Editorial

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We published the call for papers for this special issue of *International Journal of Globalisation and Small Business* with the title 'SMEs after the crisis or in between?' in the autumn of 2011. At that time, we outlined that "we are experiencing good or even extraordinary recoveries from the financial and economic crisis in some parts of the world. On the other hand, in some countries it seems as if the crisis is not over by far, since they still struggle with high unemployment, credit crunches, and poor economic growth".

At the end of 2012, as we are finalising this issue, we could only confirm the above statement once again. We are still experiencing trouble in the eurozone (Greece, Portugal, Spain, Cyprus, Ireland and some new countries which are potential candidates to join this group). The situation since the Arab spring in Northern Africa has not yet stabilised, which further contributes to the uncertainty, mostly in the field of input resources such as oil prices. We also have the presidential elections in the USA and Germany just ahead of us. On the other hand, in some emerging economies we have records of growth in almost every field – not to mention inflation, which will present additional difficulties in the mid-term.

Nevertheless, we could argue that the world is again very much split. It was only 30 years ago when it was divided by the iron curtain, as usually stated in the 'more developed'. West and 'less developed' East. Today, we could say that 'the West' is very much dependant on 'Eastern' resources (natural resources, human resources – since many industrial facilities were transferred to developing countries in previous years – and nowadays even financial).

It is true that the majority of Western countries are now out of recession; however most are still in the grip of tight budget constraints, high unemployment and minimum economic growth. Perhaps, it is very bold to say, but it seems as if the world is divided again – this time, however, it is between the 'emerging' East and the 'stagnating' West. Could it be that the 'West' has already reached the maximum level of development possible for a world of 7 billion inhabitants to tolerate? And there is no PLANet B!

However, our focus in this special issue of IJGSB was on SMEs in this turbulent environment or, to be more precise, as even the major players (states and multinationals) are experiencing difficulties with all the changes and events – how do small players manage all this confusion? We all know that, in many cases, governments arrived on the ‘scene’ in order to assist the major players through different measures. They were just ‘too big’ and could have taken all the others down with them. On the stock markets a new saying was coined: “if you owe the bank 100 euro, it’s your problem, but if you owe the bank 100 million euro, than it’s the bank’s problem”. In this regard, were SMEs forgotten or, at the very least, pushed back to second place?

A time of crisis is a time of struggling for survival. Nevertheless, the cream usually rises to the top. But were the major ones stronger, or were SMEs stronger due to their flexibility? Was this actually a predisposition that helped SMEs during the crisis or was this in fact a problem since flexibility also represents vulnerability? This issue attempts to answer these questions. We (the editors of this special issue) have selected five interesting papers from around the world which tackle these concerns.

The first paper authored by Maria Alejandra Caporale Madi, discusses the topic of ‘Micro and small business in Brazil: asymmetries and financial fragility’. As Brazil is usually defined as the first BRIC country, it is interesting to note the findings of the analysis: that in the aftermath of the global crisis, bigger corporations were the main beneficiaries of the new flows of credit lines. Micro and small firms encountered additional difficulties duo to their financial fragility and the strength of the domestic Brazilian currency (real), which exacerbated the difficulties experienced by successful entrepreneurs in industrial manufacturing. As a result of the competition with Chinese’s products, Brazilian small firms recorded a fall, both in terms of domestic market share and the export volumes.

The second paper, authored by Barbara Weiss and Dianne H.B. Welsh, discusses ‘Entrepreneurship and small business in Eastern Europe overcoming challenges, sustaining growth’. This paper analysed the political, economic, and societal conditions in seven emerging European economies including Russia, Belarus, Poland, Romania, Russia, Serbia, Slovenia, and Ukraine, in order to assess the state of small and medium-sized enterprises in Eastern Europe following the onset of the global economic crisis. The authors identified the specific challenges – both those which are systemic and institutional, as well as those which are due to the knock-on effects of the crisis – facing small business in these seven countries. Conclusions are drawn about the ability of SMEs to help bring about recovery and sustain the growth of the national economies and that of the region as a whole. The implications for the role of entrepreneurial capitalism in contributing to the economic growth and market sustainability of small geographically contiguous countries located between larger regions and region states in other parts of the world are presented.

The third paper by Markus Stiglbauer with the European economic engine, as Germany is often defined. The paper is entitled ‘Revisiting the prescription of corporate governance standards: a panacea for big players and SMEs in the German financial industry alike?’ Poor corporate governance has been criticised as one of the main reasons for the failure of financial companies during the current crisis. Nevertheless, this discussion has almost exclusively referred to major players thus far. This paper investigates and compares major players and SMEs in the German financial sector. The author finds remarkable differences between the two sub-samples concerning compliance with German corporate governance standards. Furthermore, considering the impact of compliance with German corporate governance standards on performance, no differences were found between both groups with respect to total shareholder return, but large companies with high compliance rates demonstrate a significant impact return on equity, which cannot be said for SMEs. This leads to a discussion as to whether the existing standards of 'good' corporate governance in Germany are even able to help SMEs lower their agency costs.

The next paper, authored by Natalia Mokhova and Marek Zinecker, comes from Eastern Europe and is titled 'Liquidity, probability of bankruptcy and the corporate life cycle: the evidence from Czech Republic'. This paper focuses on an analysis of liquidity and the probability of bankruptcy at different stages of the corporate life cycle (growth, maturity and recession). After the Global Financial Crisis of 2007–2008 many companies have approached the brink of recession or even bankruptcy. This study examines the financial performances of SMEs in the Czech Republic at different stages of the corporate life cycle during the period 2006–2010 (which includes the year before the financial crisis and the one after). The authors argue that the corporate life cycle influences the relationship between bankruptcy probability and liquidity. There is a strong negative correlation between profitability and liquidity at the stage of growth and maturity. In addition, a strong negative correlation was found between coverage ratio and liquidity ratio at the stage of decline. However, there is a weak effect of activity on liquidity a tall stages of a corporate life cycle.

The final paper comes from India, another emerging market that forms part of BRIC. It is authored by R. Gopichandran, Vipul N. Shah, Niral J. Patel and T. Harinarayana and is titled 'SMEs can overcome challenges and improve sustainability through preventive management strategies: some empirical evidences from a cluster of chemical industries in Western India'. The paper presents details regarding several interventions that have helped SMEs substantially reduce energy and material losses. The initiative by SMEs was part of a preventive strategy to reduce vulnerability to vagaries caused by inclement markets, the growing cost of energy and materials, related international considerations (global crisis) and the time taken to resolve them. Energy savings of 20–25% and material savings of 15–20% were achieved, with enormous implications for economic sustainability. SMEs that face similar challenges will derive useful lessons from the evidence reported, and convert the adversity into an opportunity to innovate and overcome challenges.

The papers presented confirm the thesis that SMEs have been hit hard by the crisis all around the world and our question, set at the beginning – 'SMEs after the crisis or in between?' is still very much up-to-date. An answer to this question would be that SMEs are still in the midst of the crisis in some parts of the world, while some in other parts of the world have already escaped its effects. Those in the second category have escaped its effects owing, for the most part, to the fact that the economies in which they are mainly involved have also exited the crisis. However, most entrepreneurs would say that their SMEs are involved in a daily crisis of sorts since they have to struggle for business and their survival every day. Therefore, global, regional, national, domestic, family or some other sort of crisis are, in fact, nothing new for SMEs.

To summarise very briefly – SMEs did and still do (before, during and after the crisis) play a key role in many different economies – small, large, emerging and stagnating.