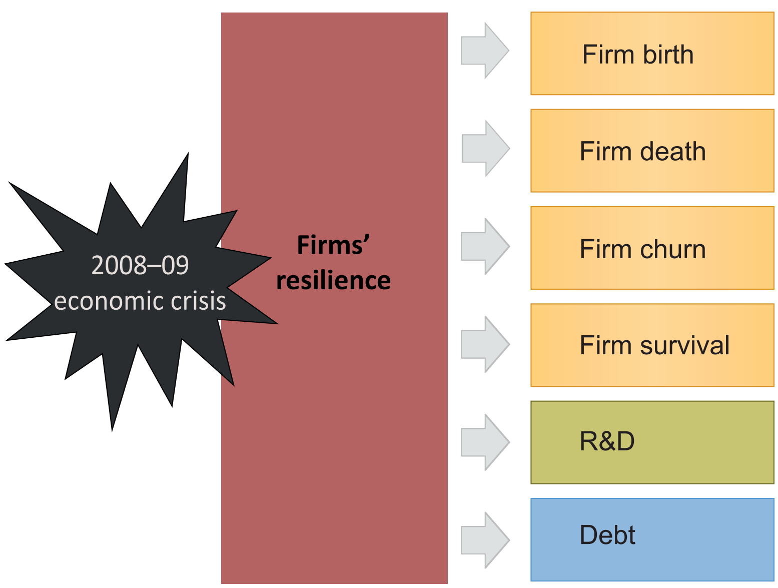
Resilience of businesses

The business sector is one of the pillars of the broader economic system. It is generally considered a very dynamic sector, but also a sector that is very sensitive to shocks. The aim of this section is to explore the impact of the 2008–09 economic and financial crisis on the resilience of firms, and to build and map a composite index covering the main dimensions of business sector resilience from a regional perspective. Particularly, in this analysis, resilience of businesses refers to the capacity of firms to resist and recover from the 2008–09 economic shock.

In order to assess the resilience of the business sector, several indicators referring to business demography (firm birth, firm death, firm churn, firm survival), as well as indicators reflecting innovation potential (R&D expenditures) and financial performance (debt) were considered. Following the overall methodological framework of the current atlas, resistance, recovery and resilience indexes were computed for each of the indicators considered.

Conceptual framework of the firms' resilience analysis



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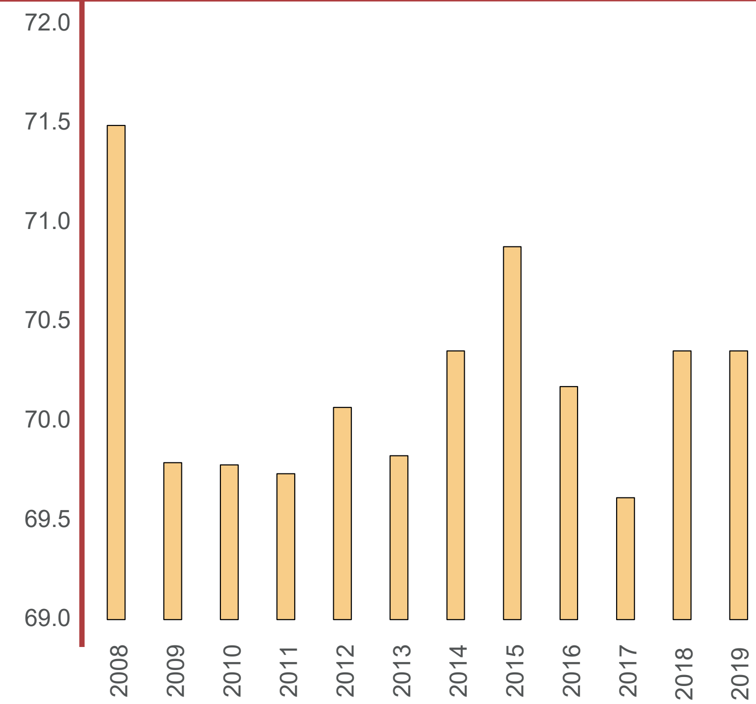
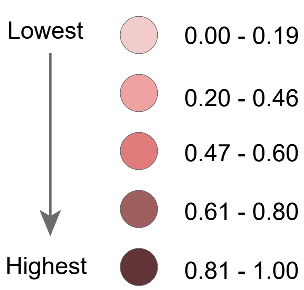
Evolution of firms' survival rate (%)

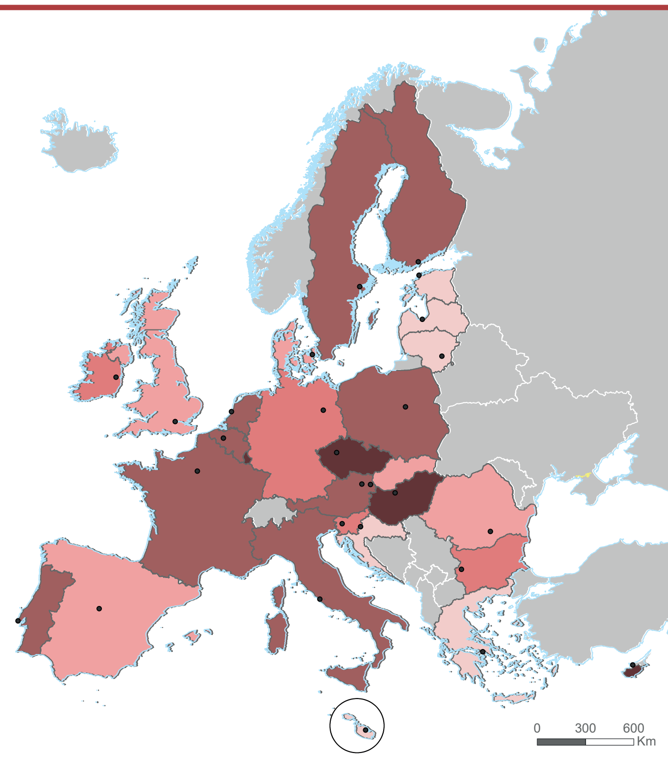


The one-year survival rate of newly created companies is a fairly sensitive indicator to the economic and financial shocks. When analysing the resilience of the business sector, the survival rate of companies is an important indicator of companies' competitiveness, a factor of economic growth and an important means of creating jobs. The evolution of the companies' survival rate indicates the negative impact of the 2008–09 economic and financial crisis in the following period, 2009–2014. The economic recovery in 2015 is also accompanied by the increase in the survival rate of companies. The figure also shows that in 2016–2017, the survival rate dropped again, suggesting a general instability of successful entrepreneurship.

Resilience index



The resilience index of businesses indicates that the countries with the highest level of resilience are Hungary and the Czech Republic. Other countries with rather high resilience are Portugal, France, Italy, Belgium, the Netherlands, Austria, and Poland due to the share and flexibility of the small and medium-sized businesses. Lower resilience was registered in Greece, Croatia, Slovakia, Romania, the United Kingdom, Spain and the Baltic countries.



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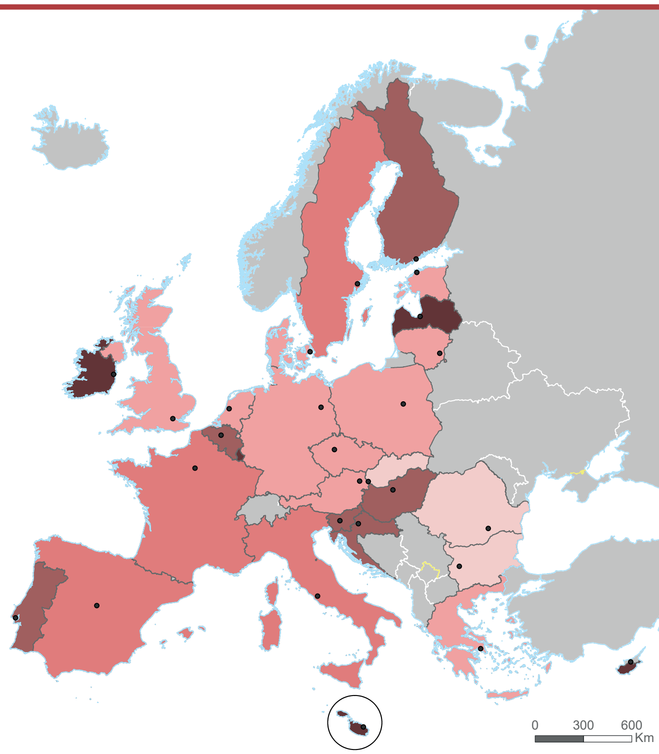
Resistance index

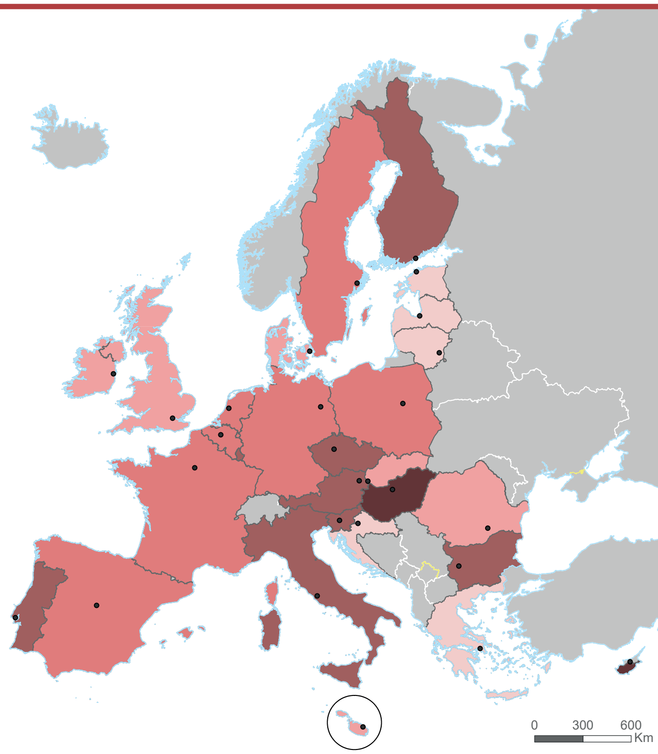
Lowest
0.00 - 0.09
0.10 - 0.41
0.42 - 0.57
0.58 - 0.77
Highest
0.78 - 1.00



The resistance index shows a spatially clustered pattern. The most fragile businesses are those from Eastern EU member states (Romania, Bulgaria, Slovakia). Latvia is a noticeable exception of high resistance as entrepreneurship flourished during the crisis. Nevertheless, the low quality of entrepreneurial ambitions neutralized this trend during the recovery period (Krumina and Paalzow, 2017) as it can be noticed on the map below.

Recovery index

Lowest
0.00 - 0.23
0.24 - 0.45
0.46 - 0.67
0.68 - 0.83
Highest
0.84 - 1.00



The highest values of the recovery index in the business field are recorded in Hungary (potentially due to external help of IMF and then to effective governmental measures), followed by a group of countries where business recovery is above average, namely Cyprus, Portugal, Italy, Austria, Czech Republic, Slovenia, Finland and Bulgaria. The Baltic countries, but also Greece and Croatia display the lowest recovery rate.

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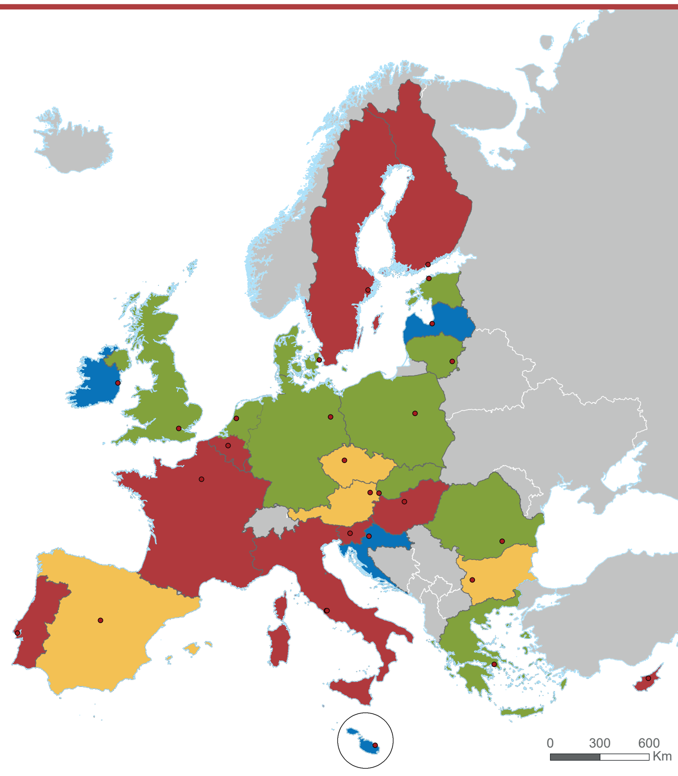
Typology of resilience

The countries that register high values in terms of both resistance and recovery in the business sector are Portugal, France, Italy, Belgium, Sweden, Finland, Hungary and Cyprus. Among the countries with a lower resistance rate that compensated with a high level of recovery, the ones that stand out are Spain, Poland, Austria, Czech Republic and Bulgaria. Ireland, Croatia, Malta and Latvia show higher resistance to shocks in the business field, but a diminished dynamic during recovery. The category of low resistance and low recovery includes both developed countries such as Germany, Great Britain, Denmark, but also emerging economies such as Romania, Slovakia, Estonia. All these results should be interpreted with caution by taking into account the actual context of each country.



Additional information can be brought by bisecting the first and third quadrant and comparing the similarity in countries' resilience performance in the two phases, resistance and recovery. Hereof, the group of countries situated along the median line have the most consonant values of the business resilience index in the two phases: Germany, Finland, Belgium, Denmark, UK, Poland, France, Sweden, Spain, Slovenia, Cyprus. The developed countries that are distributed as having low resistance and/or low recovery are actually located near countries with high resistance and recovery, having similar index values. The most inconsistent resilience performance in the two phases is noted for Bulgaria, Greece, Romania, Slovakia, Croatia and Latvia.

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