

SMEs in Focus: Exploring the experience of
micro, small and medium enterprise owners in
Malta



Dr Gillian M. Martin
Dept. of Sociology
Faculty of Arts
University of Malta

February 2013

Acknowledgments

This research was funded by the Ministry for Fair Competition, Small Business and Consumers, under the auspices of the Hon. Minister Jason Azzopardi.

Data were gathered between October 2011 and September 2012.

Warm thanks to Professor Godfrey Baldacchino, Canada Research Chair (Island Studies), University of Prince Edward Island, Canada; Visiting professor, Department of Sociology, University of Malta, for review and comments.

The author reserves right to publish for academic purposes.

CONTENTS

CONTENTS	2
LIST OF FIGURES AND TABLES	4
INTRODUCTION	5
Terms of reference	5
<i>Rationale</i>	5
<i>Key concepts</i>	6
<i>Key aims</i>	7
Working Definitions.....	7
<i>Small and Medium sized Enterprises (SMEs)</i>	7
<i>Family businesses</i>	8
<i>Category of Enterprise Activity: NACE (Nomenclature des Activités Économiques dans la Communauté Européenne)</i>	8
<i>Sociological concept of ‘Rationalisation’</i>	9
Context and background	11
<i>Incentives and schemes to support SME operations in Malta</i>	11
<i>SMEs: performance during global financial crisis</i>	12
<i>SMEs: burdens and challenges in the crisis</i>	12
<i>SMEs in Malta: profile 2010</i>	14
RESEARCH DESIGN	16
Methodology.....	16
Methods.....	17
<i>Key stake holder interviews n=11</i>	17
<i>Enterprise owner Interviews (n=31)</i>	17
<i>Participant Observation at key seminars/conferences/fairs (approx. 40 hours)</i>	19
<i>Content Analysis: Local Press (October 2011- Dec 2012)</i>	20
ANALYSIS	21
Process: ‘doing’ business	21
<i>Start ups</i>	21
<i>Learning and earning</i>	22
<i>Space – Place – Location</i>	24
<i>Change: cyberspace</i>	26
<i>Gender</i>	27
<i>Conclusions and policy recommendations</i>	30
Motivation	32
<i>Extrinsic rewards: money, profit, security</i>	32
<i>Legacy: client base, reputation, client loyalty</i>	34
<i>Intrinsic rewards: ‘thrill factor’, autonomy, flexibility</i>	35
<i>Conclusions and policy recommendations</i>	36
Rationalisation	37
<i>Regulation: bureaucrats and ‘red tape’</i>	37

<i>Government Incentives: application process</i>	41
<i>Controls and constraints: time and money</i>	44
<i>Conclusions and policy recommendations:</i>	46
Assets.....	47
<i>Reputation</i>	47
<i>Family</i>	49
<i>Conclusions and policy recommendations</i>	53
Burdens	54
<i>Cash Flow</i>	54
<i>Human Resources</i>	57
<i>Conclusions and Policy Recommendations</i>	62
Collaboration and Competition	63
<i>Collaboration – why?/ why not?</i>	63
<i>Competition: Undercut? / Copycat?</i>	65
<i>Competition: Big vs. Small, global vs. local.</i>	66
<i>Competition: ‘unfair’</i>	68
<i>Conclusions and policy recommendations</i>	71
Conclusion	73
Appendix I: Qualitative interview guide	74
Bibliography	75

LIST OF FIGURES AND TABLES

Figure 1 Relational Dynamics: concept map6
Figure 2: Top 15 NACE Categories..... 15
Figure 3: Sampling details 18

INTRODUCTION

Terms of reference

Rationale

This document reports on research funded by the Ministry for Fair Competition, Small Business and Consumers, conducted through the Department of Sociology, Faculty of Arts, University of Malta, 2011-2012.

Small and Medium sized Enterprises (SMEs)¹ have been described as “the engine of economic and social development throughout the world” (Audretsch, Thurik et al. 2004 p.9). Creating the right environment for them to flourish is particularly relevant to the situation in Malta where 97% of all enterprises are micro enterprises (National Statistics Office Malta 2011). This is firmly highlighted as one of the key Ministerial aims within the Enterprise Policy Directorate whose mission statement centres on “creating a positive environment in which entrepreneurs and businesses can flourish” (Enterprise Policy Directorate, Ministry of Finance 2011).

Constituted bodies and key stakeholder associations, both local and EU based², regularly generate and update statistical analysis of quantitative data related to the operational and economic factors that impact on SME performance in Malta’s economy. This report sets out to offer a qualitative adjunct to this body of data. The key focus is on detailed personal testimony drawn from a purposely designed sample of entrepreneurs in Malta. Rather than aiming to offer statistically generalizable conclusions, this exercise aims to offer a “contingent window” (Candea 2007) onto the challenges, frustrations, satisfactions and motivations that drive enterprise owners in Malta. It uses sociological concepts to highlight their lived experiences and to analyse the way that these impact on their entrepreneurship drive, their enterprises’ commercial viability and economic resilience.

What motivates individuals to set up entrepreneurial projects? What are the sources of their main frustrations within the business framework? Do the individual enterprise owners feel valued and supported by central administration? How does this impact on their commercial enterprise?

¹ Full definition to follow.

² Observatory of European SMEs, The Chamber of Commerce, Malta Business Bureau, Malta Foundation for Human Resource Development, General Retailers and Traders Union are examples.

These are examples of the quality of information this report will present - information that is difficult to hone in on using statistically orientated questionnaires. This report will look beyond the neat and ordered world of 'economic growth', 'employment creation' and 'international competitiveness' – to come to grips with the aspirations, conflicts, risks, frustrations and satisfaction that make up the day to day realities of the enterprise owner/operator in Malta. The object is to hunt out the 'hidden voices' of enterprise owners, tap into their perspectives and analyse the relational dynamics within their commercial operationalisation, with the key aim of identifying areas that may be improved by specific policy design.

Key concepts

The key concepts driving the analysis are visually mapped out as follows:

Concept Map

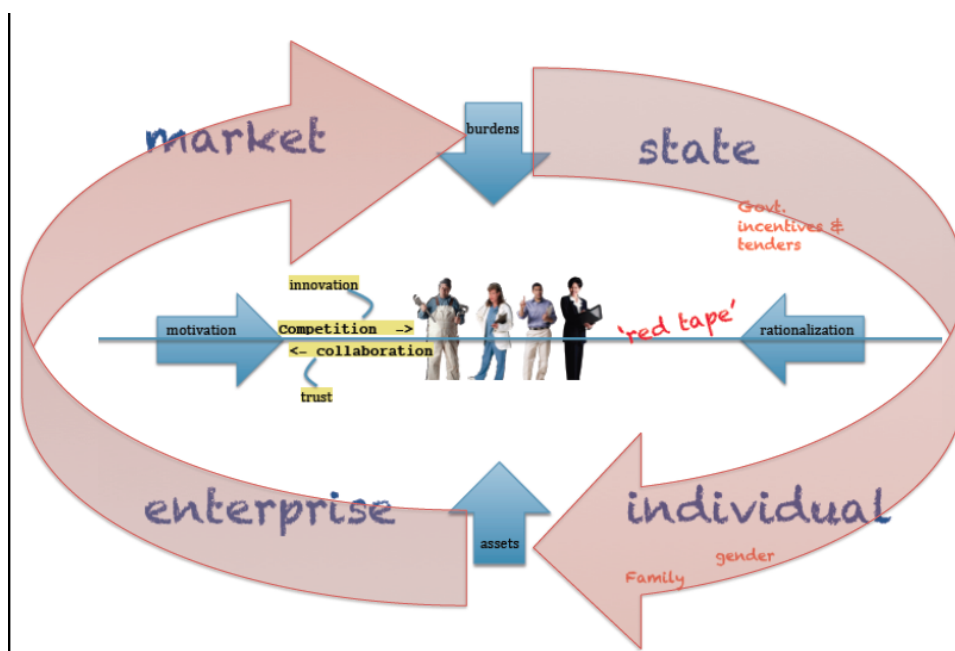


Figure 1 Relational Dynamics: concept map

It is useful at this point, to highlight the fundamentally social perspective of this report. It aims to look closely at issues that are fundamentally rooted in the way individuals interact (with others, and also with large formal organisations) and how these interactions influence their commercial activity. The key interest here is on relational dynamics that motivate, underpin, constrain and direct the way micro, small and medium sized enterprise owners in Malta conduct their business.

Key aims

Analysis will focus on two key intersections across macro/micro dimensions: the interface between ‘the State’ and ‘the Individual’; and also that between ‘the Market’ and the ‘Individual enterprise’.

Aim # 1: to explore

- Process of business operations: style and progression
- Entrepreneurial motivation
- Process of ‘Rationalisation’ and ‘Regulation’
- Enterprise owners’ perceived burdens/assets
- Influence of ‘family and ‘gender’
- Collaboration and Competition

Aim # 2: to identify areas where policy adjustments may be usefully implemented.

Working Definitions

Small and Medium sized Enterprises (SMEs)

The working definition of SMEs used in this report is based on the current standardised definition in use in the European Union which came into force in 2005.

An ‘**enterprise**’ is defined as “any entity engaged in an economic activity, irrespective of its legal form” (European Commission, 2005 p.12).

Two of the three stipulated principal indicators of the size of the enterprise are used as indicated below to classify the enterprises in this report: number of employees, and annual turnover.

Enterprise Category	Headcount:	Annual turnover
Medium	< 250 employees	≤ € 50 million
Small	< 50 employees	≤ € 10 million
Micro	< 10 employees	≤ € 2 million

Family businesses

There are no formal definitions available to designate a ‘family business’. The usual description, and the one that is used to classify a ‘family business’ in this study is “ a company owned, controlled and operated by members of one or several families” (Borg Cardona 2008 p.2). The actual level of involvement of the family members, or the ratio of ‘family’ management to employed staff is not specified. Enterprises owned and run by a single person, without employees, but with the informal participation and support of family members is also considered as a ‘family business’ for the purpose of this study.

Category of Enterprise Activity: NACE (Nomenclature des Activités Économiques dans la Communauté Européenne)

Identification of enterprise activity is important to this study for 2 reasons:

- It makes it possible to build a profile of activities within the sample that approximates, and can be compared to, the profile of Malta’s commercial sector.
- It allows for cursory identification of the enterprise owners’ main activity when citing within the analysis .

The classification used in this report tallies with the system in use by the National Statistics Office, Malta: the second revision of EU standard classification 2008, as itemized below.

Broad Structure of NACE Rev. 2 (European Commission 2008 p.57)

A	Agriculture, forestry and fishing
B	Mining and quarrying
C	Manufacturing
D	Electricity, gas, steam and air conditioning supply
E	Water supply; sewerage, waste management and remediation activities
F	Construction
G	Wholesale and retail trade; repair of motor vehicles and motorcycles
H	Transportation and storage
I	Accommodation and food service activities
J	Information and communication
K	Financial and insurance activities
L	Real estate activities
M	Professional, scientific and technical activities
N	Administrative and support service activities
O	Public administration and defence; compulsory social security
P	Education

- Q Human health and social work activities
- R Arts, entertainment and recreation
- S Other service activities
- T Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use
- U Activities of extraterritorial organisations and bodies

Sociological concept of 'Rationalisation'

This is a key term in sociology and warrants some unpacking in this context. It is used here in a way described at the turn of the twentieth century, by key classical sociologist Max Weber in his seminal text *Economy and Society* (1978) where he highlights the intrinsic momentum within modern societies to be motivated by 'formal rationality' –i.e. means – ends calculation with reference to universally applied rules and regulations. He puts forward 'bureaucratic rationalisation' as an institutionalized form of formal rationality - created by individuals but experienced as a constraining force that is external to them.

His use of this concept is fundamentally linked to the issue of Power. In this case power (and therefore domination) is rooted in knowledge – technical knowledge which is the accumulated through experience and service within the bureaucratic administration. Weber describes how the capitalistic system depends on this 'rational bureaucracy' to facilitate a "stable, strict, intensive, and calculable administration" (Weber 1978 p.224). Authority, power and control are essential to the process of 'organising behaviour' in order to function efficiently in the complex realities of economically developed societies.

There is, however, a paradoxical character of this process of 'rationalisation' that is highly relevant to the lived experience of SME owners in contemporary society. Rationalisation, especially as related to the rise of capitalism, is put forward by Weber as an essential means of 'modern' progress, yet one that leads to 'disenchantment'. He famously described the process as enveloping the individual in a "carapace as hard as steel" (Darmon 2011 p.24) - the 'iron cage' that protects, and simultaneously entraps the disenchanting individual – stripped of their "sense of wholeness and reconciliation between self and the world provided by myth, magic, tradition, religion or immanent nature" (Turner 2000 p.105). The individual is famously reduced to a 'cog in a wheel' of capitalistic orchestrations. The predictability of the way 'the wheel' functions is a means of empowerment. Freed from 'mysterious incalculable forces' the rationalized bureaucratic system is, in principle, one that the individual can 'master by calculation'. This predictability is, however, experienced as a constraining force on the creative individual.

Weber's work focuses on the resulting conflict " between the rational and the irrational [which] not only constitutes the spirit of rationalised spheres of human action [but] also spurs its dynamic" (Darmon 2011 p.9). This tension between contradictory motivating forces (dynamics) is as relevant to this study on contemporary entrepreneurs in Malta as it was for Weber at the turn of the 20th century. In the context of contemporary SME owners, the 'rational' processes of bureaucratic constraints go counter to the 'irrational' drives of for autonomy, prestige and fulfilment of the individual entrepreneur. This is what leads to the frustration with 'red tape' (real or perceived) at the interface between entrepreneur and the state.

Interestingly Weber's original text carries references to complaints about 'red tape' and goes on to state that "it would be sheer illusion to think for a moment that continuous administrative work can be carried out in any field except by means of officials working in offices" (1978 p.223). These 'officials working in offices' populate the personal testimony analysed in this report. References to the entrepreneur's frustration of dealing with bureaucrats make up an important theme in the analysis that follows and the complex contradictory dynamics within the process of 'rationalisation' will lead the way to exploring this important issue of bureaucracy and 'red tape'.

Context and background

The important consequences of SME operations on national economies and employment patterns have been well documented (Audretsch, Thurik et al. 2004, National Statistics Office Malta 2011, Broughton 2011, Enterprise and Industry, European Commission 2012). These medium to micro enterprises are the quiet ‘worker bees’ of nation states – “doing what they do best: creating jobs” (Drake 2012). While the larger (manufacturing) firms tend to be in the limelight of the commercial media, with implications of each production/human resource/management hiccup amplified through collective worker action, the SME sector gets on with thriving or surviving by constantly adapting to the realities within their economic environment. Their collective significance is rooted in their numbers: 99% of all enterprises in the European Union (EU) are SMEs. Two thirds of all private sector jobs are within the SME sector and these collectively produce more than half the total ‘value-added’ in the European economy (Enterprise and Industry, European Commission 2012).

Interestingly, further analysis shows that the profile of European SMEs is dominated by micro enterprises, with over 90% employing less than 10, and approximately half of these with no employees at all (Audretsch, Thurik et al. 2004 p.25). The situation in Malta sits firmly within this pattern. Indeed, it has the largest share of micro enterprises in the EU, these accounting for 95% of all enterprises in Malta and employing 39 000 - slightly more than one third of private sector employment (Enterprise and Industry, European Commission 2012).

It is important to highlight the predominance of family businesses within this classification. The percentage of small, medium and micro enterprises in Malta that are family owned has been quoted as ranging between 70 - 80% (Duca in Garcia Reche 2011 p.51, Duca 2009).

Incentives and schemes to support SME operations in Malta

Predictably, central policy emphasis is on creating a positive environment in which SMEs can flourish (Enterprise Policy Directorate, Ministry of Finance, Azzopardi 2012, Casa 2012). Key recent policy initiatives are at the root of business incentive packages ‘Microinvest’³, ‘Microcredit’⁴ and ‘Micro guarantee scheme’⁵, and the setting up of Malta Enterprise’s ‘One stop Shop’

³ Through Malta Enterprise – tax credit representing a percentage of approved improvement/ expansion related expenses

⁴ Offered in Malta through Bank of Valletta, using EU structural funds 2007-2013: advantageous interest rates and reduced collateral demands for approved business enhancement projects

⁵ Through Malta Enterprise, in cooperation with local banks: loan guarantee scheme to access funds for approved acquisitions, expansion plans.

for business: ‘Business First’. Also, an EU based incentive to counter late payments and the resultant cash flow difficulties - The ‘Late Payments Directive’, has recently been transposed to Maltese law, giving creditors the right to charge interest on overdue debts.

Researching into the actual uptake of these initiatives is not within the scope of this study. The issue being highlighted here is that these incentive packages are in place –qualitative detail on their impact on the business owners in this study will be offered in the analysis that follows. It is important at this stage, however, to flag the particular success of Microinvest launched in January 2010, which announced its 1000 beneficiary client in March 2012, associated with global investment of 15.7 million Euros and creating 257 jobs.

SMEs: performance during global financial crisis

This hints at the fact, highlighted in the European Commission’s Enterprise and Industry’s (2012) report, that local SMEs seem to be weathering the storm of the global financial crisis. Their 76% share of the national employment and 65% of value added to the national economy are both above the EU27 average which stand at 67% and 58% respectively (Enterprise and Industry, European Commission 2012).

The interesting paradox is that they appear to be doing this in spite of obstacles in the local business environment. Malta has been listed in 102nd place globally out of 185 economies for ‘Ease of doing business’, a position which places Malta at the bottom of the table for European Union countries (World Bank Group 2013). The key problematic issues identified are: starting a business (ranking: 150), dealing with construction permits (ranking:167) and access to credit (ranking:176). None of these issues showed an improvement on the 2012 data ⁶. Another benchmarking programme creating a Global Competitiveness Index, placed Malta in 47th position out of 144 and identifies ‘Inefficient government bureaucracy’ as the most quoted problem for business operations in Malta, followed by ‘Access to financing’(Newby, Watson et al. 2012p.250).

SMEs: burdens and challenges in the crisis

That there are issues that preoccupy small business owners in Malta is clear from contributions in the local press. The General Retailers and Traders Union (GRTU) argues that the high cost of loans, together with bureaucratic ‘red tape’ are ‘choking business’ (Borg 2012) and also insist that the government should implement the long overdue EU piloted Waste Electrical and Electronic Equipment Directive and release SMEs from their ‘eco-tax contribution’ obligations which is designed to off-set electrical waste. The high cost of commercial energy utilities is another issue frequently highlighted, with key

⁶ Data is only available from 2012 so trends are not identifiable.

stakeholders⁷ claiming that Malta's high rates "chipped away at cash flow and profitability" (Fauser 2012). The need to support businesses in their provision of maternity leave is highlighted by the National Council of Women who suggest the introduction of schemes by the Employment and Training Corporation for the provision of supply workers during maternity and paternity leave (Vella 2012).

Another important topic that is given attention in the local press is the evident increase in precarious employment and working conditions, especially in sectors such as cleaning and construction industries (Debono 2012). Reference is made to reports (Vassallo, Rizzo 2012, Parnis 2011) which highlight the lack of formalized solidarity between workers in these sectors and their vulnerability and unstable working conditions⁸. These issues are very relevant to this study as they follow the trend in SMEs across the EU in the wake of the current financial crisis. Small and micro businesses do not have the institutional and financial resources of the large companies to buffer the effects of cash flow crisis and tend to cope by shedding the financial load of their work force. Redundancies apart, this is done by using fixed term contracts, or 'on-call' employees to facilitate flexibility and adjust to the rises or falls in workload (Broughton 2011).

This trend to take on 'self-employed' or 'on-call' workers within SMEs has been identified as an issue of concern in Malta (Zammit Lewis 2013, Malta Today 2012)⁹ where enterprise owners use the situation to their advantage¹⁰. The relevance of this becomes clear when exploring the subject of competition within the SME sector where 'non-regular' enterprises are seen to have unfair leverage. This situation, described at EU level (Broughton 2011 p.14) becomes particularly relevant when enterprises bid for contracts and government tenders¹¹ (Vassallo, Rizzo 2012) – an issue that is repeatedly described in the interview data, and which will be a focus of attention in the analysis below.

⁷ In this case, Chairman of Manufacturers and other Industries Economic group of the Malta Chamber of Commerce, Enterprise and Industry.

⁸ exacerbated, locally, by the un-quantified, yet statistically evident undeclared employment.

⁹ Zammit Lewis is a Labour Party candidate in the current election campaign, and the quoted article has political spin. This said, however, his reference to 'precarious work' as an issue of concern is robustly supported using references to statistical data.

¹⁰ Government regulators have responded by issuing definitions of working conditions aimed at limiting abuse of this category of worker (Department of Industrial and Employment Relations).

¹¹ Malta Government tender regulations stipulate that workers employment conditions should be within legal requirements, however the Tender Selection Boards are not authorised to verify if this is the case.

SMEs in Malta: profile 2010

The Malta Business Register, maintained by the National Statistic office is the database used here to prepare the profile of active SMEs in 2010¹². This was chosen because of it being pinned to the VAT register, and therefore includes enterprises run by ‘self employed’ and ‘self occupied’ individuals which would not figure on the Registry of Companies at the Malta Financial Services Corporation.

Of the 64,298 registered enterprises in 2010, 97% were micro enterprises, as expected. The main shifts in trends over the previous years was a decrease in the manufacturing sector (down to 5% from 6% in 2002) and advances in Professional, scientific and Technical activities; Arts, entertainment and recreation; Administration and support and Information and communication activities (National Statistics Office Malta 2011).

The section with the most entries is NACE section G: wholesale/retail with 23%, followed by NACE M: professional¹³ 11% and NACE F: construction and engineering 10%. The data for the top 15 categories is displayed in Figure 2 below.

¹² 2010 was the most recent, fully updated year available at the time of commencing fieldwork.

¹³ Excludes medical professionals

Distribution of NACE categories on 2010 Business Register: Top 15 categories

NACE CATEGORY	NACE Description	% of SMES on 2010 business register
G	G Wholesale/retail	23.20
M	M Professional	11.05
F	F Construction	9.60
A	A Agri/fisheries	7.03
S	S Memberships, repairs, personal services	6.08
C	C Manufacture	5.74
N	N Admin & support	5.46
I	I Accommodation, Food & Beverages	5.38
H	H courier services	4.50
P	P Education	4.40
R	R Creative arts, entertainment	4.30
L	L Real Estate	4.10
J	J Media , IT	3.40
Q	Q Human Health	2.60
K	K Financial Services	2.00

Figure 2: Top 15 NACE Categories

RESEARCH DESIGN

Methodology

The research design uses qualitative methodology with the aim of generating and gathering data that offers depth and detail – ‘thick description’(Geertz 1973) that looks beyond what is ‘being said’ in the field, and focuses on ‘what is being done by saying’ - adding contextual details that would be missed or glossed over by statistically generalizable quantitative methods. This is an interpretive stance which counters its intrinsic subjective perspective by its scientific rigour and reflexivity. Rather than glossing over the perspectival aspect of ‘what is known’, this is placed at the centre of the research process. The methodology used is fundamentally influenced by the assumption that “the world and what we seek to understand about it is not only lived and experienced, but is multi-dimensional, contingent, relationally implicated and entwined” (Mason 2011 p.78). Interpretation and analysis is hinged on exploring the ways these entwined perspectives play out in the realities of everyday experience. What the qualitative research process offers is a trustworthy interpretation of empirical data which will result in analysis which is ‘credible, transferable, dependable and confirmable’ (Seale 1999).

The key contrast with quantitative research, built as this is on a statistically defined sample from which results may be applied to the general population, is that the sample used here is an arbitrary one – one that offers a ‘contingent window’(Candea 2007) onto the area of social activity that concerns us. Generalizations are not meant to be statistically provable. This said, however, the analysis and conclusions are put forward as authoritative interpretations of what may be transferred in a credible manner to the general issue of concern.

The degree of validity of conclusions for use within the general debate on the issue is enhanced by judicious selection of the sample of enterprise owners for interviewing (as described briefly below), and by using multiple methods of data generation (triangulation). The principle method used here is in-depth interviews with enterprise owners. This was triangulated by data from interviews with key stake holders, participant observation at key events in the business calendar, and content analysis of articles in the national press.

Methods

Key stake holder interviews n=11

- Permanent Secretary: Ministry of Finance, the Economy and Investment.
- Director: Policy Development Directorate, Ministry of Finance, the Economy and Investment.
- Head of Representation, European Commission, Malta.
- Research Executive: Malta Employers Association
- Head of Relationship management: Business First, Malta Enterprise
- Director General: Malta Chamber of Commerce, Enterprise and Industry
- President: Malta Association of Family Enterprises
- Head of Policy Development and Planning: Malta Enterprise.
- Chief Executive Officer: Foundation for Human Resources Development
- Information Technology Project Management Advisory Services: KPMG (Malta).
- Head, EU Support Services: General Retailers and Traders Union

These interviews were aimed at gathering contextual data on key issues at play in the field of SME operations in Malta. These were very loosely structured, ‘creative’ interviews where the participant was allowed to identify what he¹⁴ considered the key topics of concern. The analysis of resulting data was used to identify and develop concepts to be explored in the interview guide for enterprise owners, in the subsequent phase of the research process.

Enterprise owner Interviews (n=31)

Sampling technique

The aim was to select a sample of enterprise owners that would offer a justifiable window onto the experiences of enterprise owners in contemporary Malta. This was done by using the Malta Business Register as a guide, as described above. The most up-to-date register (2010 at time of going to the field) was used to prepare a profile of enterprises, classified according to their category of commercial activity. The target total of 30 key interviews¹⁵ was made up of the different NACE categories in proportion to the top 15 sectors in the 2010 profile as outlined in Figure 3 below.

¹⁴ all individuals in these key positions were male.

¹⁵ defined by time and resources available and academically considered substantial in terms of a qualitative sample.

PARTICIPANTS	NACE Category	Enterprise Activity	No of employees	Ave. annual turnover	Age	Gender
1	G Wholesale/retail	Wholesale Foodstuffs	28	≤ 10m	30-40	M
2	G	Wholesale Electrical	28	≤ 10m	50-60	F
3	G	Wholesale Foodstuffs	24	≤ 10m	40-50	M
4	G	Wholesale agent motorbikes	1	≤ 10m	40-50	M
5	G	Retail cosmetics	2	≤ 2m	20-30	F
6	G	Retail jewelry	2	≤ 2m	40-50	M
7	G	Retail clothing	6	≤ 2m	40-50	M
8	M Professional	Professional - accounting	30	≤ 10m	40-50	M
9	M	professional - restoration	18	≤ 2m	30-40	M
10	M	Professional - advertising	10	≤ 2m	40-50	F
11	F Construction	construction - wood apertures	17	≤ 10m	50-60	M
12	F	construction- prop. developers	5	≤ 10m	40-50	M
13	F	construction-aluminum apertures	2	≤ 2m	30-40	M
14	A Agri/fisheries	agriculture	6	≤ 2m	20-30	M
15	A		4	≤ 2m	40-50	M
16	S Memberships, repairs, personal services	personal services - beautician	1	≤ 2m	40-50	F
17		repairs - computer repairs	1	≤ 2m	30-40	M
18	C Manufacture	Manufacture - paint factory	7	≤ 2m	40-50	M
19		Manufacture - winery	2	≤ 2m	30-40	F
20	N Admin & support	Travel agency	4	≤ 2m	30-40	M
21		Personal security services	1	≤ 2m	30-40	M
22	I Accommodation, Food & Beverages	food outlet - café	1	≤ 2m	30-40	F
23		restaurant	12	≤ 2m	40-50	F
24	H courier services	Courier services	28	≤ 2m	40-50	M
25	P Education	private school	16	≤ 2m	40-50	F
26	R Creative arts, entertainment	professional musician	1	≤ 2m	30-40	M
27	L Real Estate	Real Estate Agency	6	≤ 10m	40-50	M
28	J Media , IT	IT consultancy	1	≤ 2m	40-50	M
29	Q Human Health	Private hospital	8	≤ 10m	40-50	M
30	K Financial Services	Financial Services	4	≤ 10m	30-40	M
31	(P-insolvent Business)	private school	8	≤ 2m	30-40	F

Figure 3: Sampling details

This sample was purposively stratified for gender, family businesses, Valletta and Gozo based businesses as follows:

Family enterprises:	22
Women owners:	7
Valletta based enterprises:	2
Gozo based enterprises:	8

One enterprise owner whose business ceased to operate because of financial insolvency was also interviewed to include a negative case in the field of data.

The interviews lasted approximately one hour and were conducted as creative, semi structured interviews using the interview guide as itemised in Appendix I. They were recorded and transcribed, then analysed¹⁶ inductively using a thematic, cross tabulated system of key codes identified in the data.

Analysis is presented as a narrative account of these key themes identified.

Participant Observation at key seminars/conferences/fairs (approx. 40 hours)

- Intrapriza Malta Fair: Ta Qali , 14th October 2011
- ‘Social Enterprise: unleashing its potential’: Research launch, Ministry for Fair Competition, Small Business and Consumers, 13th Jan 2012
 - Key speech: ‘Social Enterprise- exploring its potential for Malta’ Prof E P Delia
- ‘Unlocking the Female Potential’: Research Launch NCCE , 16th Jan 2012
 - Key presentation: Marika Fsadni: ‘The situation of male and female entrepreneurs and vulnerable workers in Malta’
- Workshop on R&D investments in Malta: Industrial experiences and Opportunities, Malta Enterprise, 8th March 2012
 - Keynote speech: Martin Bugelli, Head of Representation, European Commission, Malta.
- ‘Addressing the Growth Agenda - Funding, Related Financial Instruments and Initiatives for SMEs’: GRTU conference 23rd March 2012
 - Keynote speech: Joanna Drake, Director, Promotion of SMEs competitiveness. DG Enterprise and Industry, European Commission.

¹⁶ Without the use of software.

- ‘Bridging business opportunities after the Arab Spring’ Malta Business Bureau (MBB) Seminar, Hotel Excelsior, 15th June 2012.
- ‘Pre- budget document meeting 2012’ ; Ministry of Finance, the Economy and Investment, Westin Hotel, 3rd July 2012.
- Annual Trade Fair: Ta’ Qali, July 2012.
- ‘Challenges and opportunities of the European Single Market for Maltese businesses’ , MBB, Hotel Phoenicia, 16th October 2012.

Content Analysis: Local Press (October 2011- Dec 2012)

Content analysis of local press articles focusing on various aspects of SME operations was carried out thematically. English language newspapers were scrutinized over the period of the fieldwork. Articles of a partisan political nature were not included in this exercise¹⁷.

¹⁷ With one exception: (Zammit Lewis 2013) where this was identified as outlining a political party perspective.

ANALYSIS

Process: 'doing' business

Start ups

“ [Did I have a]business plan? I didn't even have a JOB when I first set out !”
JP (NACE:N, sole trader)

The vast majority of enterprise owners interviewed who had been involved in the start-up process of their business described the initial phases as unstructured and impulsive. The key motivation was an idea which they were convinced had commercial potential and which they then followed through, with what was often described as 'blind belief' and 'naivety'. MCH, a 30 year old owner of a café sums this up clearly when she described the early days of her business:

“ [...] it was possibly, at the time, very naïve of me ... when I took it on I only had three weeks to make decisions... how it will be run and so on ... you think you know it all to start with , because I didn't think it was a big deal” (MCH NACE:I, employees: 2)

The use of professional expertise during the start-up phase varied in correlation with the scale of the initial investment. It is clear from the data that formal 'business plans' only figured when entrepreneurs required financial support (commercial, or state incentives). Within these cases, the predominant attitude towards this formal process of projections and planning is one of a 'necessary evil' – an expensive one most times, as expertise was out-sourced to prepare it. A frequent objection to the usefulness of business plans is that it is impossible to predict how the market will react to the entrepreneurs' product and, more importantly, what unexpected obstructions and resistances they might come across in the way of informal business practices of direct competitors.

MH describes her frustration very clearly when she explained how her (very expensive) business plan mapped out sales projections but *“when it came to selling our [product] to restaurants we found closed doors everywhere ... a brick wall ... no door anywhere” (MH NACE:C, employees:1)*. The reality was that informal structural incentives offered by the dominant businesses to protect their market share only became clear once the product was launched – and that is where the 'business plans' become “poison rocks” that the entrepreneur swallows – paying 'tons of money' ‘ [balla flus] for the plan when realistic projections are almost impossible to make.

There is an interesting issue related to the relevance of formal planning and its inherent tension with the entrepreneurs' opportunistic, impulsive creativity. Experienced business owners often admitted that they developed their business impulsively, coping with problems as they presented themselves and grabbing

every opportunity that came their way. In retrospect, however, they invariably claim that they would not advise this as the best route for new start-ups – an issue that will be the focus of the section that follows.

Learning and earning

One of the issues raised by key stake holders in the preliminary phase of the research was the importance of education in the quest for nurturing the entrepreneurial spirit in the younger generation (Head of Relationship Management: Business First, Malta Enterprise; Director General: Malta Chamber of Commerce, Enterprise and Industry). The common thread in these exchanges was the emphasis on encouraging children to ‘think outside the box’, to be creative and have the confidence to follow their innovative ideas through. This was put forward as one of the essential elements in generating future entrepreneurial activity, and one that should be encouraged very early on in the formal educational system.

Data from the enterprise owners in the field indicate that organised entrepreneurial education currently does not figure in their business start-up process. As outlined above, the majority of enterprise owners interviewed admitted that they started out in a way that was very unstructured and impulsive – motivated by passionate belief in their particular commercial idea. ‘Learning through experience’ is the dominant theme that emerges from the interview data with enterprise owners describing the way they used ‘common sense’ as they ‘learnt the ropes’ and progressed in their commercial activity. When interviewing family enterprise owners, there are frequent references to the important influence of older mentors on the younger generations: “...we learnt from our father... just through practice ... no qualifications [laughter] ... that is the best way” (SS, NACE G). A process that is given equal importance by the older generation as GG (NACE:G) demonstrates:

“ ... the younger people [only] see till their nose... you know? ... I have to teach them: ‘look further, encompass a wider span with your eyes and with your ears’ ... like... ‘what’s coming after this?’ and what ‘happens next? and after that? and if I do this what will happen?’ I love that! In a way that’s what challenges me. That is my biggest asset. I am always a step ahead ... for my team, I won’t miss anything”.

Clearly, ‘learning while earning’, coping with challenges as they present themselves and passing on ‘entrepreneurial wisdom’ to the younger generations is the scenario that emerges most strongly in the interview data. What is interesting, however, is that when reflecting on the trajectory of their entrepreneurial development, the dominant comment from the enterprise owners was that they would advise potential entrepreneurs to seek more formal preparation when starting out on a project.

There are two key reasons the enterprise owners use to qualify this response. The first is that ‘things are different now’ – that ‘muddling though’ and getting by on sheer enthusiasm and hard work may well have worked in the past, but the current realities demand a more formal attitude towards ‘doing business’.

“... even [the enterprise founder] has come round to seeing the advantages of doing things in an organised way now ... in this day and age it is the only way ... and you need expert advice from the outside... an independent point of view is very important”. (NN NACE: G)

The general opinion expressed in the data is that the exigencies of today’s business environment make formal planning an essential element for success “[growing organically] worked - but that was 1977 ... it worked then but it would definitely not work today”(GG, NACE:G).

The second reason given by enterprise owners who started out with little or no resources, is that they realise, in retrospect, that if they had had professional financial or legal advice, their business project may have progressed faster, as JP goes on to demonstrate below:

GM: and ... if you had to do it again... to start over ... or if you had a friend or relative who wanted to start up on their own ... would you advise them to do it differently?

JP: yes ... I would advise professional advice.

GM: why? [doing without] seems to have worked for you!

JP: I think ... either I was ... in a way ... lucky ... obviously this was 10 years ago ... I tended to take more risks ... but if somebody close to me had to leave [an employed post]... before leaving I would give him some advice... I would advise him to speak to an accountant .. speak to a bank ... I would probably have done better had I gotten a loan in the first instance”.

The actual passion for, and focus on the commercial idea is described as a necessary requirement for success by the enterprise owners interviewed. The need for specific education in the skills and expertise required to run a business is not referred to directly; however, critical analysis of the enterprise owners’ reflections on the trajectory of their enterprise indicates that some form of ‘education’ for entrepreneurial activity would be potentially beneficial. This said, there is clear emphasis in the interview data on the importance of the innate ‘essential elements’ of the ‘entrepreneurial spirit’ such as vision and drive, risk taking and creative, innovative ideas.

“I think that you do learn ... but you also have to have something ‘in’ you ... otherwise everybody would have the same amount of success...” (MX, NACE:F)

The potential impact of early educational programmes aimed at enhancing and nurturing these ‘innate qualities’ is one that is well documented (Eurydice

Network 2012, Rosendahl Huber, Sloof et al. 2012) and one that merits further in depth research locally.

Space – Place – Location

“[the problem of] location has, in fact, limited the extent to which we have grown. I think that if we had more space , we would have grown more” XX (NACE:H, employees: 25).

The fact that space is an important issue in the data is not surprising on an island where land is limited and conflicts of priorities for land planners chronic. Enterprise owners across the spectrum of activity categories and size of businesses had varying topics of contention in relation to the space they worked in. One business owner suggested that the possibility of shared office space for start-ups should be considered and encouraged– this would enable the sharing of expenses related to reception staff and office equipment at the crucial early stages of the business.

The main frustration, however, is the mismatch between the scale of operation and size of commercial space, and also between function and location – these binaries will be explored in sequence below.

There is a strong association of ideas in the interview data between space and potential growth of business, which is not surprising. Restraints imposed by planning regulations at MEPA are cited frequently in the data as a negative influence in this respect. A number of enterprise owners highlighting MEPA’s intransigence in this area – an issue of particular significance in the case of large educational establishments wishing to expand or relocate.

As expected, lack of space is referred to as a hindrance to expansion and development by enterprise owners across the spectrum of commercial activities. The tension here between potential gains, and immediate increase in costs is often evident, with the outcome depending on the quality of entrepreneurial risk-taking of the particular enterprise owner. The upshot, however, is clear: more space means more commercial activity.

“If I had more space I would be able to employ someone else [and take on more work] ... I would like to expand you know... if I had a garage I would be bale to leave [my employee] at work while I go out on site ...I can’t leave him here in this basement” (NG, NACE:F, sole trader).

The issues related to function and location are obvious – each enterprise owner seeks the optimum location for the business to be based at. There are two key aspects that impact on this: commercial real-estate prices, and national licencing/permits regulation. Malta Environment and Planning Authority (MEPA) are the gatekeepers in respect to the latter - the expense and delays

related to dealing with this Quango are frequently highlighted as a source of irritation in the data. The price of commercial/industrial spaces often drive the enterprise owners to 'improvise' and use readily available space (usually in their home) despite its limitations.

The interesting point here is that artisans interviewed who were constrained to do this because of lack of realistic options, feel they ought to be offered state sponsored industrial space to work from, seemingly unaware of the impact this will have on the way they operate. Their accounts of working as micro enterprises from home, or workshops adjacent to their homes are spattered with 'invisible input' from immediate family. There are frequent references to the way family members help out informally when required, or, in the case of mothers/wives – managing home and work by multitasking – a process that would not be possible if the locations for both activities were far apart. One industrial artisan who had gone through the changes referred to here described this very clearly:

“[...] nowadays [artisans] are being made to leave residential areas because of noise and pollution problems ... they move to industrial areas where they have rent, utilities bills and travelling expenses ... and the frequent help from the wife and children ... late at night ... that has all finished” (JJ NACE:F, employees: 75).

Using the family home as a business base is not always described as beneficial in the data. One entrepreneur, whose business has grown from a one-man-show to having 25 employees felt very strongly about this issue as described in this excerpt below.

“Working from home is certainly a disadvantage [...] when you work from home, clients just turn up any time .. and 'any time ' really means 'any time '! ... even if it is for something really stupid ... I understand it if it were for [vitally important things]... but not for silly things ... that is the disadvantage of working in the basement... you understand? Private life becomes restricted ... the family life is affected... you see, even though the family is upstairs, the fact that the office is simply downstairs, means that it is very hard to switch off ... you are constantly going down to look for files etc.

[...]

I am looking for office space and warehouse space ... I have addressed it at ministerial level ... prime minister level ... and there is a huge anomaly ... I wasn't granted any space in the industrial estate because I am not a manufacturer [...] they gave many to really small companies .. and even when you add them all up, they are not employing the number of people that I am ... now , I don't think that I should be given preference by right .. after all, I was small too once - these small companies might grow ... but you can't rule me out simply because I am not manufacturing ! ... this is 2012 ... come on ! and we have a government which declares that he [sic.] is shifting towards services ... so ... what I did was look for a private premises, found one but when I applied to MEPA for a 14 course door for my containers, I was told that

these are not allowed outside the industrial estate! catch 22.. so ... what am I supposed to do? So I am now in the situation where I don't even have space for another desk ... so now you create more problems of overcrowding because the employees are on top of each other ... can't have quiet conversations with clients because of the constant hustle and bustle ... and we work very long hours I am here all day ... and the employees are here from 8 am till 8 pm on shifts ...” (XX NACE:H, employees: 25)

Clearly, the use of space for commercial purposes is complex, with implications that vary according to the type of activity in focus. There is, however, a common thread in the accounts in the data that hint at the ambiguous repercussions of regulation of use of space – a tension between the potential commercial gains of moving to larger commercial/industrial property, and the impacts this will have on the experience of working as a family unit, from space close to the family home.

Change: cyberspace

This analysis of use of space would not be complete without a reference to working in ‘cyberspace’. The use of the internet as the principle means of communication for SME operators is not at all remarkable – an expected finding and not worthy of too much commentary. The essential use of dedicated web sites in general, and social networking sites in particular, as a core marketing tool is repeatedly emphasised in the interview data as the way forward.

There is an aspect, however, of the way enterprise owner/operators actually transmit the messages they intend to transmit through cyberspace that is interesting. Stripped of face-to-face impression management, shored up as it is, by socially entrenched expected ways of behaving and communicating, cyber-communication poses particular challenges. The use of emails is probably the most underestimated skill in today’s SME owner/operator, one that only becomes apparent in negative cases – where emails have been ‘misunderstood’ and inadvertent messages have been transmitted. The key issue here is not the factual content of emails, but the ‘style’ – something that is learnt-by-doing, much the same as children learn to speak. One enterprise owner who does most of his business via the internet describes this clearly:

NB: The challenges today are more of dealing with [a particular] character and ...with these certain people, you're never speaking over the phone.

GM: It's all emails?

NB: Just emails. So obviously you have to ... you have to express yourself in the right manner, and you have to always make sure you're on a low tone.

GM: It's harder or easier on an email?

NB: It's harder. It's harder it think. Sometimes I ... I miss ...a lot ...the personal contact with the client.

NB NACE:N, employees: 5

Gender

The percentage of female entrepreneurs in the purposive sample used here is 22%. This is slightly higher than the Malta national statistic of 18.7% (National Statistics Office Malta 2012) and that of 18% put forward by the National Commission for the Promotion of Equality for Women (Fsadni 2012). As stated earlier, however, producing statistically transferable data was not the aim of this work – the fundamental motivation is to get in-depth insight into the experience of entrepreneurs in Malta.

The key issue at the core of this section of analysis is the fact that less than a quarter of all enterprises in Malta are owned by women. Except for the women working in the female-dominated sectors of beauty, fashion and childcare, their working environment is predominantly male (Fsadni 2012). The impact of this imbalance on the working practises of female entrepreneurs is ambiguous. Debbie Schembri, co-Director of a renewable energy firm claimed, in a magazine interview, that it has no effect: *“Gender plays absolutely no part in business when you know what you are talking about. Whether you are male or female, bad ideas remain bad and good ones remain good. I know my subject and people realise this”* (The Economic Update 2012).

This is an opinion that was repeated in the interview data where MF (female entrepreneur NACE:M) described how, though women have to work harder to put their views across when they are younger – *“[because] they feel they have to achieve more to be successful, [so] they expect more and are very impatient”*, once over this phase, however, *“[being a woman] doesn't make a difference”* when it comes to doing business. This was echoed by GG (female entrepreneur NACE:G) who describes the changes she experienced:

Erm ... as you get older, you realise, somewhere in the 30's... you realise that you don't need to carry on proving yourself, you know ... you know your job, you know what's right and what's wrong ... you know the product so you get the appointment because you know the job. And it was ... I would say in the 40's when I realised that I wasn't seeing the gender difference anymore, I didn't feel it at all. In fact on the contrary it was the men who would accept me just like another man and today that is more like the way people see us.”

The telling comment in the extract above is that ‘men accept me just like any other man’ . This clearly underlines the fact that business is still very much a ‘man's world’ in contemporary Malta. The interview data is spattered with

references to the different ‘styles’ and ‘ways’ of doing business across genders, including claims that women are more meticulous, tougher negotiators, more argumentative and offer different perspectives in the boardroom discussions. These, however, are simply ‘differences between individuals’ – any claims for association with gender is friable, subjective and highly debatable.

There are two interesting issues that do come out in the data however, that warrant comment here – the dominant standard role differentiation within families, and business social networking styles, both of which have important impacts on the working realities of female entrepreneurs.

It is clear in the interview data that women who make up part of a family unit with young children are ‘expected’ by their life partners to give priority to the ‘mothering role’ in cases of conflict of demands. One of the entrepreneur/mothers described this situation in its extreme:

“When it comes to family and work...[my husband] would say...wasn’t it you who wanted to go to work?...[he says] first the family, the house, [...] and THEN everything else”

Clearly, this is one, particular, extreme situation. There are data however, from across the sectors which do support the women’s claim that the entrenched shared values and beliefs in Maltese society expect the women to carry the greater part of the ‘home/family carer’ role, juggling it with her ‘entrepreneur role’ as best she can. This was inferred by the men in the data who talk about their female employees:

“... we are no longer in the times when women were not expected to work ... expected to bring up the children and stay at home ... I have no problem with women in the workplace ... but it does come with their limitations ... I still believe that there is a period of time ... be it 1 year ..be it 5 years ... where the mother should be at home with the children till they grow up and go off to school ...” (NN, male, NACE:G).

or their wives:

“[...] when we have children I won’t be seeing much of my wife here at work ... she would have to stay at home and she will be much more occupied by looking after the children” (DFA, male, NACE:A)

More interestingly, this was also echoed by some of the women in the study who took this division of labour to be the acceptable norm, as MF (female, NACE:M) demonstrates:

MF: There’s this campaign “Tista” at the moment which is I find extremely irritating... ‘Sharing work-life responsibilities’ . My colleague is a mother of 2 [...] they had the mumps [...] so she had 10 days [off work] one child had the mumps [...] and then the other

child had the mumps so she had another 10 days ... and she phones me "Tista – sharing work life responsibilities!!" [both chuckle] – is there anything you can do? It's a joke, ay, it's a joke!

GM: The joke being that the male doesn't share the load you're saying?

MF: No ,no, the joke is that if I am working... and my husband is working and the children are sick, I am going to take care of them! ... there is no sharing - if it's a crisis situation we can't jeopardize two jobs. With a yoyo situation of "I'm not here coz I have to pick up the children." "I'm not here coz the children are sick" "I'm not here coz today it's sports day" "I'm not here...." and it goes on forever.

GM: So you think that the male job is the dominant job actually?

*MF: well yes it is. We... we the women, work by choice – if [we] **want** to... not really because [we] **have** to.*

This is clearly a statement that can be challenged, and its relevance in today's society debated. It is interesting, however, because it echoes general views (of both genders) in the interview data in this study. The other interesting finding in the data, and one that is essentially embedded in the dominant norms just highlighted, is the difficulty the female entrepreneur has breaking into the social networking activities that are an essential element in the process of 'doing business' in Malta. As MF goes on to describe:

MF: Gender in the business area... well ... we are male dominated in Malta and the culture is male dominated obviously. When you go to a [business] function the majority are going to be men [...] it doesn't annoy me in the least. I am who I am and they get used to you. But you find that when men talk between them ... even for business... for them to create business contacts... what are they talking about? It's football, erm sports, sex, dirty jokes, ok ... so your level of conversation is very limited when it comes to interacting with men. What will they ask you? How are your children? ... you don't want to talk about your children [chuckles] [...]

but that's the way with men...you find that... erm ... men interact on every level of everything that they do during the day. If they go to work, they'll meet in a café before ... so they interact... not [just] businessmen – even ... even if they are employees, they meet and they chat, they chat ... and they go to work, they meet people, and...it works that way all day... even after work – there's always a scope for them to meet others. Where do women go to meet others [who] are in business? To the grocer?... to Lidl? To JB? ... You take the children to school. You go to work breathless. You do the work. You rush back because you have to cook and shop and catch up on all [the family stuff] ... there is no time to socialise. And even when

you do socialise, how are you going to find the women who are in business? Where are you going to find them? And ...You don't want to socialise only with women, you don't want to socialise with men only. It is an awkward mix in our culture but when you go to a meeting which is a business meeting and you are a woman, I find no problem whatsoever – I mean if the men want to talk about football, it's fine with me. It's the way they mix and the way that they create contacts for their business.

In the purely commercial arena¹⁸, unless operating in activities related to childcare, beauty and fashion, female entrepreneurs in Malta are functioning in a male dominated environment. The informal processes of socialising and networking, which are often an important part of the entrepreneurs' business/commercial role, are embedded in the practices, values, preferences and humour which are generally held to be within the male habitus. This, together with the challenges of role-juggling between work and home, creates particular difficulties for women in the world of commerce that warrant closer exploration and in-depth research.

Conclusions and policy recommendations

- Start-up process is generally impulsive and unstructured, with businesses growing organically, especially in the early stages.
- Innate qualities of vision, drive and risk-taking are highly valued by the enterprise owners, yet critical analysis of the data indicates that some form of 'entrepreneurial education' would be beneficial.
- Enterprise owners highlight lack of space as an obstacle to growth of business.
- MEPA regulations are identified as a major cause of frustration and slow down in start-up process.
- Malta Enterprise policy for industrial space seen as 'unjust' and 'outdated'
- Family home vs. commercial/industrial space: complex fluid boundaries in micro enterprises
- Cyberspace: communication skills via internet tools are essential.
- Gender: women entrepreneurs carry the main burden of childcare responsibilities.
- Gender: networking and informal socialising within the business domain is predominantly male oriented.

¹⁸ Female entrepreneurs in the professions (e.g. medicine, law, academia) are subject to conflicts of priorities which influence the rate of advancement of their career (Riska 2012, Hakim 2004, Kilminster, Downes et al. 2007). Data in this respect are limited here, and further focused research is required to unravel the way that 'preference' and 'structural limitations' interplay with gender and impact on career trajectories in the professions.

- ⇒ Increase support and publicity for educational programmes in Junior and secondary schools such as those run by 'Junior Achievement, Young Enterprise Malta'.
- ⇒ Increase publicity for the entrepreneurial courses offered by the ETC, and consider some form of tax incentive for enterprise owners who follow them.
- ⇒ To offset MEPA restrictions: enterprise owner 'support centre' or 'hand-holding' to give advice on finding solutions to space related problems.
- ⇒ Offer 'Cyber work' training sessions for SME owners and employees via ETC or local councils.
- ⇒ Gender: There is a need for more qualitative research to explore the apparent resistance (from both men and women in this particular study) to sharing childcare responsibilities equally across genders.

Motivation

“Trid tkun mignun biex tkun bidwi illum – mignun fuq il-biedja!”

[nowadays, you would have to be mad to become a farmer - mad about farming!]

JA NACE:A, employees: 4

One of the key themes that this research set out to explore is what motivates an individual to set up their own business, rather than seeking employment with an established firm. This would seem to be important because it impacts on the ways individuals assess their level of success, and also throws light on issues that cause frustration to the entrepreneur. As suggested by Robichaud, McGraw and Roger (as cited in Newby, Watson et al. 2012) “richer insights into entrepreneurial motivation will contribute to a better understanding of the behavioural patterns of entrepreneurs and of the impact of these patterns on their businesses’ performance”.

Analysis in this section will explore issues which draw on some of the key themes identified by Newby, Watson et al. (2012) in their research.

Extrinsic rewards: money, profit, security

It would be absurd to deny that the fundamental driving force of enterprise operations is the profit motive. As one research executive working within the Malta Employer’s Association put it –

“After all ... all they want to do is make money [laughing] ...the primary raison d’etre of small businesses is to make money... we don’t need to be shy about it ...of course ethics and corporate social responsibility, as well, is important...but not as important as making money” (Andre Spiteri MEA).

One interview with a self employed artisan brings this issue into focus. As a sole-trader he worked long hours and had to cope with multiple roles and responsibilities.

GM: do you ever wish that you were employed? - say by the government ...half days, no hassles?

NA: you know... the pay makes all the difference ... you know .. you work more so you earn more ... understand? [...] that is a good thing ... I like it”. NA NACE:F sole trader

Clearly monetary gain is important. So is, however, the sense of security that comes from building a successful business with intrinsic monetary value that can eventually be passed on to family members or liquidated. This is an important motivation, and the data support this.

It is interesting to note, however, that money was not often flagged as the key motivation during enterprise owner interviews. In fact some went as far as to point out that they were making less money self-employed than their previous fixed salary in employment. This said, however, money (profit) is clearly an ‘absent presence’, and its importance becomes clear when the focus is on factors that reduce the profitability of the business, such as cost of licences, taxes, utility bills. When these are being discussed, enterprise owners are very emphatic about their resentment towards these costs.

“You are always chasing bills... unfortunately for us ...the way things are going in our line of business [...] at the end of the day ... is there anything to show at the end of the year? we would have survived another year ...worked another year ... lived off the business....but is there any money to show? ...there normally never is ...it’s tough” DK NACE:G, employees: 1

That making money is one of the main motivations for running a business is no great surprise. What is surprising is the reticence people had about stating this outright. Money seems to be a ‘polluting element’ in the data – as Andre Spiteri’s quote above implied, local entrepreneurs tend to be ‘shy’ about it and prefer to highlight the more ‘worthy’ motivations such as ‘client satisfaction’, ‘public recognition’ or ‘autonomy’ as motivation. The general response to being asked why they do what they do, is that ‘it is not a question of money’ or that ‘I enjoy what I do’. One of the most interesting responses came from a young female entrepreneur who, when analysing the reasons she had decided to leave her commercial partner in a previous business said *“sometimes ...it is not just a question of money ... it is a question of ...er ... it is all about me!”* CS NACE:G sole trader.

This is a key issue and worth exploring. Entrepreneurs put more than working hours and capital into their business – they put ‘themselves’. Their businesses are their ‘lived out’ ideas – there are important connotations woven into the ‘products’ they sell, and the business practices they use. Their personal identity is closely tied into the public’s assessment of this commercial activity and, consequently, the entrepreneur’s sense of ‘self worth’ is anchored, in part, in the way that the business performs. If the business is a family business, this dynamic process is amplified across the social space of generations and becomes more salient. JJ put this across clearly when he was describing what influenced his executive decisions

“[...]there are things that we don't do for profit, but because we think they should be done ... profit comes second ... or even further back in priorities ... like I said ... there are businesses, and there are family businesses...which are more complicated ... it is not just about profit ... you are nurturing something else ... the family name is closely tied in with it ... so you are more careful” JJ NACE:F, employees: 75

Legacy: client base, reputation, client loyalty

The sense of ‘building something up from scratch’ and leaving a tangible legacy is one of the key incentives highlighted in the interview data. This is particularly relevant to entrepreneurs who involve, or intend to involve family members in the enterprise. ‘*I’m doing it for my children*’ is a frequent, almost ‘throwaway’ phrase repeated by enterprise owners across the different sectors in the data. ‘Doing it’ refers to the day-to-day hard graft that they describe when talking about the demands on their time, energy and money that running the business involves. The sense of accumulating value over time is a key motivation – value that is durable beyond the transience of the enterprise owner’s personal involvement.

As JJ so clearly highlights above, this ‘value’ is rooted in far more than just ‘money’. In a family business such as his, the ‘family name’ is ‘closely tied in’ - the kingpin of his eventual legacy and one he protects passionately. Like him, enterprise owners across the sectors emphasised the importance of the ‘reputation’ of the business – this is closely linked to the clients’ satisfaction, the associated loyalty and the knock-on effect it has on increasing the client base and market share.

All of these issues, especially the positive impact of satisfied clients who return and remain loyal, are repeatedly given emphasis in the interview data. This is clearly one of the major driving motivations for enterprise owners whose personal identity (and status as a successful entrepreneur or artisan) is deeply rooted in the quality of the commercial product/service offered, and its appreciation by the client/public. With family businesses, this is amplified within the close network of kin that collectively projects the ‘family reputation’. The drive for ‘making a profit’ is there in the data, but not often cited as the main justification for what the enterprise owners do. Its importance is inferred, however, when describing frustrations of coping with expenses. One self-employed musician described the importance of equilibrium in the process – an interesting point which, though not explicitly expressed by other enterprise owners, is clearly present in the inferences of their accounts.

“ [I don't believe in] just making money to survive ... or creating money for the sake of creating money [...] for being in the situation where playing becomes a burden ... so I think it is a bit of a balance of things ... and the balance is the satisfaction” AL NACE: R, sole trader

The ‘balancing’ of the drive to make money with the careful maintenance of a publically assigned status of ‘successful and reputable’, is the source of satisfaction to the vast majority of enterprise owners interviewed.

AL’s quotation above, however, hints at another essential element that warrants attention: passion, which will be the focus of the following section of analysis.

Intrinsic rewards: 'thrill factor', autonomy, flexibility

Passion for the product, service or craft that the enterprise owner trades in, is one of their key motivations. References to the enjoyment of doing what they do are found right across the data. As JA stated so emphatically in the quotation above, to be a farmer, you have to be mad – “*mad about farming!*”. His implication was that life as a farmer poses so many challenges and uncertainties, that you would not do it if there was not the passion as a driving force. His declaration places ‘passion’ in a ‘compensatory’ role – no doubt a result of the particular difficulties he encounters today in his sector.

There is, however, frequent reference to ‘passion’ as the positive driving force in the data – the reason that enterprise owners wake up and ‘open shop’ every morning – taking all obstacles on board as best as they can. Alex Scicluna, a successful entrepreneur in the catering sector, highlights this clearly in his interview with a local national newspaper.

“All you need is a different idea, and the energy and commitment to carry it through [...] Seek out good advice, but ultimately follow your instinct and let your passion drive your business” (Scicluna in Bonello 2012 p.25).

Albert Mizzi, arguably one of Malta’s most successful entrepreneurs, refers to the same quality and personal drive when responding to a journalist asking why he still chooses to work when he clearly doesn’t need to.

“Because I love it. I get up in the morning and look forward to going to work. I don’t worry for (sic.) money, because I’ve made my money [...] I enjoy creating things ... with partners, of course. Once they’re running properly, I move out.” (Mizzi in Mallia 2012 p.10)

The thrill and enjoyment of the business process in general, or enterprise activity in particular, is clearly an important theme in the data. Closely related to this is the intrinsic sense of autonomy of operation and resulting satisfaction when the business idea becomes a successful enterprise. Being able to make their own choices and management decisions instead of following instructions, is described as one of the major driving forces. This is often described in detail by enterprise owners in the data where they also highlight the intrinsic sense of self-affirmation that follows the success of the enterprise. PP (NACE:Q, employees: 8) puts this across clearly:

GM: And what gives you, your, most satisfaction at the end of the day?

PP: er... seeing your project work...

GM: [...] because it brings in money? or because you’re helping the [clients]?

PP: No, no, not money, no I don’t think, it’s not money... no, it’s success... success ...not in the sense of having more money ... success of seeing a project work and people appreciate it ...you know and that’s what gives me satisfaction”

NN (NACE:G, employees: 28) adds to this perspective when responding to the same question:

NN: I do it because I enjoy it ... the whole business idea ..the challenge is what makes it fun ...sometime you do want it to be less challenging [laughing] ... easier ... but I do enjoy a challenge...

GM: what do you find most rewarding?

NN: you know ... getting public recognition...growing the business... you know... doing it properly ...it is not a matter of ...[only to make profit] but doing it the right way ...growing a business to a decent size.

The complex reflexive process of self-affirmation via the success of the commercial enterprise is a key finding in the data. This is closely related to the creative and practical autonomy and flexibility that the enterprise owners value and exploit. These findings are important when considered in tandem with the counter-dynamic caused by the maze of regulations that these ‘free spirited’ entrepreneurs have to deal with in their quotidian operations. These will be the focus of the following section of ‘rationalisation’ that follows.

Conclusions and policy recommendations

- Motivation of making ‘money’ and ‘profit’ figures as an ‘understated presence’ in the data.
- Key motivation # 1: ‘Passion’ for the particular enterprise activity and ‘thrill’ of making a success of it.
- Key motivation # 2: ‘leaving a legacy’, ‘building a reputation’: issues directly linked to self affirmation via success of enterprise.

Recommend:

- ⇒ Exploit these motivating dynamics to encourage entrepreneurial activity by initiating public recognition for successful entrepreneurs – e.g.: most successful ‘start-up’ award; or most successful e-commercial enterprise.

Rationalisation

Regulation: bureaucrats and 'red tape'

"... it's a bloody nightmare!" ZM NACE:J, sole trader.

"here in Malta, it is not 'civil servant', it is 'civil god'!" KK NACE:G, sole trader

References to 'nightmare' situations where hours are spent being passed from one civil service desk to another, are part of our public shared narrative. As outlined in the introduction, official bodies have also flagged the fact that overregulation in the business sector in Malta impacts on SMEs performance negatively (World Bank Group 2013, GRTU 2012) – recent ministerial policy and service innovations have been aimed at addressing the issue (Azzopardi 2012). Clearly, this is an important matter in the daily experiences of local enterprise owners and, as expected, it was referred to with emphatic frustration in the interview data.

As with all 'nightmares', however, it is important to start by identifying how much of it is 'real'. There is good evidence in the interview data that there is an aspect of the 'red tape narrative' that is continuously dispersed through repetition within informal networks of enterprise owners. The following transcript has been included here in detail as it is an excellent example of the 'repeated mythology of red tape' that is evident in the interview data. ZM (NACE:J, sole trader) had just been asked if he had ever considered applying for government sponsored business support incentives:

ZM: But to be honest [laughs] ... let me be straight here [...] applying for something like this is a red tape nightmare and I really want to avoid all that.

GM: Tell me why you're saying that ... because this is a key issue in my work...

ZM: yes ...Because that's what it is. Anything you need... when you have to deal with any official bodies... they're very nice, don't get me wrong, I'm not saying they're not nice you know... you have to fill in Form A, Form B, Form C and then you have to go and see this one then you have to go see that one and he's not there and you have to go back another day and you have to queue up, bloody nightmare!

GM: You've done this before?

ZM: Even just ...erm ...querying a bill, have you ever queried a bill with the ARMS? You lose a day, a whole day! Sitting there, queuing up, smelling people's armpits ... come on (u ejja,) you know!

GM: How does that make you feel?

ZM: *It makes me feel that the country is losing money simply by doing this, by getting people to queue up and waste a whole day instead of being efficient. You know, that's what I feel.*

GM: *And what do you think, if I could wave my magic wand... if I was the Minister, tell me, what can I do? Where is the problem? Is the problem with the policy ? or is it the problem with the way...*

ZM: *I think it's the way it's handled by the entity itself like ARMS ...for example ... that's how I see it anyway ...*

GM: *When you say 'they are very nice', do you get the impression that they are on your side or against you? And I phrase it like that on purpose, to see whether there is... is there a conflict there or..?*

ZM: *I've never ... luckily... had the problem so I can't really answer that ... I mean when I had to deal with the VAT department they were very helpful, very nice, when I had to deal with Income tax ...they were very helpful, very nice.*

GM: *But you still felt frustrated?*

ZM: *Not really, no, no, no. I didn't have to apply for any forms or any benefits or something like that so .. I can't really tell ... **it is just from what I hear... [what] people say...***

GM: *So you have this impression... but this emotion that you came out with... of frustration [...] where did it come from?*

ZM: *It's just the way it is, I mean you can ask anybody, I mean I haven't applied myself for any of these x'jisimhom but erm, just ask around and see what people think [...] and it's not our fault, not the Maltese peoples' fault you know ...**the EU is like that ... It's all tons of red tape you know.***

GM: *So when I mentioned the Business First and other schemes and your eyes glazed over, this was because of all this.. . ?*

ZM: *It does put you off ... no?*

GM: *I don't know, I'm asking you [smiling].*

ZM: *But it puts me off ...It puts me off definitely ...you know, maybe if it were easier... maybe you would think twice ...but I don't know. In my case I don't really need it so... thank goodness!*

There is clearly an element of amplification through shared narratives within informal networks of enterprise owners – an issue that warrants attention in its own right because of its negative effect on the entrepreneurs' confidence and attitude towards expansion. This said, however, there are also many empirical accounts in the data of direct experiences of 'illogical' demands and regulations.

SS: Permits ... architects ... they come and , for example, the health inspectors come ...maybe it's the law ... but they tell you: 'you have to put fly screens on the windows' ... ok we put fly screens... and they don't realise that the warehouse doors are wide open... I mean why go on about a small window like that? ... you have to have a fly screen! and if you don't put a fly screen they fine you ... and all the while you've got two massive doors with trucks going in and out!

SS NACE:G, employees: 24

SS went on to describe how the lack of logic infuriates him, however he just abided by the demands and got on with it. This attitude is in fact the most common response as CC demonstrates:

CC: I am not going to stop doing business because of it ... I go with the flow ... maybe I do wrong here ... I do complain, but it is as far as I go ... I don't take it further ... now, I am not a passive person but ... you have so much to do ... !

CC NACE:I, employees: 12

The enterprise owners are resigned to 'going with the flow' - there is little time or energy to fight the system. The notion of 'fighting' or 'resisting' is one that comes from the many descriptions in the data of conflict, with 'power' as the core underlying concept. These entrepreneurs – naturally dynamic, autonomous and creative, are caught in the power conflicts that occur at the interface between the state and the individual.

As described in the section on 'motivation' above, they have chosen to be self-occupied because, in part, of their desire to be 'in control'. The opposition between these motivating dynamics, and the regulatory mechanisms of the state and commercial regulations, lead to frustration and impatience. The necessity of regulations and 'red tape' are hard to accept, and the general climate of intolerance and frustration is amplified through shared narratives in their informal networks.

It is this sense of being 'powerless' in the wake of the mighty motors of bureaucracy that is the dominant source of frustration in the data. There are many personal accounts of incidents with government clerical officials who offer poor, incomplete, indifferent service. There is the impression that "*these people are caught up in doing as little as possible ... they say 'if I do nothing I won't make any mistakes...I won't take any risks'*" (DD NACE:M) This attitude is what is perceived to create obstacles and 'red tape'. The key issue is that the power dynamic is loaded in favour of the bureaucrat. The enterprise owners are not given the information they need to be able to 'remain in control', and the regulations , necessary or not, are source of resentment and frustration.

MH: The red tape is incredible ...you are at the whim of somebody .. and .. with the highest respect towards government clerks ... because I

really believe that everybody's work is important ... but [you are dealing with] someone who is not competent ... who has no idea what the business owner has gone through to get to that stage ... and [that clerk] just says ' no no no [...] [the application] sticks at the OPM... some bright spark clerk ... decided that I was not eligible for the funds!

GM: and did they give you a reason?

MH: no ...nothing at all (MH:NACE:C)

As KK (NACE:G, sole trader) put it when comparing the process of doing business in Malta with his experience on the continent:

KK: well here, the attitude is wrong .. because here [the civil servants] feel superior ... they feel they have the power .. and they control the businessman because of the power they have... that is very frustrating. [...]Unless you realise what the problems of the businessman are , you can never improve the system... you have to see what the problem of the businessman is .. then you have to help him .. the name 'civil servant' implies [what should be done]! Here in Malta it is not 'civil servant' ... it is 'civil god'! [laughter] ... you have to bow your head down and do what they tell you ...

KK went on to appeal for a way out of this impasse by emphasising accountability within the civil service.

GM: can we solve [this]?

KK: yes , definitely ... for sure ...

GM: how?

KK: very simply .. by accountability and governance ... control accountability ... that person is accountable ... if there is no accountability , nobody cares ... we are accountable ... I am accountable to my [business partner] abroad ... I have to give forecasts , I have to deliver the moment I get paid ... I am accountable to my employees, I am accountable to the bank ... I am accountable to income tax ... I am accountable to everybody!

GM: ... the civil servant is...?

KK: the civil servant is accountable to no one ... to whom? NOBODY? ... so who cares!?

Other than this perceived lack of accountability within the lower levels of the civil service, there are particular working practices that are repeatedly singled out as sources of delays and frustration. Working under pressure to deliver, competing with e-commerce which continues day and night, these enterprise owners highlight their frustration when the 'system' grinds to a halt, particularly when the government departments work half days over the summer months, and when the system appears to discourage sharing files and workload during sick leave absence.

GG: if you talk about what can deter the speed sometimes [...]the fact that the government still has half days [in summer] ... and that the bank half days are still half days, that doesn't make sense anymore to us because it's so fast you can't wait till the next day sometimes [...] we

need to be much faster, it has to be! It's very global, it's very fast ... if they can't get it from me, they can try and get the component from the internet ... eBay you get it within, how many hours? It's a few hours right? 24 hours. I can't! we can't! We're competing against a global market ... I'm not competing only against the 7 people who import our products.

GG NACE:G, employees: 28

Clearly, the sense of frustration at the loss of business because of what enterprise owners perceive to be a 'counter culture' in the lower levels of the public service is an important issue in the data. The problem, as described by the enterprise owners, is a complex amalgam of negative effects of 'attitude', 'work ethic', and system practices.

Government Incentives: application process

"There is so much paperwork involved it drives you nuts!" TT NACE:S, sole trader

"There is no point in shaving a wolf - it will always be a wolf...as far as possible we do everything on our own steam, we don't apply for anything"

JJ NACE:F, employees: 17

These may seem like overly negative quotations to introduce this section focusing on government sponsored business incentives. They do, however, reflect the general findings in the interview data where enterprise owners' attitudes ranged from apathy and timid resistance to outright scepticism and bitterness. As described in the introduction, central policy is aimed at generating a support base for business incubation. The incentive schemes are in place across within government agencies (Business First; Malta Enterprise; Employment Training Centre) and the Banking sector (Jeremie scheme, Bank of Valletta). Official published reports have highlighted the success of the Microinvest in particular which offers tax incentives for businesses that expand and innovate.

This is what makes the negativity in the data all the more surprising and interesting. The key issue that is given prominent attention by the enterprise owners interviewed is the actual process of application. This is considered to be so complex, time consuming and expensive (when expertise is outsourced) that the benefits are not worth the effort. Accounts from individuals who gave up halfway through the process are frequent in the data as TT (NACE S, sole trader) demonstrates:

... this tax thing (Microinvest)... I went to see about it, and I got all my papers and pay slips and everything... oh my God! I had to go there about 8 times! And I don't have that time to do it! ...you know each time you are there for an hour ... and I just don't have the time for it ... I just

left it. I can't be bothered. I didn't finish it. There's so much paper work!

Ironically, this argument was also presented by enterprise owners who had actually been successful in securing incentive packages in the past as CC (NACE:I, employees: 12) demonstrates:

CC: yes ... we did get a grant ... one of the very first offered ... and when we took it was .. WOW! LM 40 000 ... fantastic!

GM: and how did you find the process of applying for the grant`?

CC: well, apart from the fact that it cost us LM1000 to prepare the application, nowadays, I don't have the courage to apply for other grants, because there is SO MUCH red tape in it ... I remember how I had worked on the application ... till 4 in the morning at the office of the person who was helping us with this ...because ...we had deadlines...

GM: so you had someone helping you with this ?

CC: yes ... the person who now does our accounts ...but I don't have the guts to apply ... sometimes I say [...] maybe I should get information about what is available ... but then I don't have the guts to go through with it – one: I don't have the time and when I [remember] how complicated it was, I get discouraged (naqta' qalbi) ...

GM: so it WAS successful ... but it has actually put you off doing it again... which is ironic really , coz you would expect the opposite really

...

CC: yes ...yes ... maybe if I was calmer and had more time on my hands, maybe I would have a go at applying ... [but] it was too complicated...

This is a scenario that was repeated in the data, across the enterprise categories. The enterprise owners are content with the funds or tax rebates they had received, however the process was considered too complex to warrant repeating.

This reluctance is due, in part, to the types of incentives currently being offered. These range from tax related incentives to special rates and conditions for commercial bank loans. As one sole trader (NACE:F) pointed out, tax incentives are of little use to small businesses, as their tax liabilities are very small in the first place. He had been successful in applying for a MicroInvest grant to buy a new truck, but would be reluctant to apply again:

NA: it wasn't money they gave me ... tax refund...

GM: yes ...micro invest... and ... do you like the way this was organised?

NA: it is OK .. but for us small enterprise owners ... something different might be better... understand?

GM: like?

NA: like ... if you buy a machine ... the government will give you half the cost for example ... understand? [...] that would be better than tax

[rebates] for small owners like us ... because we don't pay very much tax in the first place... understand? that would be better.

NA's lament that 'it wasn't money' that he was given is a telling indication of the state of play in small business operations as described in the data. As expected in the wake of the general economical crises, the fundamental preoccupation of all enterprise owners interviewed, without exception, is generating, or rather, collecting cash. Long-term benefits such as tax allowances are not valued as they are linked to potential gains rather than the real state of play of their business. In the current climate of insecurity and uncertainty, this carries little clout with the overstretched small business owner. NA, quoted above, is a good example of a sole trader, surviving on his hard work and family support. His attitude, however, was mirrored by larger players in the sector. JJ (NACE:F, employees:17) had two successful EU grant bids under his belt, but declared that he would not apply for more:

JJ: ...we eventually got the money after I don't know how much time ,and how many letters , and emails ...

GM: so you had to pay up front?

JJ: yes of course, then they send the money later ... and if there is another scheme, I don't think I will apply ... you waste so much time and effort ... it is not worth it ...

Clearly, it is not my aim to analyse the detailed reception to particular packages or incentives - indeed, the various forms available are being conflated here. The key concept of interest in this study is the unexpected negative attitude that enterprise owners across the sectors have towards applying for these funds – and this, regardless of whether or not they have been successful in the past.

As suggested above, the current state of uncertainty detracts from the perceived value of tax incentives. It also plays an important part in committing to the conditions required by some of the incentives on offer as KK (NACE G, sole trader) describes:

"I talked to friends who are in manufacturing ... who are receiving these grants... erm ... number 1, if they don't meet what they promised, the money will be withdrawn... erm ..if they don't employ more people ... the money will be withdrawn ... you know? ... you are never sure [how things will turn out] ...a friend of mine started with 30 employees.. now he has a hundred .. but you never know ... if there is a recession ...what do you do? you can't fire them? so what do you do? if you fire them...you have to pay the money back? ... how does it work? I am like this [hands tied behind back] ... you know? you have to allow for flexibility ... there is up, and there is down too ..."

It is clear in the data that, besides the application process being considered too complex, time consuming and, in some cases, expensive, the benefits on offer are often linked to commitment of expansion and future performance of the business, which is hard to predict. The actual monetary rewards , designed as

they are to be accumulated in the long term, seem of little use to small businesses whose main concern is to collect hard cash to survive the present crisis, in the short term.

At the extreme end of the spectrum of negativity in respect to applications for financial incentives, is a degree of scepticism and distrust that is alarming. There are accounts in the data that display a lack of confidence and trust in entities such as Malta Enterprise that warrant attention. Three enterprise owners went as far as saying that they would never disclose their plans and ideas for new business schemes with individuals at Malta Enterprise, as they could not be certain that the idea would be passed on to third parties. Two went on to give a detailed account of how this had actually happened to them in the past, with the benefits they had applied for eventually being granted to third parties for identical projects.

These are serious allegations which, I must emphasise, have not been verified. Their use here is not as allegations of factual transgressions, but as an indication of the degree of sceptic suspicion that exists in the field. Factual or not, repetition of these accounts within enterprise owners' informal networks leaves a legacy of distrust that is counterproductive to the growth of small business confidence. Predictably, party politics was also put forward as an element that swayed the outcome of applications for grants or industrial premises and this, like the above, is an issue that warrants attention regardless of its veracity – as it is the effects of these narratives that hold sway in the end.

Controls and constraints: time and money

Accounts in the data of detailed grievances with various official regulatory bodies are not unexpected and tie in with the conclusion suggested above that the entrepreneur is, naturally, an individual who accepts regulation reluctantly. When this process of 'regulation' is considered 'unjust' or unequally administered, then it is the cause of much resentment in the enterprise owners interviewed.

There is a common thread in the accounts of 'unjust' regulation that warrants attention: the issue of 'time'. Here I am referring to 'regulation' as a process – indispensable to the rationalisation of commercial activity in modern society, and intrinsically tied in with bureaucratic authority.

Enterprise owners from across the spectrum of activities and scale of operations are all driven by the need to use their resources profitably. This was the key issue of contention highlighted above in relation to 'time wasting' in grant applications. The same scenario is found when enterprise owners describe their experiences dealing with Malta Environment Planning Authority (MEPA).

"[...] it takes too much time ... if you need something ... you go to MEPA [offices] and they tell you 'OK we are meeting next week' ... and

a year passes... and you have to chase all the time...” (JJ NACE:F, employees: 17)

Though this point warranted repeating here, it is one that is well known and is being addressed by current reforms. There is another perspective related to time, however, that is repeatedly flagged as ‘unjust’ in the data – the ‘timing’ of payments due for licence applications. No doubt fuelled by the current anxiety related to cash flow, enterprise owners emphasise the burden that the application fees cause. MF (NACE:F) sums this up:

MF: MEPA is a nightmare

GM: but is this really true? or just repeated rumours?

MF: of course it is true ... otherwise you wouldn't hear it all the time !... how the fees are so high ... and why should I pay such high fees BEFORE you issue the permit ?[...]

GM: and I suppose that the large developments have to pay high fees?

MF: yes of course... and why should we have to pay up front? you are going to totally discourage the developer ...[he] has bought the land , has to pay the architect, the notary, the taxes... so why should we also pay the FULL application fee? ... before the fees were very low , so it wasn't an issue ...now the fees are very high... everything is against the developer now ...

Similar accounts of ‘unjust’ timing of payments and reimbursements occur in the data related to taxation. The vast majority of enterprise owners interviewed accepted the necessity of taxation, however pointed out that when it involved calculation of balances and credits, the system was heavily loaded in favour of central administration. The key complaint was the delay in collection of Value Added Tax (VAT) as MA demonstrates:

“... we get hit everywhere ... you know .. VAT .. we pay VAT when we buy from abroad ... I collect that VAT [from the client] sometimes after a year ... so my cash flow is really [slow] you know [...] I think that the VAT law should be changed slightly so that there is not such a delay from when we pay it and when we collect it, so there would be less strain on a cash flow ... I mean, on a mixed container , you are looking at 15 to 20 thousand [euros invoice] so you the VAT is about 4000 ... that is quite a load for a small company like us” . MA (NACE: C, employees: 7)

The same concept of ‘timing’ as an injustice was perceived by entrepreneurs who pointed out the illogical way Provisional Tax works. Though accepted as a ‘necessary evil’ and decidedly better than receiving a large tax bill annually, the fact that ‘tax due’ is calculated on the previous year’s performance, can be the cause of anomalies if sales are down in the current year. This would not be a problem if the process of ‘balancing out’ didn’t take so long – a process that works over two year cycle, as one enterprise owner explained:

“I pay it every month ... Provisional Tax. And I overpaid 5,000 Euros [last year] So I am due a refund of 5,000 Euros ... and I'm waiting ... and I phoned them up yesterday [...] I said I'm waiting for this cheque

... I need the money ... [they said] no ... first you have to fill in this year's tax return, pay what is due for this year, then we will send you the cheque ... I mean ! send it! It's my money!"

SS NACE:G, employees: 24

Conclusions and policy recommendations:

- Enterprise owners are naturally dynamic, autonomous and creative.
- They accept the necessity of 'regulation' but resent the loss of autonomy it entails.
- Power dynamic in the process of rationalisation is loaded in favour of the bureaucrat.
- Enterprise owners resent 'illogical' demands and expenses, and the time required to regulate their business.
- Enterprise owners feel that the civil servant is not directly accountable for the quality of their service and does not care about, or understand their needs.
- Enterprise owners feel that tax incentives for SMEs are not appropriate for very small enterprises.

Recommend:

- ⇒ Include specially designed training modules for civil servants working directly with SME owners.
- ⇒ Establish a clear hierarchy of personal accountability within the civil service and create a direct route and point of access for assistance and information for the enterprise owner.
- ⇒ Address the issue of 'slow down' over summer half days , by creating a skeleton afternoon service for urgent applications (eg: customs).
- ⇒ Address the issue of non-sharing of files when one key individual is not at work.
- ⇒ Revisit application process for Malta Enterprise based business incentives. Address: **Product:** short term incentives required for micro businesses; **Process:** entrepreneurs need clear information about eligibility at the start of the process, and detailed explanations if request is refused. **Privacy:** create an efficient route for redress if there is a breach in confidentiality with loss of intellectual rights.

Assets

When exploring the issue of assets valued by the enterprise owners, the themes that evolved were predictably varied according to the business sector under scrutiny. Property, Brand names, Human resources, Ideas, Knowledge and Skills featured, as expected, across the interview data. Dominant across all the sectors, however, were the key themes of Reputation, and Family which will be explored in detail below.

Reputation

“I believe that the fact we are here ourselves is an asset”(CC NACE I, Employees:12)

As outlined in the section on motivation, above, the owner/managers of SMEs have a sense of self and identity that is closely tied in with that of the business. In many cases in the data, their own personal presence at the point of interface with the client was highlighted as one of their key business assets. *“Everybody else is franchising , hiring managers, and you don’t find so many proprietors running their own restaurants any more – I would put [our presence here] as an asset ... and that may be why we survived [these hard times]”* (CC NACE I, Employees:12).

Linked to this ‘personalised service’ is the issue of reputation. This is sociologically interesting as it is an ‘asset’ that is totally dependent on interaction within social networks. The reputation is inherently rooted in the activities (product quality, trust, reliability, service, ‘value for money’) of the enterprise, however it is dependent on the clients’ assessment and endorsement of these qualities. The importance of ‘word of mouth’ as the key vector for defining the reputation of the business is an issue that is repeated across the data. *“ I think the strength is in people saying that they had a good service and passing it on [...] and recommending us...”* (PP NACE Q, employees:8).

That this is a dominant theme in the data is not at all surprising. Where it does become important, however, is when this passionately protected ‘reputation’ is threatened by processes and activities outside of the enterprise owners’ control. The issue of ‘parallel imports’ is a case in point.

The established practices within the wholesale sector have resulted in a number of enterprises being strongly associated with the particular brand names that they have historically imported and distributed. With the changes in the wake of Malta joining the European Union, the exclusive rights to import a particular brand no longer stand and the market has had to accommodate parallel importation - often by smaller sole-traders who can compete on price because of lower overheads. Problems arise when the quality of warehousing conditions

might lead to a compromise of the quality of the products (especially if these are perishable foodstuffs). The drop in quality and resulting dissatisfied clients will have a knock-on effect on ‘reputation’ of the brand which the established wholesaler has no control over as SS (NACE:G) describes:

SS: [parallel trading] does affect us... sales go down... Erm, and ... liability goes up because ... if people find something wrong with a packet they come to us, wherever it came from.

GM: And, how do you deal with that? Because you do not know where they bought it...

SS: No, you don't really know... but the packets are different... the Italian market packets and the export market packets are different..., so we'd know like ... hey... this is not from our stock , god knows from where it came, from some warehouse in Sicily. How do I know where it came from! ... Customers get pissed off...

GM: So, it reflects badly on your brands ?

SS: On us ...and on [our brand] as well.

The key issue of interest here is the tension between enterprise owners with contrasting motivations. There is frequent reference in the interview data to ‘newcomers’ on the market whose key aim is to make a profit in the short term , in contrast with the older , established enterprises whose main motivation is to maintain their established position and protect their ‘reputation’. Where there is a ‘family name’ involved, then this tension is even more marked.

This issue is present right across the sectors, and was well demonstrated by JA, a full time farmer, and also the owner of a green grocery, who is very proud of his family’s reputation for excellent produce:

“I never buy from these part-time farmers ... first of all ... I need the paper work for my accounts, and secondly I am sure that he will swindle me (ibambaluli)... put the rotten fruit at the bottom of the box [laughter] ... the majority do this ... put the nice stuff at the top and the rotten stuff at the bottom .. because he doesn't care about the long term market - he just harvests his fruit in a month, then it is over ... so he doesn't give a damn about the rest of the year ... now the real [full time] farmer is different because he has to work the whole year , and he has his name and reputation to protect... like ... our tomatoes are well known to be delicious - ta' X.. that is our family nickname [after his great grandfather]”.

Clearly, a good reputation is one of the key assets that small enterprise owners nurture and protect. If the enterprise is a family-run operation, then the importance of maintaining the trust and confidence of the clientele is conflated with the good name of the family, and therefore doubly important. Family businesses can, in fact, draw on specific resources that are directly linked to their relationships of kin, and these will be examined in the next section.

Family

“Family works for you, with you and against you ... and when you are in deep shit, they are there” (MCH, NACE:I, sole trader).

As outlined in the methods section above, 22 (71%) of the enterprise owners interviewed were involved with family businesses¹⁹. It is not surprising, therefore, to find that references to ‘family’ are frequent in the data. The key advantage associated with working with family that is most frequently cited is that of ‘trust’ - being able to rely on close kin to look out for your interests. As NA (NACE:F, sole trader) points out: *“[my wife] is better than an outsider .. that’s for sure ! [...] family is always better ... because you can trust them much more... with all the accounts and stuff ...”*. There is an interesting demarcation of ‘outsiders’ and ‘family’ in the data that is related to both the conservation of ‘private’ information and the unquestionable loyalty and commitment to the ‘good’ of the company. As JJ (NACE:F, employees:17) points out:

“[with family] you have more peace of mind ... that everyone is pulling on the same rope ... you can also be sure that when he (sic.) is talking , he is more genuine, because his interests are exactly the same as yours ... this is not to say that an outsider's wouldn't be ... we do have a manager who is not family ... er... but , clearly .. when it is family , we never have to worry that one of us might leave to set up alone... understand? we are all here 100%.. that’s it”.

‘Everyone is pulling on the same rope’ – and that, essentially, contributes to the strength of the enterprise in the long term. As JJ goes on to say *“In a normal business you plan 3 years ahead .. in family business you look much further ahead ... we are more interested in having a solid business, than making lots of profit , understand?”*. This focus on the longer term and the shared commitment to the common good has been well described in the literature as a key asset in the dynamics of family businesses (Habbershon, Williams 1999). This ideological common denominator translates into practical ramifications that add flexibility and resilience to the family enterprise. One that was mentioned frequently in the interview data, and also referred to in the press (Garcia Reche 2011) is the willingness of family members to delay drawing their personal income when cash flow is compromised. As DK (NACE:G, employees:2) describes:

“what we do is ...tighten up our belt ...hold back ...it is no secret that when business is bad and sales are down...even in January ... don't forget we support our mother as well ...there is one day when I take my wage, and other when K takes his, then another when we take out mother’s. Sometimes there isn't enough money for me to take my wage

¹⁹ This tallies with the national percentage of 70 -80% as quoted in the section on ‘Context and Background’ above.

... I don't go to the bank and take it anyway I stay without it and wait till the next month, when I will hopefully make up for it”

The ‘flexibility’ of small family enterprises is also rooted in its ability²⁰ to make executive decisions quickly as MH (NACE:C, employees:2) describes:

“well... my husband and I take all the decisions [...] I don't need to meet with a board of directors to make a decision! .. I don't have the same resources[as larger businesses] ... but I do have this advantage![laughter]”

There are also advantages of working with close kin that are rooted in the particular quality of interactions that result. The interesting issue here is that this was described in opposing ways by enterprise owners in the data. There are family firms where the close kin relationship allows for spontaneous emotional exchanges that would not be acceptable if ‘outsiders’ were involved. ‘Flexibility’ here translates as ‘forgiving’ or ‘tolerating’ as GG points out “[...] we’re more flexible ... If I scream at my nephew or he screams at me it wouldn’t affect me. I know him, he knows me, there’s a certain familiarity so it’s not taken seriously”. This was a pattern repeated frequently in the interview data – the fact that ‘you know where you are’ with family members is presented as an asset which enables frank exchanges which do not leave negative repercussions as DFA points out “we do fight ... my brother has a short fuse.. but then it passes”. There is an overlap of professional and personal roles here that is empowering and synergistic. The other side of the coin, however, is also described in the data.

*NN [working with family can be] a burden because you always want to keep the family peace ... whereas if you were dealing with a third party, it is easier to be blunt and rude [...]
GM: but with family you need to be more careful?
NN: yes ... you want to be more careful ... they are your family at the end of the day and you have to find the right balance.*

JJ (quoted earlier) describes the same dynamic in further detail when he points out that, with family, it is a matter of persuasion, of reaching consensus while “with an outsider, you just tell him what to do and that’s it”. Clearly, there are particular interactional dynamics within family enterprises that can be an asset and also potential sources of conflict. Interview data support the association between progressive generations potential conflict that has been well documented in the literature (Carlock, Ward 2001, Gibb Dyer 1986). There are descriptions in the data of ‘backstabbing’ between cousins in enterprises where executive power was in the process of passing down to the third generation. This issue of conflict in family businesses, has deservedly been the focus of attention locally and the importance of clear succession plans has been

²⁰ well documented in the literature (Habbershon, Williams 1999).

highlighted by the specialist associations in the field (Duca 2009). The close personal ties of family members are an important asset to small and micro enterprises as they are the source of bonding social capital (Putnam 2002) that is empowering - a source of flexibility and resilience that is converted into advantageous management strategies within the enterprise.

There are some rare cases described in the data, however, where this family/outside divide was not clearly defined. There are descriptions of employees in long established enterprises, who have been with the company so long that they come to be regarded 'as part of the family' by the enterprise owners - with all the connotations of loyalty and commitment that this entails. This, in effect, does not only imply privileges for this employee, but there is also an expectation for them to be more flexible with their time, more accepting of particularities related to family members (emotional outbursts), and more amenable to accepting delays in payment if the situation demands this. Michael Parnis, Head of the General Workers Union (in Garcia Reche 2011) draws attention to these potential negative aspects of working for family businesses and goes as far as claiming that "*they tend to abuse their staff, which is why they normally deny their workers the right to become union members*".

There were no examples to this extreme in the data gathered in this study, however, as the main impetus here was to explore the enterprise owners' perspective, this is an issue that may have been overlooked. The two comments from family enterprise owners quoted above, referring to being 'blunt and rude', or just 'telling the staff what to do and that's it', do reflect this marked (and expected) power imbalance in favour of the family members that might potentially lead to compromising the employees rights.

There is one member of the family, whose input is often 'glossed over' in the interview data. This person plays an essential role in the business, yet only figures as an 'absent presence' in the interviews with male entrepreneurs- the 'wife'. One sole trader emphasised the fact the his was a 'one man organisation' but then let slip the fact that his wife took care of all the official bureaucratic applications.

GM: now this is interesting ... because you said that you worked on your own... but you obviously forget your wife ! [laughter]

NA: [laughter] ... all my wife does is look after the paper work ... understand? that is all she does ..."

The interesting issue here is that women involved in 'their husband's' business in this way tend to accept the fact that their input is unrecognised officially, and not compensated for financially. As CC (NACE:I) put it

"I am a jack of all trades ... I do everything from baking, making the deserts ... I know for a fact that the first thing I have to do tomorrow is start early and bake the cakes - they only go through me , I do have people helping me... I delegate and plan ... but certain things I do need to do from beginning to end ... from baking to liaising with

the accountant ... it is like a bottle neck ...everything goes through me ...[my husband] is the type of person with a lot of contacts... people know him and approach him, but I am constantly in the background and I am involved in anything from a simple email to a tender application”.

Ironically CC , though a director of the business, was not officially employed and did not draw a salary for her essential input. She was surprised when the ‘labour office’ made a case against her for working unofficially. She considered that her contribution, at no extra cost for the company, was a natural extension of her role as a supportive wife to the ‘visible’ entrepreneur – her husband.

This scenario was one found repeatedly in the interview data in this study. It was also endorsed during an interview with an accountant, where he was describing a situation encountered by one of his clients.

DK: [...] his wife is very important to the business because she organizes his paper work ... takes care of the clients ...

GM: did she draw a salary?

DK: no she didn't need to [...] but she was really important as he could concentrate on the productive side and she on the administrative side ...except when he needed more hands-on help with certain tasks ...

GM: but lets just pretend now that this couple splits up ...where does the woman stand?

DK: she has a problem ...unless they have done things formally , she will be in trouble

Clearly, the intrinsic commitment and loyalty within ‘family enterprises’ is a fundamental asset to the business. Part of this empowering dynamic (indeed, often its essential source) is the ‘absent presence’ of the ‘wife’. The fact that these women tend to work informally as they shore up their husband’s enterprise means that they are not accumulating any personal assets (nor, very probably, any national health contributions), which would leave them ‘totally exposed’ in case of marital break-up. This is an issue that GG, a female owner and managing director of a vibrant , highly successful small enterprise, feels very strongly about. “[*These women*] don’t get paid by their husbands ... that’s their biggest mistake ... women do not know enough about these things [...]”.

‘Copreneurs’(Fenech 2012) , as these ‘business couples’ have been referred to, have to cope with the specific challenges of combining business roles with intimate relationships. Conflict might ensue that may be restricted to commercial issues, or it may well centre on the couple’s personal relationship. In most cases in the data, however, it was the precarious situation of the wife that drew most attention. Her vulnerability in cases of conflict is one potential negative consequence of small or micro family businesses involving both spouses.

Conclusions and policy recommendations

- ‘Reputation’ and ‘Family’ are the most valued assets of enterprise owners across the sectors.
- ‘Irregular’ parallel trading by ‘newcomers’ in the wholesale sector impacts on the reputation of established firms traditionally linked to particular brands.
- ‘Family’ in business enhances trust, commitment, flexibility, but can also lead to conflict (between generations, and family vs. employees).
- The wife tends to be an ‘absent presence’ in family enterprises and is vulnerable in situations of conflict between ‘copreneurs’.

Recommend:

- ⇒ Offer a specific training course within ETC entrepreneurship subjects that highlights and deals with the potential conflicts and difficulties of family enterprises and ‘copreneurship’.
- ⇒ Public educational campaign on importance of regularising the official status of ‘wives’ and, less frequently, husbands contributing to family enterprises.
- ⇒ Offer fiscal incentives to micro family enterprises to offset the cost of this process of regularisation.

Burdens

“I live worrying about the business”. (CC NACE:I, employees: 12)

“I actually am being punished for keeping [my employees on] full time!”. (PS NACE:M, employees: 18)

Mention ‘burdens’ to enterprise owners, and the conversation becomes animated and endless. The specific difficulties associated with the fluid boundary between personal life and business are often a key concern of sole-traders and owners of micro businesses who struggle with work/family balance. There are frequent descriptions in the data of entrepreneurs not being able to ‘switch off’ and step out of their ‘business’ role, of the difficulties linked to taking time off away from the business, with the knock on effect this has on the entrepreneurs’ health and personal relationships. Micro enterprise owners across the sectors in the data described the way that they have to carry out multiple roles within the business, as MF (NACE M) describes:

“So you’re a director, you’re a graphic designer, you’re a salesman, you’re an accounts man, you collect money and you go to the printer - it’s too much, [...] and you might get the work but you won’t get paid”.

This was endorsed by Kenneth Bone, an award winning ICT micro business entrepreneur during an interview featured in the local press, where he described this role-juggling aspect of the micro business process – *“sometimes you have to be a Jack-of-all-trades [...] which can be very tiring and takes away focus from the core activities”* (Debattista 2012).

Add to this the lack of secure income, the worry about being unable to work if ill, the uncertainty of the success of start-up enterprises, and the unpredictability of the market; and the enterprise owners’ list of perceived ‘burdens’ begins to take shape. These issues, though certainly important, will not be given more than this passing mention here as their essentially intrinsic association with the risk-taking central to entrepreneurial activity renders extended debate unnecessary.

There are two key themes, however, which were given importance by enterprise owners across all of the sectors in the data that do warrant some unpacking . These are the burdens related to ‘Cash Flow’ and ‘Human Resources’.

Cash Flow

“My biggest worry is just to make sure we’ve got work” – variations of this lament are scattered across the majority of the sector activities right through the data. As expected during this period of global economic slowdown, enterprise owners’ main concern is coping with the decreasing demand for

their products or services. This, as the majority pointed out, is due to two separate factors in the local market: the potential clients' decreased will or ability to spend ; and the saturation of the market. As MI pointed out *"the market seems to be saturated in ALL areas, all areas you know, If you go into anything - if you go into [holiday homes] ... if you go into language schools... if you go into restaurants... if you go into...there's SO MUCH of everything!"*.

Exploring the fundamental economic aspects of these issues is beyond the scope of this study. What is interesting to the sociological perspective is the way space and place are tied in to the sense of potency. As GG points out *"the disadvantage of [Malta] being so small is that there's a limit to how much the business can grow ... so the sea would actually be the borders of the business locally."* This sense of 'limit' to the scope of the individual's commercial enterprise is one that will be explored in detail in the section on 'competition' below. It is useful at this stage, however, to highlight the effect it has on the preoccupation of maintaining a good rate of cash 'flowing' through the available pathways for business, within the local limitations – real or perceived.

The situation repeatedly described by entrepreneurs across the sectors is one where the costs of doing business (bank loans, transshipment, utilities, transport, human resources, professional services, advertising) are rising. Added to this, the client base is decreasing because of 'over-saturation' of the local market, and these clients are less able or willing to spend their money in the first place. None of these points are unexpected data, however, they warrant highlighting as it puts the amplitude of anxiety enterprise owners have about 'cash flow' into perspective. Their key concern is to make sure that the financial returns for their enterprise activities translate into available funds which they could use to pay for their increasing expenses and, in the best case scenario, invest in improving or expanding their enterprise.

The enterprise owners in the interview data talk about this constant struggle in terms that highlight their own perspective. There is also, however, an implied sense of contagion in the process which becomes clear when they describe the frustration at the amount of time and energy and funds dedicated to collecting payments. 'Doing business' has become an exercise of manoeuvring liquid cash exchanges – prioritising payments by crisis management and using delaying tactics by default. Enterprise owners buffer the shortfall between available cash and limits of credit by negotiating for more flexibility (with creditors and banks) while they focus on tightening up their debt collecting. As XX (NACE:H, employees: 28) highlights:

"[...]nowadays , if you don't phone the client to chase payments [nothing will happen]. Today a major chunk of my financial controller's work is to chase debts... if he doesn't chase he doesn't get paid ... we have many people who owe us money ...many .. many!"

This is not at all an exception in the data – in fact the effort and expense of collecting payments is by far the issue most often identified by the enterprise owners in the data as their greatest ‘burden’.

The enterprise owners describe a domino effect of one business slowing the next one down by delaying payments. This is more acute if the business requires sourcing products and materials overseas in order to function. While local enterprise owners stretch limits by negotiating longer credit facilities, ignoring final demands, or offering post dated cheques,²¹ credit is almost impossible to negotiate with overseas companies, especially if the Malta based enterprise has not yet built a solid trade relationship with the supplier. As NN (NACE:G) pointed out, the enterprise owner is left to carry the load as banks tighten up their credit policies.

“it is getting harder ... banks are becoming less flexible [...] they are becoming a disaster to work with [...] we have never defaulted with the banks ... but they are not as flexible as they were once ... they are no longer a phone call away - now it is very bureaucratic when it comes to [doing business]”

The fact that the recently transposed EU ‘Late Payment Directive’ gives local enterprise owners legal right to charge interest after the stipulated agreed credit has not had much of an effect on the enterprises in this study. Very few enterprise owners in the data were prepared to use it because of the dynamics of the small, oversaturated and competitive local market they operate in. Predictably, it is the owners of very well established firms with a solid client base who admit to charging interest on late payments. These exceptions in the data were also the ones who refused to supply companies or government entities²² notorious for delaying payments. The vast majority, however, did their best to expand their client base, acceding to demands of extended credit in the process, as DFA (NACE:A, employees: 4) describes:

“now that we have started to work with restaurants and hotels ... they are a problem ... shops too can be a problem ... the school are OK , coz the schools always pay after 3 months ... restaurants ... we give them 3 months credit ... but you are never sure when they will pay ... supermarkets take 3 months credit too ... this sometimes causes problems with [our local suppliers] ... and then we arrange to have credit off them”.

In effect, interest free credit is passed from one enterprise to another in the chain of commercial exchanges that makes up the core of enterprise in the local market. Absorbing the strain on cash flow because of late payments is described

²¹ Though illegal, this practise is entrenched in enterprise activities across the data, and reluctantly accepted by the owners as an unavoidable compromise in their efforts to secure payments.

²² Government departments and government tender contracts were repeatedly quoted in the data as problematic in this respect.

as a necessary evil by enterprise owners in the data. The more worrying issue is the threat of an enterprise ceasing operations and leaving unpaid debts in its wake. This is an issue of particular concern in the wholesale sector as one enterprise owner pointed out:

“the problem is that we have a number of small clients ...they owe small amounts ... but if say, 10 close in a year and they owe 300 euros you've lost 3000 thousand euros ... ok not the end of the world ... but it is 3000 euros that should be in our account ... now to start legal proceedings .. by the time we open a court case, pay the lawyer...waste your time going to court ... just to collect 300 euros .. it is simply not worth it ...money is what it is ... some people take 12 or 18 months to pay you ... and sometimes it is not their fault ... but because somebody else has not paid them ... I've been in business in 10 years... I have seen the difference in the way the banks work ...they don't really support us anymore. Now that owner who owes us money can just close his shop down and the next day open a pet food shop ... and nobody is going to stop him ...”

This lament about ‘nobody stopping him’ highlights an important undercurrent of implied powerlessness on the part of the small enterprise owners in the data. They juggle their ‘cash flow’, compromising on payment terms in order to secure business, in a process that has contagious effects as the ‘credit load’ is passed down through the chain of commercial interchanges. There is one expense, however, that they are not able to manipulate in these ways, and therefore poses particular challenges: the cost of Human Resources. This will be the focus of the section that follows.

Human Resources

The subject of ‘human resources’ in the interview data tends to be introduced by the enterprise owners describing their employees as an asset. Entrepreneurs across the sectors emphasise the value of loyal, well trained, committed and hard working personnel. As one enterprise owner pointed out *“the people [you employ] make the business in the end!”*. Funds and time are invested in selecting, training and nurturing their new recruits, and the challenge is to make sure they are not lured away by the competition.

This aspect of the data was an expected finding and not particularly remarkable. The obverse of the coin, however, is also a strong theme in the data, and this throws light on particular challenges SME owners face in the wake of the global economic downturn. In the situation where SMEs are struggling to show a profit, it is the cost of human resources that take precedence in the enterprise owners’ preoccupations, and this leads to consequences that warrant attention. One dominant thread that is common to the vast majority of the enterprise owners’ interviews is the uncertainty of the market. The fluctuations in demand for their goods or services was an issue of concern across the different sectors, and this had a direct effect on their recruitment practices.

There are two main scenarios described in the data – enterprise owners who take management decisions to actively limit the cost of wages, and those who have established teams of full-time employees and therefore do their best to cope with the related expenses.

An example of the first is MC (NACE:S, sole trader) who emphasises the importance of remaining small, to reduce what he calls ‘waste’. The ‘waste’ he refers to is underutilised employee time, something he had observed when he had been employed in a large international enterprise and aims to avoid. He does this by focusing on his business plan, which does anticipate a growth in client base, however he intends to continue with his current strategy of coping with the increased work load: subcontracting. As he pointed out, “*this way I keep it small, I invest whatever I earn back into the business [...] and I subcontract to service the increasing client base*”. This means that he totally avoids the cost of human resources and is happy with the profit he makes by sharing the business with independent self-occupied individuals.

This is a strategy that is referred to by enterprise owners repeatedly in the data. One sole trader (NACE:N) started out during our interview, by describing how he has a well established reputation in his field, that the demand for his services was increasing, and that he had plans to start operating overseas. When I asked if he had any full-timers on his books, his response was immediate ‘*I subcontract*’. He went on to explain that this way he can tailor his workforce to the contracts he secures, therefore keeping his overhead costs to a minimum. Using MC’s (quoted above) terminology – this way he has no ‘waste’, his enterprise is leaner and therefore more competitive.

This scenario is one that is present in the data across the range of sectors of activity. CC, with a totally different type of enterprise (NACE: I) described practises that are the same in principle, however she has a pool of ‘part-timers’ on her books whom she calls up according to her workload (often booking, or cancelling with only a few hours notice). This practice, with the obvious advantages of improving the profitability of the enterprise, has the effect of creating precarious employment²³ conditions that the workforce accepts – albeit reluctantly. This is an issue that has received attention in the local press (Malta Today 2012, The Times, Editorial 2012) with trade union leader John Bencini²⁴ highlighting the way that “*[precarious employment] is increasing at an alarming rate in Malta. Many times it is hidden and workers are scared of talking up (sic.) because they fear dismissal* (in Malta Today 2012). There was,

²³ ‘Precarious employment’ is often used locally to refer to the situation of ‘self-employed’ individuals, working repeatedly on short contracts, or for an extended length of time for the same employer. Here I have extended the use of the term to also include those employed on ‘part-time’ basis or ‘full time, reduced hours’ which releases the employer from full time commitment of salary and benefits due according to employment law, and leaves the employee underpaid, insecure and unprotected.

²⁴ President of Confederation of Maltese Unions: FORUM

in fact, a response²⁵ from central government in this respect aimed at regulating these employment practices and curbing abuse, which was highly criticized as an overreaction by the Malta Employers Association (The Times, Editorial 2012). Predictably, it is an issue that has been used as a rallying point by all three political parties in the current lead up to the General Elections, with the opposition party claiming that present employment law enforcement is inadequate, despite the recent addendums to the Employment Act (Zammit Lewis 2013).

This is a complex issue that clearly warrants attention. My data certainly do support the claim that precarious employment conditions are a reality in contemporary Malta. The challenge is to explore the dynamics that fuel this tendency.

The issue of unpredictable market demands was highlighted earlier as one of the key concerns of enterprises owners with its knock-on effect augmenting their reluctance to commit themselves to the 'burden' full time employees' salaries. A fact that was repeatedly put across by employers in the data is that taking on full time employees is not the best commercial decision in today's economic climate. As PS (NACE:M, employees:18) pointed out:

"[...]the commercial thing to do would be to tell [my employees] 'listen ... go and get registered for VAT ... go and get a VAT number, become self-employed, and when I need you I'll call you Okay?, but then, what does that mean? if they're getting married,... they can't get a loan ... so I can't get myself to do this ... but the problem is that this is how others work... the way my competition works".

There are many examples in the interview data , like the one above, of owners of established enterprises who take the responsibility of their full time employees very seriously. (NACE:H, employees:28) put this across very clearly:

XX: [...]the problem is that I don't just have to worry about providing for my family ... but today ... [I have] employees with their own families ... some in the process of getting married ... having children... there is a certain commitment.

GM: so you feel the burden of this?

XX: yes .. yes , very much ... and also ... when it comes to taking decisions about work, I ask myself 'what repercussions could this have? what will happen if it goes wrong?' 'would I have to lay people off?'

The issue of competitors using contract workers on demand while the established enterprise owner carries the load of a fulltime workforce through the leaner periods is one that was highlighted in a number of interviews. As PS

²⁵ Legal Notice 44 of 2012 on the Employment and Industrial Relations Act.

pointed out above, the key problem is that his 'competition' works with part-time workers so can quote more advantageous rates than his. The same lament was made by MI (NACE:P, employees:16):

"I wouldn't say it was 100% a fair market .. because we are a business that runs all the year round ... have our staff all the year round ...we have full-timers ... we do have some part-timers too because if we have more work we take them on in summer ... then you have businesses who just open in summer, and they take a bulk of your work .. you have worked hard all winter . Now ... in winter you [just] survive.. and you get the bulk of your work in 2 or 3 summer months ... so .. you struggle through winter , you keep your staff... you try to keep them happy ... then you have the summer businesses that open up just for summer and they do take a chunk of your work ... it is so unfair you know!? and your expenses have been running all the year round".

Clearly, the unpredictable market conditions render the 'part-time on demand' arrangement with employees the most commercially advantageous to enterprise owners. The cost of full-time human resources are a 'burden' the established enterprises carry that impinges on their competitive edge .

There are further nuances to this concept of human resources as a 'burden' that become apparent in the interview data. The high rate of women in precarious employment is a case in point. Along with race, female gender has been identified as having an important link with precarious employment in a major statistical study in Canada (Cranford, Vosko et al. 2003). This relationship is clearly a complex one , and one that merits further research in the local context, however it is reasonable to suggest that factors such as level of education and accessibility to childcare play a part. The social situation is clearly complex, with dynamics working in both directions. Women may not be in a situation to take on fulltime, secure employment because they have to be available as primary carers for their family. The decision not to employ women as full time employees may also be rooted in the enterprise owners perception of the women as a potential strain on resources. The data in this study, suggest that the enterprise owners' perspective does plays a part in this way.

During a casual conversation in the field, I was posed this question by an enterprise owner in the start-up phase (NACE:J):

"Now come on ... what would you do? ... be honest ... if you owned a company and you had two equally qualified people being interviewed for the job – both twenty five years old – one male and one female ... which would you go for ? ...isn't it obvious? ... the man ! ... why would you take the risk of having to pay for a replacement for the woman if she gets pregnant? (Field notes 12 Sept. 2012).

Maternity benefits are clearly a double edged sword when it comes to breaking the structural disincentives towards women in full time employment as NN (NACE:G, employees: 28) demonstrates:

NN: without sounding sexist ... women in the workplace ... young women ..especially for a small company like others ...they can be a problem ... because you are trying to make ends meet ... you have bare minimum staff because you can't afford extra staff and if your workforce all get pregnant together ... the company can't afford to employ 3 other people for 6 months of the year ... that is the harsh reality of it ... but I am not going to fire them because they are women ... or not employ them because they are women... but it is a reality that the company might have been faced with ...

GM: so this maternity benefit is a burden?

NN: it is a burden ... an unfair burden on the company... I believe in maternity [leave]and it should be longer than it is ... but the government should be bearing it ... not the employer ... why should the employer pay for government decisions. [...] women should have a year's maternity leave ... that's what's right and the father should get more parental leave too ... but the cost should be on the government not on the employer ... it is unfair ... why should I pay? ... it should not be a cost for the company ...because the company ... over and above the loss of profitability ... has also to employ somebody [else] to do that job

There is a marked divide in the interview data between the established entrepreneurs who take the responsibility of their full time employees very seriously, and the enterprise owners who use part-time workers, or subcontract as the demand requires. The main issue is that costs associated with employing fulltime workers impinge on the competitiveness of the enterprise competing with companies who don't. As PS (NACE:M, employees:18) pointed out:

"how can I beat them on a tender? At the end of the day ... I tell [the government] this is crap ... you're not really taking care of us... because it would be easier for me to tell all these guys 'listen, go home get a VAT number and I'll phone you when I need you' ... you understand? .. I'm actually being punished for keeping them on full time!"

This sentiment was echoed by one enterprise owner who was constrained to cease activity because the expense of maintaining her work force was not commercially viable.

LL: the employees are given a lot of backing, a lot of benefits and a lot of support... they always want more, and more and more , and they don't realise that they are ruining the business that they are working in ... and I think that the government doesn't realise there isn't a healthy balance between the employer and the employee ...

even when I have spoken to the labour office ... basically I am left with no rights... then I say 'what's the point?'

Conclusions and Policy Recommendations

- Key ‘burden’ # 1: poor cash flow.
 - Enterprise owners feel that commercial banks are less supportive in recent uncertain fiscal climate.
 - Interest free credit is passed from one enterprise to another in a chain of commercial exchanges.
 - Government departments and tender contracts are linked to delayed payments.
 - Young enterprises are reluctant to alienate clients by implementing ‘Late payment directive’.
- Key ‘burden’ # 2: cost of human resources.
 - Uncertain market affects recruitment practices.
 - Enterprise owners cut costs of human resources by using self employed workers ‘on contract’ and ‘on demand’, or limiting conditions to ‘part time’.
 - Enterprises in unpredictable/fluctuating markets that do carry the full load of full-time employees are consequently less competitive.
 - Maternity benefits are double edged swords as they can act as a disincentive for employing women with ‘full time’ status and benefits.

Recommend:

- ⇒ Consider implementing a trans-ministerial policy to effect payments for services within 30 days.
- ⇒ Consider giving ‘merit points’ to enterprises with full time employees when they bid for Government tenders.
- ⇒ Consider reducing the burden on the enterprise owner in connection with paying maternity benefits.
-

Collaboration and Competition

“[They won’t collaborate] because they assume that I am trying to make money off their backs” (NACE:A, employees: 4)

“No matter how much you enjoy driving a Mini Minor, you will never beat a Ferrari” (NACE:G, employees: 2)

Collaboration – why?/ why not?

The concept of ‘size’ has been seen to have paradoxical consequences in the analysis presented above. The enhanced versatility and adaptability to the market demands of small and micro enterprises, together with the personal input of the enterprise owners and their families are clearly identified as assets in the data. This said, however, other operational characteristics of micro and small enterprises such as the owner coping with multiple roles, worrying about maintaining operations during periods of illness and the fluid boundary between ‘home’ and ‘work’ are clearly considered ‘burdens’ directly related to the size of the enterprise. ‘Size’ was also the focus of analysis above in relation to the market dynamics, where the ‘over saturation’ of the local market was identified as one of the major obstacles to maintaining a healthy market share and client base across the various sectors.

One possible way that small enterprises may compensate for the limitations of size, that has been well documented in the literature (Mackinnon, Chapman et al. 2004, Baldacchino 2005, Cappuyns 2006), is through ‘collaboration’. This was an option that enterprise owners described as a way of overcoming the particular burdens of operation and uncertainty in the face of unexpected crises, and also as the solution to the structural limitations of the local market. By pooling material and human resources, enterprise owners pointed out that they would be able to bring their costs down which would translate into better priced product, and they would also be able to tackle projects that would be beyond the capacity of their single enterprise. *‘I can’t do it on my own’* was a frequent lament; however, when asked if they would consider actually collaborating with other enterprises, the response was often *‘yes, but ...’*.

The overarching impression that the enterprise owners in this study express is that collaboration is very difficult in our small and competitive market. This came across most strongly in the Gozitan participants where it was clear that the sense of competition there is more acute because of the smaller market and potential client base, as one enterprise owner demonstrates:

“[collaboration] with Gozo competitors? FORGET IT !...no problem on my part you know ... but forget it ! ... now, with the Maltese I have had many experiences of collaboration ... but here ... if I had to ask a competitor to work WITH me on a project... no way ![...] it just can’t happen (ma tasalx!) ... here ... I know cases where

my competitor referred to me as 'the enemy' when talking to his clients ... the enemy... understand?! [...] the market is so small that ... here everyone thinks 'if I give him any information, he could invade my patch' ... understand?"

This pattern of being reluctant to collaborate with immediate ‘competitors’ was echoed across the channel, with Malta-based enterprise owners admitting that they would/do collaborate with overseas-based enterprises, but would be reluctant to do the same in the local market. As JJ (NACE:F) points out:

“I would be prepared to collaborate, but I would have to look carefully at the project... because here in Malta it can be a problem... you would have to clearly set out the limits of where co-operation begins and ends ... but abroad – it wouldn't be a problem”.

Clearly, this evidence of ‘guarding one’s patch’ is an expected finding in the data, and entrepreneurs collaborating with enterprise owners across the (Gozo) channel, or beyond our national boundaries mitigates the threat. What is interesting is the reference to ‘guarding information’ and ‘setting the limits’ mentioned above – this is a key issue that is referred to repeatedly in the data. In fact, once these points are factored out of equation, then collaboration between competing enterprises does occur, despite the entrepreneurs initial claim that it doesn’t. When probed, enterprise owners admit to helping each other out, though they are quick to qualify this with the condition of expected reciprocity. The key point, however, is that a firm line is drawn at the level of sharing information and expertise. CC (restaurateur), explains that they do help competing neighbours in situations of unexpected problems of supplies, however *“on the other hand... we would never go up to them and say ‘hey ! why don't you try this, because it is really working!’”.*

When looking at collaboration on a larger scale, enterprise owners across the sectors are prepared to co-operate in situations where synergies result from providing different services/products - where there is a clear division of labour. There are examples of this happening across the sectors in the data, principally in connection with large construction projects both locally and in Libya. These joint ventures bring the large projects within reach of local SME owners who do not have the resources to bid for the projects independently. The key limiting condition to these collaborative projects described by the entrepreneurs in the study is ‘Trust’. It was pointed out by enterprise owners across the sectors that there are well established ‘cliques’ of collaborative activity between local businesses. The reputation and past performance of the enterprise owners is fundamental to these synergistic groupings. As GG (NACE:G) points out

“ [...] because obviously some people - you just can't work with ...or you've had a bad experience with ...or they owe you money on another project ... how can I face that guy who owes me X amount of money? ... it's always revolving around [credibility]”.

This was mirrored by NN (NACE:G) who expanded on the same lines:

“here in Malta you know who the people are [...] reputation is important ... [when you collaborate] you are going to be trusting these people ... and if there is going to be x amount of money, then there has to be x amount of trust ... and you need transparency ... this is not easy [...] you have to approach somebody who is not going to take the idea from you and do it on their own”.

Enterprise owners across the interview data repeatedly emphasise the fact that ‘trust’ is the key issue on which collaborative synergies are based. This is an expected datum and reflects the findings in the literature where it has been shown that trusting relationships are pivotal to developing networks of collaboration (Brunetto, Farr-Wharton 2007). The enterprise owners’ main concern is that the ‘collaboration’ will not lead to use of shared information/expertise in a way that can weaken their competitive edge. ‘Competition’, in fact, is one of the key motivations of enterprise owners in the data – competing at the level of service / product ; aiming to expand / consolidate market share. This will be the focus of the last analysis section below.

Competition: Undercut? / Copycat?

The vast majority of enterprise owners interviewed situated their comments on ‘competition’ within the fundamental assumption that ‘fair competition is healthy’. There is a clear awareness of the beneficial effects of a competitive market as PP (NACE:Q) sums up:

“The thing is this ... that basically, my attitude is that competition is healthy and competition makes me offer a good service, because if I didn’t have competition I might relax and say ‘I don’t need to be so finicky about how the place runs’”

An argument echoed by MF(NACE: M) who pointed out that “*you have to be in closer contact with your clients to see that they are offered the best service so that they don’t move on to someone else*”.

Without fail, however, each owner interviewed qualified this by pointing out that there are many levels at which competition becomes unacceptable. The first, and most passionately protested, is the tendency for successful commercial ideas to attract ‘copycats’.

“Here [...] we are famous for this you know ... as soon as we see that someone has found a new niche in the market and is successful ... they just copy it ... but ... then I say ... ‘if they have copied me than that is proof that I am doing something well’ ... understand? ... they wouldn’t copy something bad, but , on the other hand , what

really bothers me is that they copy something literally ... totally ... in the sense that they copy every detail ... like ... they even copy the paperwork ...they don't copy the name of course, but they use the same format” (XX, NACE:H)

Expressions like ‘back stabbing’ and ‘dog eat dog’ are found across the sectors in the interview data – a scenario which fits in with the owners’ fundamental pre-occupation with guarding their client-base within the limits of our small market. They describe how competitors’ key leverage is ‘price’ with one entrepreneur undercutting the other in their bid to ‘pinch clients’. The reaction to this threat varied across the data with the more established enterprises focusing on quality and service in response, while the smaller, more vulnerable ones suffering, sometimes to the point of threatened insolvency.

None of these findings are surprising or ground breaking data. Exploring the issue of ‘competition’ does become more fruitful , however, when the quality of the power dynamics are closely examined.

Competition: Big vs. Small, global vs. local.

One of the preoccupations expressed by enterprise owners in the retail and catering trades is the power of the large groups of companies which have diversified, and established businesses across the various sectors in Malta. These are seen to be able to resist lean periods in ways that the micro enterprises find hard to do, as one family business owner describes:

“These groups ...we just can't compete ...they are too big ...no matter how much you enjoy driving a Mini Minor, you will never beat a Ferrari ... you know ? it is as simple as that ... the big groups made big money in the boom times when there was money to be made... now they are well established [...] Vassallo construction are now caterers as well ! I mean ...where do you draw the line? ... if they see something flourishing [they say] where they can make some money? - 'OK we'll go into catering ! ... open a couple of units , we can afford to lose a hundred thousand a year on them for the first couple of years ...until we get on our feet ..then we'll get a return'. Can I afford to lose a couple of hundred of thousands a year? No! I can't , you know ! ... and they are taking over ...I mean look at them!” (DK NACE:G)

This power imbalance is brought sharply into focus by micro business owners in the retail sector who find that their ‘competition’ on the high street is, increasingly, the global franchises, many of these owned by the large, established groups of companies.

“I look at an SME as a family , having a little shop...making a living out of it , you know ? ...and there are fewer and fewer of these [on

the high street]...just look around youAccessorize is owned by Gasan, and they put a couple of sales girls in there...Swarovski is owned by OK furniture ...Pull and Bear and Stradivarius are Big ben ...you know ! so it is no longer the case of running a business with your son". (DK NACE:G)

The franchised shop has an advantage that is buttressed by global marketing campaigns, instantly recognisable design and constantly updated décor. The power of the global brand name is the key to success and the dispirited local small shop owner struggles at this interface between local and global market realities.

The local high street is not the only sector where local entrepreneurs compete within global market dynamics. Enterprise owners across the sectors repeatedly referred to the way the internet impacts directly on their performance. The facility with which potential customers may turn to overseas based e-commerce for a viable, sometimes more efficient service with a broader choice of products, is one that is mentioned repeatedly in the data.

The frustrations caused by local bureaucratic demands and operational practices have been referred to in the section on ‘Regulation: bureaucrats and ‘red tape’ above, as obstacles to coping with this growing form of competition. Here the internet poses a serious threat as local entrepreneurs find that the local system is stacked against them being able to compete with the internet on speed of delivery. The opposite effect, however, of the influence of the Internet on the dynamics of competition within the global/cyber market is also found in the data.

Small and Micro enterprise owners describe how they are given important advantage over the ‘large’ established groups/franchises in their sector by being positively featured in online consumer-driven web sites such as ‘Trip advisor’, or simply by operating and maintaining an attractive web site that performs well within search engine operations. As MH (NACE:C) describes:

“We owe [our success] to the tourists ... one found us on the internet .. at the time we didn't even know about Trip Advisor ... we showed him round... he tasted [our products]with us , he bought some ... he gave them to his friends to taste ... [...] he wrote a review on trip advisor ... then a second, a third ... and now we are [one of]the top tourist attractions ! [...] so now we know that this is the way we should go ... we still have a long way to go .. but this is the way ... now the tourists started asking for our products ... ”

Using the internet to get their product, service, establishment ‘out there’ was referred to repeatedly as a successful marketing tool in the interview data. There is a clear issue, however, of ‘cyber-challenged’ sole traders and SME owner/managers who do not have the expertise or skill to exploit these opportunities and are coping with too many demands on their time to invest in

acquiring them. For these, the internet is a mine of untapped resources which is beyond their reach in real, practical terms.

Competition: 'unfair'

The one aspect of 'competition' that was discussed with most passion in the interview data is the issue of parity when it comes to regulation compliance. The main argument hardly needs mention here – the fact that compliance to the full range of regulations (tax, development, waste, employment being the key issues referred to in the data) adds to the running costs of the enterprise and avoidance would lead to advantage in the market.

At the level of sole traders working from home, this issue hardly needs highlighting as this level of irregular work is patently clear in day-to-day experience. The 'irregular' set-up appeals to both parties in the commercial equation – leaving the expense-laden, officially compliant enterprise owner feeling hard done by as TT, (NACE: S) describes:

*“So annoying! Because they do open ... they open up in their mother’s garage or their garage or a room in their home and you know they don’t have a VAT number. So they’re working without all this and they’re cutting you by... [sighs] **so much** money and people don’t think ... they don’t care! ... I’ve got 25 years experience now... I do charge quite a bit , I mean some of my prices are high but you know ... people pay now because I have the experience. And they’re prepared to pay it”.*

TT is at the stage in her career that she can hold her ground rather than have to compete at the level of price. The problem arises when the 'regular' entrepreneur is still in the process of establishing a loyal clientele – here the 'unfair' competition is a bitter pill to swallow.

The ironic aspect of this issue that was highlighted by one enterprise owner (NACE:S) is that it is the compliant enterprises that are 'visible' and subject to inspections (VAT, Health & Safety) while the 'irregular' enterprise operates below the radar, seemingly 'unnoticed'.

*“Half of [the new guys] aren’t even registered- they’re just working quietly in their home somewhere [...] Ok we get these VAT inspectors coming round, all these people checking you out and whatever... but you think – ok you know **I’m** here but what about these little places?... they don’t come looking for **them**. Everybody knows where they are!... but I don’t know of anyone that’s ever been checked out! [...] You know you try to do everything above board and you know you pay everything you’re supposed to pay and you still... you know... you still get these people opening up and it’s annoying”.*

This interesting aspect of ‘visibility’ of compliant establishments, standing in contrast with the ‘unseen’ enterprises or, rather, those where the regulators ‘close an eye’ is one that warrants attention. Anthony Miceli Manduca (Chairman of M. Demajo Group) drew attention to this issue in a press interview where he discusses the real impacts of “cowboy operators who repeatedly flaunt VAT and ECO tax payments due to a lack of proper enforcement”. He points out that this cancels out the possibility of a “level playing field [...] to the detriment of legally compliant entrepreneurs” (Manduca 2011). The lack of parity in operational expenses gives the non-compliant operator the competitive edge where price is concerned, and it is only the secure, well established enterprises that can avoid being drawn into a ‘price war’.

This jaded distrust in the ‘system’ as being a fair and equal one is an issue that enterprise owners expressed across the sectors. As described in the section on ‘burdens’ above, the issue of parallel trading in the wholesale sector is the source of much resentment and cynicism as SS describes:

*“Parallel trading? I don’t think it’s fair. Why? Because, we have to pay Eco Tax, we have to recycle the boxes, we have to pay ... health and safety ... insurance, I can’t even finish... And **they** go, the parallel traders ... go with their van and they load it up [in Sicily] and come and nobody knows a thing. They don’t pay Eco Tax, they don’t pay recycling, they don’t pay employee insurance, they don’t pay! ... nothing! [...] What would I do? [I would say that] everybody who comes down off the ferry has to pay tax and eco tax and recycling as much as everybody else [...] The recycling tax kills us... [the Italian company] pays in Italy and now we have to pay as well over here. How much do we pay? About 15,000 a year, 15,000 you know! just to get empty boxes!”*

The degree of frustration SS betrays is representative of that in similar conversations with enterprise owners across the sectors in the data. One, however, brings another perspective into focus – that of ‘being taken for a ride’ by non-compliant entrepreneurs. The context for this conversation is the agricultural sector, where the key difference, as described in the data, is that part-timers only think short term, in an area where abuse tends to have knock-on long term effects. The full time farmers have too much to lose if they get caught out abusing pesticides, for example – while the part-timers just harvest their crop and don’t worry about the rest of the year.

“[...] the thing is that the part timers sell their products unofficially (fuq i-idejn)... and they don't declare any of the income ... they don't pay licenses, and they don't have any controls and checks [...] in my opinion it is a disaster... because if someone is going to let you off a lira... there will always be some ulterior motive (mhux ha jifrankalek ta' xejn)[...] it is not because he is making money on my back ... but because he is taking me for a ride (jitnejjek bija).

This particular farmer, primed as he is by the nature of his work, could see how by avoiding the controls and regulations, the part-timer's produce may well be of inferior quality and have long term effect on the reputation of local agricultural produce.

A similar argument was put across by DK (NACE:G) who highlighted the 'unfair competition' in the jewellery trade where clients were being 'taken for a ride'.

"I do feel very strongly about the Maltese silver filigree. I am a goldsmith by trade, and I am very concerned about the fact that there are some shops selling jewellery manufactured in China ... imported via Italy and sold at half the price...these pieces are made to look like genuine Maltese work ... and they sell it as Maltese filigree when it is not! I refuse to buy it, even though it is much cheaper ... I want to support the local artisans".

One enterprise owner (MA, NACE:C) described how the Maltese are experts at breaking rules and that now we are in the EU we are being made to comply with rules written with other countries in mind, which exacerbates the problem. He felt he is

"up against a brick wall .. we are knocking our heads against a brick wall ... I think that we have been forgotten ... take, for example, the ST Thomson people ... it is these massive companies that the Government takes notice of, I mean, if we closed tomorrow ... we wouldn't make a line in the newspaper ... nobody would notice that we have gone ...if someone bought the company ... sacked everybody ... nobody would notice ... if the managing director of ST Thomson has appendicitis, it would be front page news... I mean that is the market we operate in ... our turnover, compared to these companies ... is peanuts , you know what I mean? ... probably what we turn over in a year they turn over in a week."

MA's is clearly a subjective, personal assessment of his situation. It does, however, echo the sense of 'being forgotten' by central administration that is implied and sometimes actually stated, in the interview data. As PS (NACE:M) pointed out:

"as an SME [owner] if you tell me what I would wish from central government ... it is not protection ... but literally, the fact that they should really appreciate that we are employing people full time".

This is an echo of the issue of carrying the 'burden' of full time employment that was the focus of the section on 'human Resources' above. PS goes on to say that

“government should look after those who provide full time work so ... if I submit my ETC register and it shows I have 27 full timers and this [other] guy comes over and he’s just calling people on contract... keeping them in precarious employment just for 3 months ... then ... come on ..., how can I beat him on tender?”

The perceived injustice of government tenders being allocated without giving due weighting to fundamental issues such as employment conditions and compliance to regulations is one that is repeated across the sectors in the data. This aspect of ‘unfair competition’ from unregulated enterprises has, in fact, been the focus of recent attention of all three political parties in the lead up to the imminent general election – an issue that well deserves attention as the data in this study highlights.

Conclusions and policy recommendations

- Key concept #1: ‘Collaboration’
 - considered by enterprise owners to be a possible means of overcoming limitations of size of enterprise when competing for large projects.
 - ‘Trust’ is a fundamental to collaborative projects: trust with information, ideas [reputation and past experience is key].
 - Enterprise owners reluctant to collaborate locally: key is to ‘guard one’s patch’.
- Key concept # 2: ‘Competition’
 - ‘Healthy competition’ is considered by enterprise owners to be a positive factor.
 - Power dynamics: global vs. local [branded franchises in retail sector have advantage over local SMEs; Micro enterprise owners do not have the time/resources to develop web-based commerce; cyber-based global commerce offers better choice and speed of delivery in particular specialized areas].
 - Power dynamics: big vs. small [large groups of companies have competitive advantage over individual SMEs].
 - ‘Unfair competition’: ‘irregular’ enterprises cut costs and have unfair advantage over compliant enterprises [parallel traders in wholesale sectors highlighted in this respect].
 - Paradox: Compliant enterprises are visible and subject to regulatory controls, ‘irregular’ enterprises function below the radar – authorities are seen to ‘turn a blind eye’.
 - Enterprise owners are ‘forgotten’ – have a jaded distrust in central administration which they consider to be ignoring the lack of a level playing field in the local commercial environment.

Recommend:

- ⇒ Give institutional recognition to companies that take part in collaborative projects such as joint participation in overseas trade fairs or bidding for large contracts [suggest offering tax incentives], and create arena where successful collaborative projects are given exposure.
- ⇒ Publicity drive with enterprise owners for ETC courses in ‘e-commerce’ and ‘retail skills’.
- ⇒ Increase incentives to promote local artisans [create an official ‘authentic’ certification scheme for local artisanal products and support it with ongoing publicity drive].
- ⇒ Amplify controls on non-compliant enterprises after giving amnesty and chance to regularise [suggest increasing control border points for irregular ‘parallel trading’].

Conclusion

Entrepreneurs, naturally dynamic, autonomous and creative, are caught in the power conflicts that occur at the interface between the state and the individual. They have chosen to be self-employed, in part, because of their desire to be firmly 'in control' of their lives. The necessity of state-driven regulations and 'red tape' generates frustration and begrudged resistance, and this general feeling of aggravation is amplified through shared narratives in the entrepreneurs' various informal networks. There is a sense of being 'powerless' when facing the leviathan of bureaucracy which is a dominant source of disappointment in the data.

When considering the issue of competition, there is an interesting aspect of 'visibility' of compliant establishments, standing in contrast with the 'unseen' irregular enterprises or, rather, those in whose regard the regulators may 'close an eye', or even two. The lack of parity in operational expenses gives the irregular operator a competitive edge where price is concerned. This situation leaves the compliant entrepreneur not just economically handicapped, but also feeling 'forgotten', undervalued and 'unappreciated' by the central administration.

There is tension at the interface between global market forces and individual enterprise operations. Enterprise owners who have the skills and expertise to exploit the potential of the world wide web to their advantage use it as a marketing tool and as a counterfoil to the limitations of the small local market. The opposing dynamic is also evident, however. In the retail sector, the franchised shop has an advantage that is buttressed by global marketing campaigns, instantly recognisable brands and constantly updated décor. The power and backing of the global chain is the key to success here, and the dispirited local small shop owner must often resign him/herself to a narrow market segment and operate with wafer thin profit margins to survive,

This feeling of vulnerability in the face of global brands is accompanied by feelings of harsh competition with respect to fellow small enterprises. Micro enterprise owners are reluctant to exploit the possibilities of collaboration with fellow entrepreneurs. They are suspicious of such initiatives; and, in any case, they protest that they lack the time, energy and/or vision to make such "co-opetition" initiatives work.

The general picture that emerges is that, while regularly acknowledged as the backbone of local industry, micro-enterprise owners are in 'survival mode', 'watching their backs', wary of the competition from small colleagues and big global firms., misunderstood by the state machinery and still suffering from low esteem from the public.

Appendix I: Qualitative interview guide

- Why do you think are you doing this? Why aren't you, employed by somebody else, working 9 to 5? [key motivation?]
- What do you think is your business' best asset?
[People?] [Family? –advantages/drawbacks] [Money?] [Ideas?] [Place? – rented?-family? owned? big enough?]
 - What is your biggest burden?
[adequate workforce? – women: gender dynamics? maternity benefits? Full/part time?] [regulations? – MEPA?, Health & Safety? 'Red tape' ?]
[Multiple roles?]
 - What is your biggest worry?
[market? – competition?] [cash flow?] [family succession?] [health?]
 - What gives you most satisfaction?
[Process? Legacy? Profit? Status?]
 - Would you consider collaborating with other enterprise owners?
[Why? Why not?]
 - What is your most urgent need?
 - What do you think of the use of Internet?
[communication: emails] [marketing] [e-commerce]
 - How does Gender come into the equation of 'doing business'?
 - Would you do this in your next life?
[Why? Why not?] [Different?]

Bibliography

- AUDRETSCH, D., THURIK, R., KWAAK, T. and BOSMA, N., 2004. *Observatory of European SMEs*. Luxemburg: European Commission, Enterprise Publications.
- AZZOPARDI, J., 2012, May 12 2012. We owe it to businesses. *The Times Talking Point*, 48. Allied Newspapers Ltd: Malta
- BALDACCHINO, G., 2005. Successful small scale manufacturing: a comparative assessment across five European Island Regions. *Bank of Valletta Review*, 31, pp. 17-31.
- BONELLO, D., 2012. One Man's Dream. *The Economic Update*, , pp. 24-27. Malta: Network Publications.
- BORG CARDONA, N., 2008. *Overview of Family Business Relevant Issues - Malta*. European Commission Enterprise and Industry Directorate General.
- BORG, B., 2012, 23 November 2012. Red tape 'chokes businesses'. *The Times*. Malta: Allied Newspapers Ltd.
- BROUGHTON, A., 2011. *SMEs in the Crisis: employment, industrial relations and local partnership*. European Foundation for the Improvement of Living and Working Conditions.
- BRUNETTO, Y. and FARR-WHARTON, R., 2007. The Moderating Role of Trust in SME Owner/Managers' Decision-Making about Collaboration. *Journal of Small Business Management*, 45(3), pp. 362-387.
- CANDEA, M., 2007. Arbitrary Locations: in defence of the bounded field-site. *Journal of the Royal Anthropological Institute*, 13(1), pp. 167-184.
- CAPPUYNS, K., 2006. Internationalization of family businesses through strategic alliances: an exploratory study. In: P.Z. POUTZIOURIS, K.X. SMYRNIOS and S.B. KLEIN, eds, *Handbook of research on family business*. Cheltenham UK, Northampton, MA, USA: Edward Elgar, pp. 445-459.
- CARLOCK, R.S. and WARD, J., L., 2001. *Strategic Planning for the Family Business*. Basingstoke, New York: Palgrave.
- CASA, D., 2012, 16 August 2012. Believing in our SMEs. *The Times*, p.11. Malta: Allied Newspapers Ltd.

- CRANFORD, C.J., VOSKO, L.F. and ZUKEWICH, N., 2003. Precarious employment in the Canadian labour market: A statistical portrait. *Just Labour*, **3**, pp. 6-22.
- DARMON, I., 2011. No “new spirit”? Max Weber’s account of the dynamic of contemporary capitalism through “pure adaptation” and the shaping of adequate subjects. *Max Weber Studies*, 11(2):193(2), pp. 193--216.
- DEBATTISTA, M., 2012, 23rd February 2012. How to be a successful ICT company in Malta. *The Times I-Tech*, 21. Malta: Allied Newspapers Ltd.
- DEBONO, J., 2012, Sunday 7 2012. Report Highlights vulnerability of subcontracted workers. *Malta Today*, 6. Malta: Media Today Ltd.
- DRAKE, J., 2012. *Keynote Speech : GRTU conference*. GRTU annual conference, Corinthia Palace Hotel, Attard, Malta.
- DUCA, M., 2009. *Malta Chamber SME Committee Family Businesses Position Paper*. Malta Chamber of Commerce Enterprise and Industry.
- ENTERPRISE AND INDUSTRY, EUROPEAN COMMISSION, 2012. *Small Business Act for Europe Fact Sheet 2012*. European Commission.
- ENTERPRISE AND INDUSTRY, EUROPEAN COMMISSION, 18 October 2012, 2012-last update, SMEs: Facts and figures about EU's small and medium enterprise. Available: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/index_en.htm.
- ENTERPRISE POLICY DIRECTORATE, MINISTRY OF FINANCE, 2011. *Small Business Survey 2010*. Valletta: Enterprise Policy Directorate, Ministry of Finance the Economy & Investment.
- ENTERPRISE POLICY DIRECTORATE, MINISTRY OF FINANCE, . Available: <http://finance.gov.mt/page.aspx?site=MFIN&page=epd>.
- EUROPEAN COMMISSION, 2008. *NACE Revision 2 : Statistical classification of economic activities in the European Community*. Luxembourg: Eurostat Methodologies and Working Papers.
- EUROPEAN COMMISSION, 2005. *The new SME definition: User guide and model declaration*. Enterprise and Industry Publication.
- EURYDICE NETWORK, 2012. *Entrepreneurship Education at School in Europe: National Strategies, Curricula, and Learning Outcomes*. Education, Audiovisual and Culture Executive Agency, 2012.

- FAUSER, M., 2012, December 27 2012. Handle with care. *The Times Business*, p.9. Malta: Allied Newspapers Ltd.
- FENECH, R., 2012, 16 August 2012. Couples in Business: for richer or Poorer. *The Times Business*, p.12. Malta: Allied Newspapers Ltd.
- FSADNI, M., 2012. *Unlocking the Female Potential*. Blata l-Bajda, Malta: National Commission for the Promotion of Equality.
- GARCIA RECHE, N., 2011, 25 September 2011. Can small be beautiful?. *The Malta Independent on Sunday*, p.51. Malta: Standard Publications Ltd.
- GEERTZ, C., 1973. *The interpretation of cultures : selected essays*. New York: Basic Books.
- GIBB DYER, W.J., 1986. *Cultural Change in Family Firms : anticipating and managing business and family transitions*. San Francisco, London: Jossey-Bass Publishers.
- GRTU, 2012. *General Retailers and Traders Proposals: Budget 2013*. Valletta: GRTU Malta Chamber of Small and Medium Enterprise.
- HABBERSHON, T.G. and WILLIAMS, M.L., 1999. A resource-based framework for assessing the strategic advantages of family firms. *Family Business Review*, **12**(1), pp. p.1-p.25.
- MACKINNON, D., CHAPMAN, K. and CUMERS, A., 2004. Networking, trust and embeddedness amongst SMEs in Aberdeen oil complex. *Entrepreneurship & Regional Development*, **16**, pp. 87-106.
- MALLIA, S., 2012, March 25 2012. You don't need cash to make good deals. *The Sunday Times*, p.10-p.11. Malta: Allied Newspapers Ltd.
- MALTA TODAY, 2012, 18 Feb 2012. Forum: precarious jobs are 'increasing at an alarming rate'. *Malta Today*. Malta: Media Today Ltd.
- MANDUCA, A., 2011, 27 October 2011. M. Demajo Group: Vision, growth and diversification. *The Times Business*. Malta: Allied Newspapers Ltd.
- MASON, J., 2011. Facet Methodology: the case for an inventive research orientation . *Methodological Innovations Online*, **6**(3), pp. 75-92.
- NATIONAL STATISTICS OFFICE MALTA, 2012. *Labour Force Survey Q3/2012*. Malta: National Statistics Office

- NATIONAL STATISTICS OFFICE MALTA, 2011. *Business Demographics: 2002-2010*. Malta: National Statistics Office.
- NEWBY, R., WATSON, J. and WOODLIFF, D., 2012. *The Global Competitive Report 2012-2013*. World Economic Forum.
- PARNIS, D., 2011. *Malta: EIRO CAR on "SMEs in the Crisis: Employment, Industrial relations and local partnership"*. European Foundation for the Improvement of Living and Working Conditions.
- PUTNAM, R.D., ed, 2002. *Democracies in Flux: The evolution of social capital in contemporary society*. Oxford, New York: Oxford University Press.
- ROSENDAHL HUBER, L., SLOOF, R. and VAN PRAAG, M., 2012. *The effect of early entrepreneurship education: Evidence from a randomized field experiment*. Institute for the Study of Labor, IZA discussion papers 6512.
- SEALE, C., 1999. *The Quality of Qualitative Research*. London: Sage Publications.
- THE ECONOMIC UPDATE, 2012. A woman in a man's World. *June 8, 2012*, , pp. 20.
- THE TIMES and EDITORIAL, 2012, Feb 21 2012. Employers and Unions clash over 'precarious' work. *The Times*.
- TURNER, S., ed, 2000. *The Cambridge Companion to Weber*. Cambridge U.P.:
- .
- VASSALLO, J. and RIZZO, S., 24 September 2012, 2012-last update, The representativeness of trade unions and employer associations in the cleaning activities sector. Available: <http://www.eurofound.europa.eu/eiro/studies/tn1108048s/mt1108049q.htm>.
- VELLA, F., 2012, 20 May 2012. NCW calls for the introduction of necessary measures. *The Malta Independent on Sunday*, p.8.
- WEBER, M., 1978. *Economy and Society: an outline of interpretive sociology*. Berkeley, Los Angeles, London: University of California Press.
- WORLD BANK GROUP, 2013. *Ease of doing business in Malta*. World bank Group.
- ZAMMIT LEWIS, E., 2013, 31 January 2013. A worrying increase in precarious employment. *The Malta Independent*. Malta: Standard Publications Ltd.

