

Factors affecting success of SMEs in Azerbaijan

Determinanty sukcesu sektora małych i średnich przedsiębiorstw w Azerbejdżanie

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Abstract: The aim of this research is to determine the main factors affecting activity of small and medium sized enterprises in the Azerbaijan market and analysis of its situation through collected data. The method used in the research will be conducted as an interview (online). Literature-based findings were essentially the factors that hampered the development of small and medium-sized enterprises in Azerbaijan in a few different areas. There was identified a list of problems related to SMEs development connected with access to financial resources, problems in the application of internet technologies, relationship between the character of the enterprise and the character of the operator, outside environment, cultural differences, problems in strategy determining.

Streszczenie: Celem tych badań jest określenie głównych czynników wpływających na działalność małych i średnich przedsiębiorstw na rynku Azerbejdżanu i analiza ich sytuacji w kontekście zebranych danych. Wywiad stanowił podstawową metodę zastosowaną w niżej zaprezentowanych badaniach. Zaprezentowano listę problemów związanych z rozwojem małych i średnich przedsiębiorstw w Azerbejdżanie związanych z: dostępem do zasobów finansowych, problemami w stosowaniu technologii internetowych, zależnością między charakterem przedsiębiorstwa a charakterem operatora, środowiskiem zewnętrznym, różnicami kulturowymi, problemami w określaniu strategii.

Key words: SMEs, success factors,

Słowa kluczowe: małe i średnie przedsiębiorstwa, czynniki sukcesu

1. Introduction

Small and medium-sized enterprises (SMEs) represent 99% of all businesses in the EU. The definition of an SME is important for access to finance and EU support programs targeted specifically at these enterprises [1].

SMEs have been recognised to play a vital role in economic development and growth. Therefore governments have become increasingly engaged in policies to support SMEs and entrepreneurship over the last 20 years [2].

Small and medium enterprises (SMEs) are considered as the backbone of the economic growth in all countries because they account for 80% of the global economic growth. SMEs also contribute a substantial share of the manufactured exports of East Asia (56% in Taiwan, over 40% in China and the Republic of Korea) [3].

The importance of SME around the globe is well documented due to its relation with employment and economic growth. For example, in 2012 in the European Union (EU) there were about 20.7 million of small and medium-sized businesses (SMEs), accounting for 99.8% of the total number of enterprises, (EU, 2012). In the United States (USA) 28.4 million of SMEs represent 99.7% of total businesses and employ 56 million of private-sector workforce (SBA, 2015) [4].

In Azerbaijan also SMEs are increasing every year. But it doesn't reflect this development to GDP.

According to Figure 1., the share of SMEs in GDP was 15% and 3 billion USD in 2006 [5].

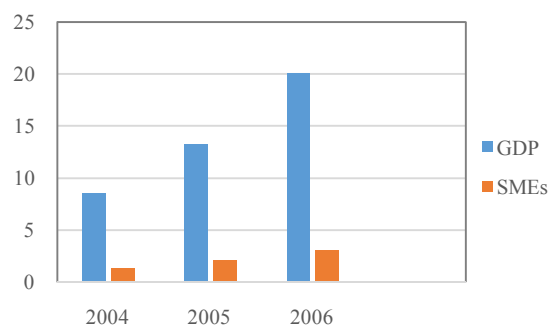


Fig. 1. The share of SMEs in GDP for Azerbaijan

SMEs definitions vary because of the government rules. In Azerbaijan also has special criteria and definitions for the SMEs. According to the Cabinet Council Decree of the Azerbaijan Republic on Criteria For Defining Small and Medium Enterprises Based Upon the Economic Activity #57, dated April 20, 2004, the following legal entities are considered "small business units".

This limitation is very different international standards. It varies from Europe and USA also. We can say that, there is some

Table 5: Average Indicators of Azerbaijan SMEs

	Azerbaijan	Small Firms (1-19 employees)	Medium Firms (20-99 employees)	Large Firms (100+ Employees)	Eastern Europe & Central Asia	Lower middleincome
Ages	11.7	10.6	12.6	16.1	13.4	15.8
% of Firms with Female Top Manager	2.4	1.6	4.1	0.0	21.1	19
% of Firms with Female Participation in Ownership	4.1	3.9	5.2	0	32.4	38.8
Private Domestic (%)	100	100	100	100	92.8	87.6
Private Foreign (%)	0	0	0	0	5.8	8.8
Government/State (%)	0	0	0	0	0.5	0.3
Others (%)	0	0	0	0	0.9	3.4

http://www.enterprisesurveys.org/~media/GIAWB/EnterpriseSurveys/Documents/Profiles/English/azerbaijan-2013.pdf

In Azerbaijan, experts and entrepreneurs working in SMEs were asked. Choice process is related with their career, experience, as well as observations. Based on experts' opinion, we can sort out the factors:

1. Keeping a turnover limit of small and medium-sized enterprises low
2. Difficulty in financial situations, difficulties in accessing financial resources, high interest rates. These days, with the decisions of the increase of rates of Fed, the depreciation of the domestic currency against the dollar also causes difficulties in access.
3. The production is mainly made from imported and semi-finished products.
4. Inadequate support and incentives for export: The difficulty of export procedures, the difficulty of bureaucratic processes in obtaining export permits, the inadequacy of export market and operational information, and the lack of sectoral producers and exporters' unions raise the prices of manufactured goods.
5. Incompetence: Due to the above reasons, the competitiveness of companies in both local and foreign markets is decreasing.
6. The use of technology is not at the desired level.
7. Strategic knowledge levels of managers are not sufficient. Firms make decisions with market observations at first, without allocating budget for research.
8. The manager's character and how he or she reflects it on the management is important for the establishment of identity in the small and medium unit enterprises, and the success is affecting.

It can be stated, that the information obtained and the findings from the literature overlap with the majority. If we collect these ideas under the literature findings, 1) and 4) are aggregated under the heading of access to the external environment factor and 2) Şıkkı is under the heading of access to financial resources. The option unique to Azerbaijan is 3). Statistical data shows that there are problems due to lack of information in management of invested companies, 6) that opinion is also true. Since Azerbaijan still bear the traces of the Soviet Union, customary cultural habits are also a matter. People are waiting for the state to invest in this area. With the support of the government it is possible to develop the sector. Otherwise, frequent changes in the outside environment will avoid people making such risky investments.

3. Conclusion

In our research, we have identified the factors that affect the success of small and medium-sized enterprises in Azerbaijan. This is a work that will be forefront for other researchers. Literature survey, we gathered statistical charts for small and medium unit

enterprises. Later, I identified experts who were advisory and entrepreneurial, and I conducted online interviews with them. I compared the data I collected with the literature. In general, the operator's character, access to financial resources, difficulties in the production process, inadequacy of competition, inadequacy of strategic viewpoint on the administrative basis and inadequate use of technologies, cultural influences and remittances affect the success of SMEs. In Azerbaijan frame, the living troubles related to production are the new findings, except for the previous findings.

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