



BUSN20016 - RESEARCH IN BUSINESS

IMPACT OF RECESSION ON SMALL BUSINESSES

**ASSESSMENT 1: PROJECT
OUTLINE**

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Project Outline

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1. INTRODUCTION

Recession is a general slowdown in economic activity i.e. it is a period of general economic decline usually called *contraction* in the Gross Domestic Product (GDP) for six months or longer (Definition, 2015). It leads to a drop in share market, an increase in unemployment, stagnant wages, a fall in retail sales and a decline in the housing market (Amadeo, 2015). If a recession lasts longer, it can be classified as *economic depression*. There were worldwide recessions during the years 2007 – 2009. Large business companies were a bit resilient during this time with government subsidy and grants but, smaller companies which contribute more to the overall employment growth were badly affected (Nanto, 2009).

Smaller businesses suffered huge net employment losses due to sharper cuts in the rate of gross job gains which in turn reflected on slower business creation and a lower rate of hiring among expanding small businesses. Between 2007 and 2012, small businesses experienced disproportionate job losses wherein their overall job losses was double their 30% share of total employment. Also, jobs at small businesses declined about 11% and the payrolls at businesses that had 50 or more employees declined further by 7%. (Laderman, 2013)

In such a scenario, *it becomes imperative to analyse and understand what went wrong for these smaller firms/businesses* and this study will fill that gap at a methodological level with empirical evidence of the losses/impacts suffered by the small firms during the period of recession.

2. AIM AND OBJECTIVES

This project aims to investigate the impacts of recession on small businesses. The following objectives will help achieve this aim:

- To explore the impacts of recession on small businesses;
- To formulate a framework to explore these impacts on a wider scale to provide strategic guidelines that will help build the resilience of small businesses during the periods of recession.

3. **A BRIEF METHODOLOGY**

The following methodologies will be undertaken in order to effectively analyse the aim of this project. They are:

- **Literature Review:** An in – depth study and analysis of relevant literature and information available from various sources which include Google scholar, Science Direct and journal articles by various authors. A thematic content analysis of these documents will be undertaken to examine the extent to which the repercussions have affected small businesses. (Sharples, 2011)
- **Data Series and Surveys:** Numerous information collected from series of data and surveys will be scrutinized to give an idea about gross job flows (job gains and losses) during the times of recession, decomposition of job creation and loss, balance-sheet and income statement items, business and economic conditions and changes in lending practices and the changes' effect on the credit markets. (Ayşegül Şahin, 2011)
- **Observing Key Indicators of Recession:** Examining critical information from the National Bureau of Economic Research that focusses on the study and communication of economic conditions in the U.S.A. They have defined certain key indicators that help measure recession well in advance so that businesses can develop defensive strategies to counter the effects of recession before it finally hits. (Research, 2015)

There will be *two methods used for data analysis* i.e. qualitative and quantitative. *Qualitative analysis* will make use of online forums and surveys with financial advisors whereas *quantitative analysis* will make use of figures, pie charts, excel sheets, mathematical and statistical modelling available online and via scholarly articles.

4. **REFERENCES**

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5. **APPENDIX**

Online discussions on Moodle:

Student A Online Activity:

Student A: Recession and its implications:

Recession is a general slowdown in economic activity caused by inflation. Everyone individual is affected by it. It leads to a drop in share market, an increase in unemployment, stagnant wages, a fall in retail sales and a decline in the housing market. If a recession lasts longer, it can be classified as economic depression. A good example was the 2008 - 2009 economic meltdown which opened our eyes to the risky investment strategies used by many financial institutions and the truly global nature of the financial system.

My report aims to highlight the causes of recession and the factors that can help predict recession which in turn would help us prepare in advance for such periods of economic decline.

Student B: Out of all the impacts of recession which one do you think is one of the most challenging impact that is detrimental to the economy as a whole and why do you think so?

Student A: I think unemployment is one of the challenging impacts of recession. The businesses could lose a lot of valuable employees they have invested in. It is called cyclic unemployment and can become a self-fulfilling, downward spiral. That's because the newly unemployed now have less disposable income to spend. This further lowers demand and business revenue, leading to even more layoffs.

Student B: Recession occurs largely due to several factors and hence understanding it completely is a major work that needs to be put in. However, in order to be more effective, narrowing down on one sub topic of recession will provide us a better and distinct picture in terms of understanding minute details of recession. What do you think can be this sub domain of recession where you can mainly focus your work on?

Student B: Thank you for your feedbacks Anirban. After extensive research and help from the Professor, I have narrowed my topic to this: "The impact of recession on small businesses". I think this would help paint a clearer picture and better understanding about the topic of recession.

Student B Online Activity:

Student B: "What are the possible implications of social media marketing?"

My project topic is very important as in this world of new technologies and advancements, marketing of your product is very important such that sustenance of the particular organization is done. Hence, in this endeavour understanding all the implications of social media marketing is an absolute must such that a feasible solution is obtained to the problem discussed above. The advent of online social media sites such as Facebook, Twitter and Flickr forms an enticing period for business organization who will certainly look towards these new avenue such that maximization of profits is done in an effective manner.

In this aspect it is very crucial to analyse all the possible implications that confront this exciting phenomenon such that global market as a whole can reap benefits and can incur more and more success in their respective domains. With the world now entering into a phase of rapid technological innovation, a marketing strategy that differentiates one from the others will certainly hold the key in terms of earning profits.

Therefore, the study of my topic is particularly important such that some sort of knowledge is obtained and implemented in the days to come.

Student A: Social media has invaded every aspect of our life. People generally tend to skip ads or videos on Facebook or any other social media. They do not like such marketing strategies when they might be browsing for news, updates or chatting with their friends. So, how innovative and effective do you think social media marketing has to be to capture people's attention?

Student B: Thank you for your kind feedback on my project topic. In order to integrate and provide a pathway to my project topic, I found this question useful as I had to

reflect on my problem statement thereby rewording it as "Social Media – Why should brands take it more seriously". This in a way will surely encompass all the work that I intend to do for my project topic that relates to the exciting new phenomenon of "Social media".

Student A: I am glad that you could find the required headway for your project.