidance. Everyone find his/her own style. The researcher found his own unique way of learning style, which one can compare to a learning spiral. One must first think of objectives, make a brief plan, conduct reading and research while thinking about relevance to the main question, find the links and make a comparison and contrast with other sources found. A combination of extensive research along with conversations with professionals enabled a thorough approach to the dissertation.

Kolb describes four styles activists, reflectors, theorists and pragmatists which accordingly separate on the activities to do, to review, to conclude and to plan. The researcher finds that combination of four styles would be ideal. However, each individual is naturally inclined to one activity more than others.

Another lesson was acquired it is always better to rely on ourselves. The experience with organising interviews showed that some interviewees agreed with enthusiasm to participate in the interview process but then in reality some of interviewees were cancelled or postponed beyond the control of the researcher. One can therefore draw a conclusion that it is important to have a Plan B approach should Plan A not suffice.

7.5 Skill development

Communication skills

The process of the MBA studies and dissertation certainly enabled the researcher to improve his communications skills. The researcher is a non-native English speaker and as such sometimes had difficulty articulating information in a clear and concise manner. The MBA programme gave the research enabled the

researcher to develop his communication skills both verbally and in written form. It allowed the researcher to develop arguments and clear reasons during discussions.

Interpersonal skills

The researcher is originally from Russia and upon arrival in Ireland immediately noticed a difference in styles of communication. As a generalisation, the Russian style of communication is usually forthright and direct and ignores the niceties that would be standard in interactions in Ireland. The researcher was aware of the need to adapt to Irish norms and the MBA programme was of particular assistance in this regard. In addition to this, the researcher works in a solo capacity and not in a team so this provides an added impetus to improve interpersonal skills. Again, the MBA programme is of great assistance in regard to this due to the many assignments involving team-work, which develops discussion and negotiation skills along with the opportunity to work with Irish and international students.

Critical skills

The researcher is of the opinion that one of the most important skills that are developed during the MBA programme is critical skills. They are so very essential in the business world and are something that the researcher was critically aware of the need to develop, as they would be vital for the future. The structure of the MBA programme enabled a gradual but significant development of these skills so that critical analysis no longer worries the researcher!

Problem – solving / decision-making skills

Identifying a problem and taking the necessary decision to solve it again is an essential life-skill. While the researcher was aware of an ability to identify a problem, he was not quite equipped with all the tools necessary to resolve the problem. Now as a result of the theory and experience acquired during the MBA programme, the researcher feels competently equipped with problem-solving skills.

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APPENDIX 1: Interview Questions: SMEs

Company:

Date:

Job position:

1. Can you explain give a brief description of your position in the company?
2. How long has the company been in business?
3. Size of the company: Micro: fewer than 10 employees including yourself
Small: between 10-50 employees including yourself
Medium: between 50-249 employees including yourself
4. Does the company operate on an international level – importing and exporting goods or does it operate solely in Ireland? If operating internationally, what percentage of the business does that constitute?
5. How has the financial crisis affected the company performance? Would you describe it as having a severe effect, moderate effect, little effect or no effect at all?
6. Could you advise if there has been an increase or decrease in terms of the following since 2008? If possible, please estimate the percentage increase or decrease:

	Increase	Decrease	Percentage + or -
Turnover			
Number of customers			
Number of Suppliers			

Percentage of bad debts to turnover			
Liquidity problems/ Cash flow			
Employee Numbers			
Bank debt			

7. Has the company used any particular strategies to improve performance? Such strategies could include utilising academic theory, professional advice, availing of any government support programmes or any other strategy?
8. In relation to question 7, can you specify any particular actions, which were undertaken, such as redundancies, cost-cutting etc?
9. Do you notice any improvement because of the implemented strategic actions? How would you rate the impact on a five point scale poor(1), inadequate(2), average(3), good(4), excellent(5):
10. Can you detail your opinion about the importance of strategy in this company? (regular revision of strategic objectives)
11. In your opinion, what is most important aspect to improve business performance - Management, discipline, business relationship, customer focus, innovations, other? Please explain why?
12. How would you rate functionality (performance) of the following departments on a five point scale poor(1), inadequate(2), average(3), good(4), excellent(5):

	Pre Crisis	Post Crisis
Sales		
Customer service		
Supply Chain		
Marketing		
Innovations		
Finance		
IT		
R & D		
HR		
Management		
Representatives		
Other		

13. In your opinion which area specified in Q12 should be improved for a positive effect on performance?
14. Do you think that in a recession, the government should help SMEs or is it purely the company's own responsibility to cope with the financial crisis?
15. What do you think the government has done to assist SMEs to date? Are you familiar with the support programmes available?
16. What is your opinion on what the government should do to help SMEs going forward?
17. What do you consider as the main challenges facing the wholesale industry in the future?
18. Is there further comment you would like to make?

APPENDIX 2: Sources

Centre for European Studies
Credit Review Office
Central Statistics Office (CSO) Small Business report
Cumhuriyet University
Department of Enterprise, Trade and Innovation
Department of Jobs, Enterprise and Innovation
Department of Finance
DKM Economic Consultants
Economic and Social Research Institute
Enterprise Europe Network
Expert Group on Future Skills Needs
European Economic and Social Committee
FutureSME
Institute of Directors in Ireland
Inter Trade Ireland
Investment and Trade agency
Ireland Chamber of Commerce
Irish Business and Employers Confederation (IBEC)
Irish Congress of Trade Unions (ICTU)
Irish Exporters Association
Irish Government News Service
Irish Management Institute
Irish Small and Medium Enterprises Association (ISME)
Journal of Information Systems and Small Business
KBC Bank Ireland
Microfinance Ireland
National Competitiveness Council (NCC)
Revenue Ireland
Small Firm Association (SFA)
The Irish Times
The Trade and Business Development Body
Trading Economics

APPENDIX 3: The research “onion” structure methodology

Layer	Approaches
1. Research philosophy	Interpretivism, Subjectivism
2. Research Approaches	Inductive
3. Research Strategies	Grounded theory (Interview)
4. Research Choice	Mono-method
5. Time Horizons	Cross Sectional
6. Data Collection Methods	Secondary data, Sampling, Interviews

APPENDIX 4 Personal SWOT Analysis

<u>Strengths</u>	<u>Weaknesses</u>
Professional experience in: Accounting Business Strong qualitative skills discipline Self-motivated	First bachelor degree was not in Accounting in Finance English is not native language Shyness The world is vulnerable/unpredictable
<u>Opportunities</u>	<u>Threats</u>
Promising opportunities to realise at current work Enthusiastic about future career progression	Foreigner in Ireland There is a lot of competition in Accounting and Finance Job commitments