

## **WingZ Business Barter Network and its impact on small and medium enterprises (SMEs)**

**Hossein Rezaei**  
Founder of WingZ Business Barter

**Submit: 03/07/2020    Accept: 05/10/2020**

### **Abstract**

One of the most important and fundamental issues every economy is facing is supporting small and medium enterprises in different economic conditions. Due to the essential role of SMEs in the growth of GDP and job creation, economic prosperity is impossible without their success. In this paper, a questionnaire was used to collect data from local business owners about their tendency to cooperate with other businesses and the number of hours spent without a customer in their business. Also, mentions the reasons for the failure of governments and social campaigns to support SMEs and finally, introduces WingZ Business Barter startup as a solution for business owners to overcome their challenges and adapt to various economic conditions, also, the impact that it has on SMEs is explained.

### **Keywords**

SMEs, Enterprise, Risks, Startups, Economy, Barter.

## 1. Introduction

### 1.1. Importance of SMEs

Small Enterprises are not only an essential part of every economy but also, contribute to the growth of innovative solutions. The birthplace of Innovation in every economy is small businesses and if they're not supported to expand their business and reach maturity, the large enterprises with market dominance will not be pushed any further as Innovative solutions do not get a chance to compete with them.

Small Enterprises are mainly known as the main source of innovation in most business communities and also play an undeniable role in creating jobs, yet they are immensely fragile. Since it is common for small business owners to launch their business without having access to ample financial resources and also not having sufficient market and managerial experience, about half of small Enterprises and startups tend to fail after 5 years of operating (Investopedia).

In addition to financial hurdles and inadequate management, small enterprises usually struggle with effectively executing marketing campaigns, moreover, ineffective business planning and not being able to identify opportunities and threats in the early stages are also among the reasons for failure.

The reasons mentioned above are commonly known as internal reasons and they are the Startup challenges that almost every small Enterprise has to face and for long, countries have tried to nurture and train entrepreneurs to overcome these challenges. With the help of Rapid transfer of information in startup communities and support from different business accelerators and incubators, there are now countless Solutions available for people who want to launch their business. but there is an even more important hindrance for small Enterprises and those are external risks. Usually, the source and reason of external risk is unknown as well as its effect on the businesses, so, it is almost impossible for small Enterprises to plan for these risks.

The most recent example of these unknown risks is the coronavirus pandemic which although created opportunities for some online businesses but also negatively affected others on large scales. Another

example is the economic downturns such as recessions and seasonal sales slowdowns. In these cases, economies are greatly affected and since small Enterprises are the most vulnerable parts of every economy, they are affected the most and this is generally regardless of internal factors. It is prevalent for the effect of these external risks to be greater than what small businesses can handle. Since small enterprises generally do not have sufficient cash reserves for overcoming both internal and external risks, they will be positioned in an unstable situation which generally results in either layoffs or closing the businesses.

As these risks are mainly targeting small enterprises' cash reserves, this will lead to losing many opportunities in businesses since they can no longer take risks for making further investments in their business and instead, they will be forced to increase their cash reserves for overcoming the future external risks. This is a fact that can significantly slow down the progress of these enterprises and eventually result in economic growth slowdown on large scales. On the other hand, during these external risks large Enterprises are less affected since they have access to several assets, they can create numerous survival paths for their business, for instance, temporary layoffs are a source of reducing their costs for short-term or permanently selling some assets can be another solution while they usually can make their wait out by using their cash reserves to make up for their sales reductions.

### 1.2. Traditional attempts to support SMEs

There have been various attempts to support small businesses when they encounter hardships, where governments opt to provide stimulus packages for small enterprises when they are hit hard. These attempts generally fail mainly because governments can never provide sufficient funds for every single small business and allocating budgets for this case can exacerbate the economic condition if it doesn't lead to the survival of small businesses.

On the contrary, social campaigns generally tend to focus on encouraging people to buy local and

support local businesses while during economic downturns it is not only small enterprises who will choose to hold onto their cash reserves and reduce the expenditures, people as customers will also act cautiously when it comes to making a purchase and try to limit themselves to buying the essentials only, this is caused by the fear of unknown external risks while not knowing how long it might take. This will provoke people to spend less and save more.

This all leads to the fact that small businesses cannot be saved with financial budget allocations by governments, tax advantages, or social supports. There is a need for a solution that enables small enterprises to adapt to different economic conditions without being hit hard. This paper is providing a solution based on the already existing potential in small businesses for enabling them to overcome various economic downturns and generally increase their sales while they significantly reduce their waste.

### **1.3. A modern solution**

WingZ Business Barter is a Tehran-based startup that has taken a unique approach towards saving SMEs. Instead of focusing on financial aids, it considers enterprises as a community that they support each other and the solution is laying within their community. It has created an online platform where SMEs can join and benefit from the set of tools that it provides them. The advantage of the solution which WingZ Business Barter is offering is that now businesses can adapt to different economic downturns and overcome obstacles with the help of other businesses and financial supports from governments are no longer required.

## **2. Methodology**

### **2.1. Questionnaire**

Initially, this paper focused on gathering information from local business owners in Tehran, Iran by conducting a questionnaire survey as an essential stage for making conclusions. The approach towards gathering information began by physically contacting and getting in touch with 150 business owners

regardless of their sectors, in the Sa'adat Abad area in Tehran, Iran in August 2018. Two questions were asked from business owners, the first part focused on gathering information from small business owners to find out whether they are willing to cooperate with other business owners to expand their sales, to be able to survive in downturns. The second part of the questions mainly covered the number of hours without a customer in a day in small businesses that participated in the survey.

86% (129) of the small businesses in this research claimed that they would work along with other business owners who might be considered their competitors in the market, but at the time of need, they will choose to work with each other. This proves that there is a possibility to link small businesses together and enable them to communicate with each other to expand their business and come up with solutions with the help of each other while traditionally it would be considered that small businesses are competitors who are operating as different and separate entities, the results of the survey prove that small businesses can be connected and under certain circumstances, they are willing to cooperate.

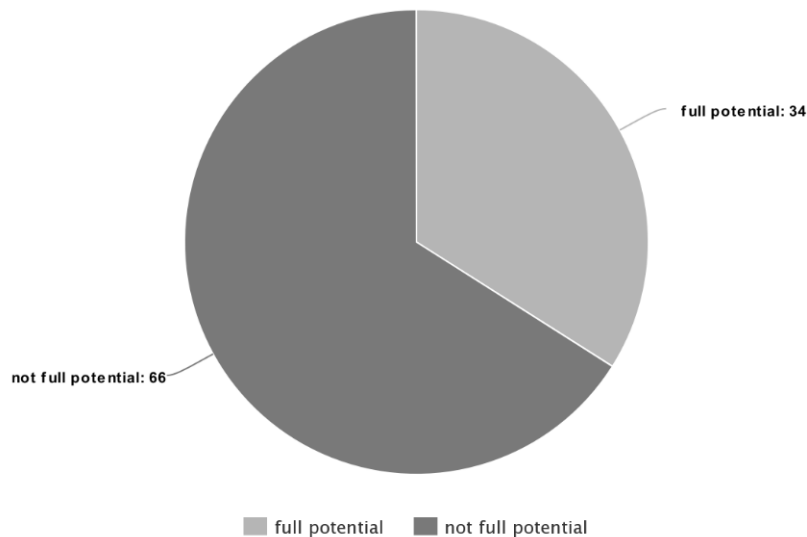
The second part of the questions which were asked from business owners in the area where the survey took place, were related to the number of hours which are being passed every day in their business without a customer for instance empty time slots in their schedules or hours without a customer in their business. The business owners had to choose whether the total number of hours every day being wasted because of not having a customer is more or less than 3 hours. 78% (117) of the small businesses claimed that every day they have more than 3 hours in their business when they are not having a customer and this time is being wasted. The result of the second question proves that there is an immense potential hidden in small businesses and being able to take this potential out of the businesses and reusing this waste of time can prevent huge amounts of financial resources from being wasted.

Number of businesses who declared will cooperate with other businesses	Number of businesses who declared won't cooperate with other businesses
129	21

Number of businesses with more than 3 hours without a customer in a day	Number of businesses with less than 3 hours without a customer in a day
117	33

## 2.2. Data from Statistics Research Institute

To clarify the depth of external risks' effects on businesses, the most recent data from the Statistics Research Institute of Iran about the impact of the Covid-19 pandemic on Iranian businesses in July 2020 can be referenced. As it states that 66% of all businesses in Iran are operating below their full potential and only 34% are using their entire capacities.



**Iranian Businesses Functionality**

Source: Statistics Research Institute

Among all the businesses in Iran, from the latest data in 2018 from Statistics Research Institute, there is 24,500,000 workforce in Iran and about 19,300,000 of them are employed by small and medium enterprises (SMEs). SMEs are defined as enterprises with less than 50 employees. This proves the importance of the existence of SMEs and their role in creating jobs and employment for Iranians. Although in most countries there are specific systems and organizations for managing and supporting these enterprises, lack of a

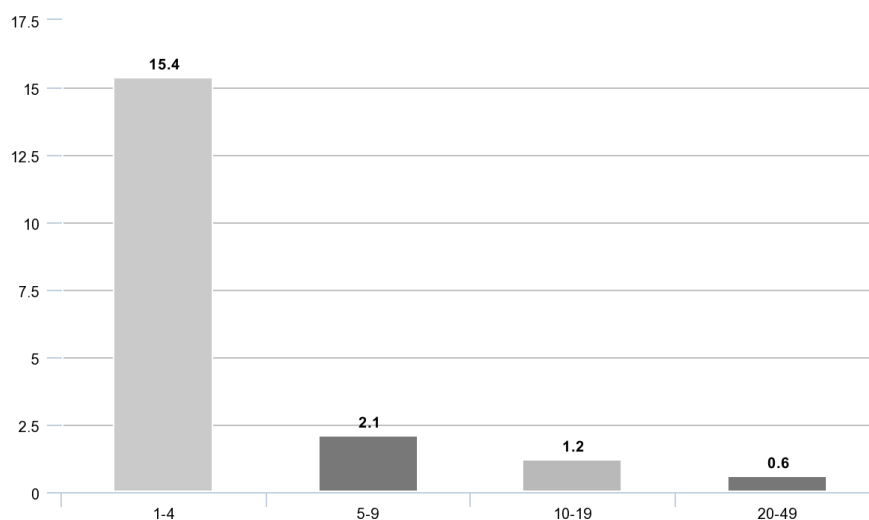
certain supportive cycle for helping SMEs in their startup stage has caused several obstacles for them including the dominance of large enterprises in the market and stifling the competition for SMEs. The most important hindrance for SMEs is funding issues when they cannot secure sufficient financials for their operations.

To analyze the demographics of SMEs in Iran, recent data from Statistics Research Institute in 2018 is used

to illustrate the percentage of employed workforce based on the size of the SME enterprises.

As shown above, the majority of SME's employment is taking place in small businesses with 1 to 4

employees which includes self-employed people without employees as well.



Number of employment regarding enterprise sizes

Source: Statistics Research Institute

### 3. Literature review

The choice of paid employment or becoming self-employed is affected by various factors, Lucas (1987) developed a model for finding the main reasons for people to make employment decisions, he believes this is mainly dependent on people's leadership skills. As those with fewer talents but entrepreneurship skills choose to rebuild an already established business, as talented ones try to create a new and innovative business.

Fetzer (1998) on the other hand stated that work experience and being well trained are the most important reasons for one to become an entrepreneur. Moreover, there are other theories based on financial pressures as a reason for entrepreneurship as Cagetti and Nardi (2006) have stated a model based on a person's ability to start a business under high financial pressure. There several stimulus reasons for one to

become self-employed or an employee, either way, small businesses are the main source of employment and are vital for economic growth.

### 4. Findings

In the view of the fact that the small and medium enterprises are the main source of job creation and also, the immense potential which is being wasted every day in these enterprises due to not having customers, creates a need in the market for SMEs to be able to take advantage of their unused daily potentials.

To help enterprises reuse the goods and services that they cannot find a customer for, the author of this paper, Hossein Rezaei, has founded WingZ Business Barter which is the first Iranian business barter platform. This startup is providing solutions to help enterprises overcome their challenges using their excess capacities. One of the main functionalities of

this startup is creating an online community of business owners and enabling them to offer their unused goods and services in this community, in order to start bartering with other members. Businesses can find the right customer for their goods and services and in return benefit from the goods and services provided by other members.

Creating the opportunity for SMEs to offer the goods and services that they cannot find a customer for in a community of business owners, helps them exchange these goods and services without using cash.

An important aspect which must be taken into account in order to gain a deeper insight of the need for such a platform in the market is the fact that SMEs that are operating in services sectors, need to use every hour in their business effectively since if a time slot is empty and without a customer, the opportunity is lost forever. It does not make much difference for businesses, whether they have a client or not, they are already undergoing operation costs including office space, employees, utilities and so on. As a result, this is clearly a value for them to be able to use their empty time slots to trade with other businesses as they can turn a lost opportunity into a new source of income and reuse the time without a customer using the services of WingZ Business Barter.

The startup has created a community of business owners where they can communicate with each other, get to know local business owners and build connections with them. Having access to a community of professionals gives business owners the chance to create a valuable network. Being able to attract community members will bring in a new category of customers who are also business owners. the main purpose of the community is to help SMEs support each other and build connections.

Helping SMEs form a network is an approach that enables them to create a chain of enterprises that when one is about to fall others protect it. These businesses are not only getting the products and services that they need without using cash but also through networking they can learn from different experiences in the community, learn skills and marketing methods. The synergistic result of this event will help these

enterprises to grow as a whole rather than competing in a small market and struggling to find a way out.

While SMEs are the main source of job creation in economies, being able to implement the methods WingZ Business Barter is using to create a community, will immensely change business models and becomes the main source of job creation in a large-scale economy. Providing enterprises with an alternative market that is formed by other business owners like themselves is a path that enables them to work and do business in a more secure market.



Another crucial impact of WingZ Business Barter on SMEs is strengthening the local multiplier effect among them. In other words, while SMEs are making transactions in a limited community, when they buy from a business, there is a higher chance that the currency that they paid comes back to them. This will act as an effective solution for supporting local economies and maintaining cash flow among local enterprises. This way they can increase their chance for growing to maturity stages and competing with larger enterprises.

## 5. Conclusion

It can be inferred that although small and medium enterprises are essential to every economy and they play an undeniable role in creating jobs and innovation in the Iranian market, yet they are hit the hardest when it comes to economic downturns. The data derived from the survey taken place in Tehran, Iran and conducted for the purpose of this paper, shows that there is a clear tendency among business owners to cooperate with other businesses to overcome the internal and external challenges that they are facing. Furthermore, the survey revealed that several hours a day are spent by the businesses who took part in the

survey, in a state without a customer which means the time and cost which are invested by the owner to run the business are being wasted every day. This waste is not only damaging enterprises but also is harmful to the environment.

In order to support SMEs, financial supports by government and social campaigns to stimulate buying local, have proven to be ineffective on large scales. The solution for supporting SMEs and helping them maintain their growth in different economic situations is in the hands of business owners themselves. There is a possibility to enable these business owners to support themselves by exchanging their unused capacities with each other. WingZ Business Barter is a startup that aims to facilitate the exchange of goods and services for these enterprises. The startup has a unique approach as it focuses on a community of business owners as a whole instead of considering each business as a separate entity.

By creating a community of business owners, they can use this platform to start bartering with other members freely as those members are also business owners. Entering this community helps businesses build valuable connections and expose their products and services to other members and expand their market reach.

Using this community, SMEs can prevent their unsold products and services from going to waste and instead, they can offer them in an alternative market. Being able to get their business requirements from other members and paying by their business's services is a solution that can help SMEs to adapt to different economic conditions and increase their survival rate. Besides, this solution will reduce the daily waste in these enterprises due to the existence of excess capacities in their businesses.

## References

- 1) Iranian Consensus Center from <http://amar.sci.org.ir>
- 2) Iranian Statistics Research Institute from <https://www.srtc.ac.ir/en/>
- 3) Antunes, A. R., & Cavalcanti, T. V. (2002). Entrepreneurship and Informal Markets.
- 4) Balkin, S. (1989). Self-employment for low-income people. One Madison Avenue, NY: Praeger
- 5) Publishers.
- 6) Banerjee, A. V., & Newman, A. F. (1990). Occupational Choice and the Process of Development.
- 7) Discussion Papers 911, 1-25
- 8) Becker, G. S. (1964). Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education, by Gary S. Becker.
- 9) Berger, A. N., & Udell, L. K. (2011). Bank size, lending technologies, and small business finance.
- 10) *Journal of Banking & Finance*, 35(3), 724-735.
- 11) Fetzer, J. (1998). Who is Likely to Become Self Employed in Vietnam?
- 12) Holmes, T. J., & Schmitz, J. A., Jr. (1990). A Theory of Entrepreneurship and Its Application to the Study of Business Transfers. *Journal of Political Economy*, 98(2), 265-294.
- 13) Jacobs, G. (2007). An Occupational Choice Model for Developing Countries.
- 14) previous self-employment on subsequent wage-employment wages. *Journal of Business Venturing*, 26(5), 572-588.
- 15) Lazear, E. P. (2002). Entrepreneurship. National Bureau of Economic Research Working Paper Series, No. 9109.
- 16) Lucas, R. E., Jr. (1978). On the Size Distribution of Business Firms. *The Bell Journal of Economics*, 9(2), 508-523.
- 17) Verheul, I., Stel, A. V., & Thurik, R. (2006). Explaining female and male entrepreneurship at the country level. *Entrepreneurship & Regional Development*, 18(2), 151-183

