

Survival Of Enterprises: A Review Of Literature Study About The Elements Impacting On The Survival Of Enterprises In The Market

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ABSTRACT

Purpose: In recent times due to economic crises faced by many nations number of working enterprises close down their business and there may be number of reasons for that. As per data in Latin America and OECD nations, greater than half of enterprises established closed businesses in their prior five years. Not just this but about on an average 25 percent newly established enterprises are closed in their first year of establishment. But, when enterprises are closed, there are destruction of jobs, impacts on productivity level of existing enterprises, and aggregate level growth is also affected. The objective of this research is to study the elements impacting on the survival of business enterprises and to make available a research support for future studies to be conducted regarding understanding the elements impacting on the enterprises existence for finding and understanding the ways for enhancing the life span of enterprises in the larger benefit of economy and business growth and development. **Methodology:** For achieving objective of the present research a literature review study is conducted and elements impacting on the survival of enterprises are studied. **Findings:** After studying the literature available regarding survival of enterprises research shows that there are number of internally and externally elements impacting on the survival of enterprises. Be it, human resources, co-operation, research & development activities, location of enterprise, environment, business cycle, entry rate of enterprise, entry scale of enterprise, unemployment, inflation rate, education, collaboration, export participation, industry, market competition, market growth, enterprise level and individual level elements etc. **Implications:** The objective of this research is to study the elements impacting on the survival of business enterprises and this present study will make available a research support for future studies to be conducted regarding understanding the elements impacting on the enterprises existence for finding and understanding the ways for enhancing the life span of enterprises in the larger benefit of economy and business growth and development. **Originality:** This research work is original work of author and conducted for finding out the internally and externally elements impacting on the survival of enterprises in the market. And all the references are duly cited.

Keywords: Survival of Enterprise, Elements, Innovation, Productivity, Location of Enterprise

INTRODUCTION:

Recent years critical economic situations have compelled number of enterprises in many nations to shut down their operations of businesses, resulting in the destruction of jobs, creating imbalances in the productivity level of industry, imbalances in the economy with regard to employment, GDP etc. in general and in the commerce, industry, banking, insurance, finance, marketing sectors in particular due to closure of enterprises. Many authors have studies about the elements which are impacting on the survival of enterprises. In Latin America and OECD nations, greater than half of enterprises established closed their businesses in prior five years of their inception. Not just this but about on an average 25 percent newly established enterprises are closed in just first year of their establishment. In Colombia case, rate of survival for a business enterprise is about 29.7 percent and 70 percent enterprises shut in prior five years. It is vital to study the elements impacting on the survival of business enterprises.

LITERATURE REVIEW:

Many studies are conducted in relation to understanding the elements impacting on the survival of enterprises. After reviewing the literature available regarding survival of enterprises research shows that there are number of internally and externally elements impacting on the survival of enterprises. Be it, human resources, co-operation, research & development activities, location of enterprise, environment, industry, market, enterprise level and individual level elements.

Many researchers have highlighted the importance of productivity, size of enterprise, innovation, efficiency etc. as important elements for surviving a business enterprise. (Zhao, C. & Burt, R. S., 2018), (Ejermo, O. & Xiao, J., 2014), (Cefis, E. & Marsili, O., 2012), (Shiferaw, A., 2009), (Cefis, E. & Marsili, O., Survivor: The role of innovation in firms' survival, 2006).

(I) Internal Elements Impacting Survival of Enterprises:

A. Size and Age of Enterprise: Among the vital element of enterprise survival is size and age of enterprise, changes in industry and models of enterprise keep to closing of enterprise which changes of age of enterprises, (Ericson, R. & Pakes, A., 1995), (Mata, J. & Portugal, P., 1994). As many authors elaborate that enterprise business closing rate may decline due to enterprise's age. As processes for learning for enterprises demand many years, which leads to much higher time for closing business for new units in few years of life as older units are also doing business with same operations. (He, C. & Yang, R., 2016), (Agarwal, R., Sarkar, M. B., & Echambadi, R., 2002). While some authors elaborate that relationship between age and enterprise closure is inverted U shaped. As one study gives that risk of closing business enhances up to 20 years then decreasing up to 35 and up-warding after that to more than 75 years (Esteve-Pérez, S. & Mañez-Castillejo, J. A., 2008).

Whereas, some authors also elaborated about that larger enterprises are more likely to survive more. (Gemar, G., Moniche, L., & Morales, A. J., 2016), elaborated in their study that bigger enterprises have more probability for survival by studying an example of Spanish economy's hotel industry, (Jovanovic, B., 1982), also in same tune and claimed that bigger enterprises have more survival chances and small enterprises may grow faster than bigger but more likely to close operations than bigger enterprises.

B. Capital for Start-up:

Studies related with survival of enterprises also highlight about the vital role of financial capital, (Cooper, A. C., Gimeno-Gascon, F. J., & Woo, C. Y., 1994). New enterprises with higher financial capital in start-up stage have greater time and additional chances of accessing capital resources before ending of capital for start-up, (Parker, S. C. & Belghitar, Y., 2006), (Liao, J. J., Welsch, H., & Moutray, C., 2008). Whereas, the start-up enterprises founded in times of economic crisis use bank debt having more chance of bankruptcy, (Deloof, M. & Vanacker, T., 2018).

C. Legal Structure of Enterprise:

Limited liability businesses structures are having more chance of becoming bankrupt as compare to enterprises having unlimited liability, (Harhoff, D., Stahl, K., & Woywode, M., 1998). Whereas unanimity is not seen in the literature when (Mata, J. & Portugal, P., The survival of new domestic and foreign-owned firms, 2002), found that enterprises having unlimited liability have higher closure risk as compare to enterprises having limited liability.

D. Research & Development Activities by Enterprises:

Many authors found that enterprises conducting research and development have better performance as compare to enterprises which are not conducting research and development or buying the same, independent of the innovative practice in the industry, (Rueda-Galvis, J. & Rueda-Galvis, M., 2017), (Pérez, S. E., Llopis, A. S., & Llopis, J. A. S., 2004), (Kimura, F. & Fujii, T., 2003). Whereas, studies like, (Coleman, S., Cotei, C., & Farhat, J., 2013), finalised that research and development activities by enterprise are not vitally subject to improving chances of enterprise survival because of the risks associated with it resulting in the closing down of enterprise.

E. Innovative Capabilities of Enterprise:

In spite of unanimous tone about impact of research and development activities on survival of enterprises, it is realized that such activities are fundamentally a source for developing new processes, services or products vital for survival of enterprise, (Fontana, R. & Nesta, L., 2009), some authors elaborate that enterprises adopting substantial innovation have lower chance for falling down to closure, (Wagner, S. & Cockburn, I., 2010).

Innovation have positive impact on survival of enterprise, arises particularly from investment of enterprise in process innovation and not from investment of enterprise in product innovation, (Cefis, E. & Marsili, O., A matter of life and death: innovation and firm survival, 2005). Some studies show that radical innovation decreases the survival chances of enterprise due to the enhanced uncertainty level, (Buddelmeyer, H., Jensen, P. H., & Webster, E., 2010), but, some authors elaborate that adoption of radical innovation have chances of survival due to the greater returns from the adoption resulting in gain of greater market share by the enterprise, (Sinha, R. K. & Noble, C. H., 2008), (Langerak, F., Rijdsdijk, S., & Dittrich, K., 2009).

F. Human Capital Status of Enterprise:

Many literatures acknowledge the human capital level formation in the enterprise as a vital intangible asset, which is very important for survival of enterprise due to its effect on the level of performance of enterprises, (Coleman, S., Cotei, C., & Farhat, J., 2013), (Boden Jr, R. J. & Nucci, A. R., 2000). Some authors explain that plus human capital experience of the business contribute heavily to survival of enterprises, (Koçak, A., Morris, M. H., Buttar, H. M., & Cifci, S., 2010), (Van Praag, C. M., 2003). Higher experience results in productivity improvement in the organization enterprise, (Brüderl, J., Preisendörfer, P., & Ziegler, R., 1992).

G. Level of Education:

There is a positive relationship among higher level of education and possibility of survival of enterprise, (Coleman, S., Cotei, C., & Farhat, J., 2013), but, another author indicated that independent businessman having high level of training have higher chances of closure in times of enterprise growth and lower closure chance in recession times, (Acs, Z. J., Armington, C., & Zhang, T., 2007).

H. Inter-firm Collaborations:

Some authors insist that despite the knowledge provided by human capital, the knowledge arising from inter-firm collaboration is also in equal manner influential on survival of enterprise, (Velu, C., 2015). Inter-firm collaborations are partnership agreements the enterprise has with many strategic partners like research institutions, enterprises in the same group, competitors, suppliers, and customers, (Yli-Renko, H., Autio, E., & Sapienza, H. J., 2001), (Sánchez González, G., 2014). Inter-firm collaboration have emerged as a vital source with the help of this, businesses working in various industries are gaining access to the abilities which are required for competing in the varying market scenario. Some authors are of the view that if enterprises are partnering with various skills and working in interrelated markets will be helping the other enterprises in accessing for the new knowledge and acquiring new capacities, this will be leading towards a superior performance, ultimately assisting the enterprises in surviving for long time, (Xia, T. & Dimov, D., 2019), (G., Acheampong. & Hinson, R. E., 2019), (Coad, A. & Guenther, C., 2013). On the other hand the collaboration between enterprises may have some problems also like risks associated with absorbing organization's inner routine, difficulties of imposing higher adjustment costs in relevant with adaptation and danger of sharing enterprise's vital information with a partnering enterprise, (Amburgey, T. L., Kelly, D., & Barnett, W. P., 1990).

I. Export Participation by Enterprise:

Some authors are of the view that if exports are a substantial part of total sales of enterprise, then this participation of enterprise in exports enhances the survival chances of an enterprise, (Esteve-Pérez, S. & Mañez-Castillejo, J. A., The resource-based theory of the firm and firm survival, 2008), (Melitz, M. J., 2003), (Bernard, A. B., Eaton, J., Jensen, J. B., & Kortum, S., 2003).

(II) External Elements Impacting Survival of Enterprises:

A. Location of Enterprise: Literature acknowledges the influence of industrial location of enterprise on survival of enterprise, because industry concentration in a geographical area helps in knowledge spillage among the enterprises ultimately in geographical limits enhances returns for the enterprises, stimulating development, as such vital technological outwardness happens in special region and industry, (Porter, M. E., 1990), (Glaeser, E. L., Kallal, H. D., Scheinkman, J. A., & Shleifer, A., 1992), (Romer, P. M., 1990). On another part, some authors claim that geographically concentration of enterprises instead of survival, assists in closing down of enterprises, (Sorenson, O. & Audia, P. G., 2000). Like another study found that rural region located enterprises show greater survival chance as compare to urban region located enterprises, (Strotmann, H., 2007).

B. Organization Ecology:

Authors explained that finance plays one important part for survival of enterprises, in the coming period, enterprises enjoying loans from banks and subsidies have greater chance of survival. Local supporting policies may surely increase chances of survival of some enterprises specially they may assist old enterprises for lessening effects of competition, (Haynes, G. W., Danes, S. M., Schrank, H. L., & Lee, Y., 2019), (He, C. & Yang, R. , Determinants of Firm Failure: Empirical Evidence from China, 2015), (Smith, D., Feldman, M., & Anderson, G., 2018).

C. Business Cycle:

Authors elaborated that enterprises survive for longer times in industries that are expanding as compare to industries that are decreasing, this impact remains vital after concentration, entrant type, scale, size and industry disturbance are controlled, (Segarra, A. & Callejón, M., 2002), (Mata, J. & Portugal, P., The survival of new domestic and foreign-owned firms, 2002).

D. Market Competition and Growth:

Market growth is numerically important for analysis of survival system in distinguished generations of enterprises established in seven successive years, (Mata, J., Portugal, P., & Guimaraes, P., The survival of new plants: Start-up conditions and post-entry evolution, 1995). On the contrary, authors found that competition of market from same sector foreign enterprises and posterior sectors working foreign enterprises affect harmfully on the survival chances of enterprises owned by government, (Girma, S. & Gong, Y., 2008).

E. Inflation Rate and Unemployment:

Studies elaborate that enterprises which are established in positive macro-economic period have greater rates for survival, (Box, M., 2008), while some elaborated that death risk diminishes in enterprises during economic crisis times, (Fotopoulos, G. & Louri, H., 2000).

F. Enterprise in Clusters:

Many authors elaborated that due to clusters there is an increase in chances of growth, survival and entry for the new enterprises, (Renski, H., 2011), (Delgado, M., Porter, M. E., & Stern, S., 2010). Whereas some indicated that location of enterprise in cluster declines the chance of survival for American biotech enterprises, (Folta, T. B., Cooper, A. C. , & Baik, Y. S., 2006).

G. Enterprise's Entry Scale:

Studies show that enterprises coming to industries by having lower efficient scale are having high survival chance, but this is not significantly found in subsidiaries of existing enterprises, new enterprises and high-tech industries, (Strotmann, H., 2007). On the contrary, when entry hurdles and costs of switching are minimum, enterprises are more vulnerable for closing down businesses, (Ejermo, O. & Xiao, J., Entrepreneurship and survival over the business cycle: how do new technology-based firms differ?, 2014), (Bates, T. , 2005).

H. Enterprise's Entry Rate:

Literature elaborated that greater entry rate put a positive impact on the chances of closing down of enterprises since it shows aggressiveness and disturbance of market for examples of newer, (Segarra, A. & Callejón, M., 2002), (Mata, J. & Portugal, P., The survival of new domestic and foreign-owned firms, 2002).

CONCLUSION:

This study was conducted for finding out the elements impacting on the survival of enterprises in the market. A number of elements impacting internally and externally are found like human resources, co-operation, research & development activities, location of enterprise, environment, business cycle, entry rate of enterprise, entry scale of enterprise, unemployment, inflation rate, education, collaboration, export participation, industry, market competition, market growth, enterprise level and individual level elements etc. This present study will make available a research support for future studies to be conducted regarding understanding the elements impacting on the enterprises existence for finding and understanding the ways for enhancing the life span of enterprises in the larger benefit of economy and business growth and development.

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This is to bring to your kind consideration that this research work has no conflicts of interest.

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