

THE VERY SMALL ENTERPRISE – A PERMANENT INTERNATIONAL OPTION

Owen Leeds

ABSTRACT

There is an ever growing body of knowledge pertaining to the internalization of small to medium enterprises (SME), however there seems to be no consistency in what defines an SME (Coviello and MacAuley 1999). Existing definitions offered from a human resources perspective range from as few as 10 to as many as 500 full-time effective (FTE) employees (cf. Calof 1994). In cognisance of this, the authors suggest a benefit in the creation of a separate category called the very small enterprise (VSE), comprising of 5 or less FTE employees. Ample justification exists for this, in that over 85 percent of businesses in small economies such as New Zealand fall into this group (NZ Department of Statistics 2000), and a significant number of these are active exporters.

Of even greater interest, is the proposition of the existence of a large number of these VSE's being viable internationalizing concerns, with no desire for, or intention of, internal growth beyond this level. This should not be confused with having no plans to grow in profitability or indeed in the number of products and markets serviced. In fact, there is compelling evidence to suggest that this growth is occurring, via the use of both horizontal and vertical networks to acquire the necessary resources and capabilities (f. Axelsson & Easton 1992), and overcome liabilities of smallness and newness (cf. Adrich and Auster, 1986). With this in mind, the main aim of our study is to understand the approach that the VSE's take to enter the international marketplace, and in particular how using networks can expedite the process of internationalization, by avoiding traditional barriers (cf. Johanson and Vahlne 1977, 1990). In addition, an attempt will be made to show that this business model, has long term viability and effectiveness as an internationalization alternative, and worthy of considerably more public and private sector support than is currently available.

As the forerunner to a much larger quantitative project, a qualitative multiple case study was conducted enabling both within and cross-case analysis to be carried out, and facilitation of theoretical replication and extension (Eisenhardt 1988, 1991; Yin 1989). Data has been collected from four cases, with the specific unit of analysis being the VSE exporter. By exploiting the multiple sources of data available within each of these firms, our initial findings indicate significant reasons and factors as to "why" and "how" the VSE successfully retained their business structure in an international context. Such a methodological approach is extremely important because of the 'tap' the richer contextual dynamics that would otherwise have been missed in a quantitative study alone.

From the research conducted to date, we have found that the process a VSE follows in entering new international markets may be grounded in social exchange theory (cf. Homans 1961; Thibaut and Kelly 1959). Key reasons for remaining internally small include a desire to retain control; a perception of risk associated with human resource growth; a desire to focus on design and entrepreneurial activities, preferring to leave a production and marketing up to networks partners; and a belief that smallest equates to greater business flexibility.