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Letter from the Guest Editor

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Letter from the Guest Editor

Small businesses play a pivotal role in most economies. The U.S. Small Business Administration estimates that over one half of the entire American workforce is employed by small businesses (defined for the U.S. as firms employing 500 or fewer workers). Moreover, most observers credit small businesses in China with a large part of the country's legendary economic expansion over the past thirty years. However, particularly in state dominated economies, small businesses are deprived of many of the significant privileges granted to large firms, international conglomerates or state owned enterprises in key aspects of firm development, most notably in the financial resource acquisition process. Also perplexing is the condition that while currently growing apace, the volume of academic literature in this area, especially at the international level, is still disproportionately thin.

Accordingly, at the time of the current global recession, we devote an entire special issue of this journal to small business and entrepreneurial concerns in the world's largest landmass, Eurasia. Six pieces of excellent academic work dealing with this region are selected and included in this special issue of *The Journal of Entrepreneurial Finance & Business Ventures*. While the collection addresses issues dealing with the financial, managerial, and employment aspects of small and entrepreneurial firms in over 40 Eurasian countries, particular emphasis is devoted to former transitional economies with a traditionally significant state owned enterprise segment; vis-à-vis, China, Croatia, Germany and India.

Our first offering is by Bessler (Justus Liebig University, Giesen, Germany), Becker (KfW Bankengruppe, Germany) and Wagner (Credit Suisse), and deals with the stock option plans of some 329 IPO issuing German firms in that country's "Neuer Markt". Next, Lopez-Garcia (Banco de España) assesses the conditions that are paramount for enhancing private sector employment creation in Central and Eastern Europe and in Asia. Subsequently, the financing channels of a large sample of small and medium sized Chinese high tech firms are carefully investigated by Chen (Syracuse University and the Shanghai Stock Exchange) and Lei (NEUWA Corp.). They find that for the companies they studied, a firm's financing choices have a significant effect upon its financial performance. In the following article, Chen, Chi and Zhu (all from Massey University, New Zealand) examine 762 M/As of Chinese listed firms during the 2001-2006 period and find the cash reserve ratio to be a significant determinant of an acquiring firm's capacity to successfully complete the acquisition process. Then, Pattanayak (CRISIL Limited) demonstrates a non-linear relationship between the extent of insider shareholding and firm value for a sample of heavily insider controlled Indian firms. Our final piece is by Vidučić, Pivac, Smiljanić and Pepur (all from the University of Split, Croatia), who provide an in-depth descriptive analysis of the distribution of bank credits to small and medium sized Croatian firms.

While at present, large corporations and worldwide conglomerates occupy the lion's share of resources and markets by hiring proportionally fewer employees, owing to technological advances, increased globalization of businesses, and growing scale economies, the importance of small and entrepreneurial firms in the world production of goods and services as well as employment growth in the future is likely to increase. The coverage in this issue of the future daunting dilemmas facing small and medium sized firms is as a flea to an elephant with regard to the significance of the scope and importance of these firms in the world economy of tomorrow. However, it is the intention of the editorial staff of this journal, its contributing authors and the guest editor to provide a useful addition to the expanding body of literature in this significant field.

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