The Impact of Globalisation on Small Business Enterprises (SBEs)

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Abstract:

Small firms play a significant role in the economic development of nations. Policy makers now pay more attention to SBEs for their innovative and entrepreneurial capabilities. Globalisation has made economies and businesses become more interdependent for survival and growth. This situation enhances the role of SBEs/SMEs for job creation and economic growth. As globalisation creates new opportunities for SBEs, it also creates new challenges for them. This study examines and reports on findings from an exploratory and qualitative research undertaken to explain the impact of globalisation on SBEs. It is expected to make some contribution to small enterprise research relating to SBEs performance in a rapidly globalising environment. Findings from the study indicate that, although SBEs can make business decisions quickly because of their lean governance structures, they have knowledge, technology and resource constraints that preclude them from investing in new innovations and approaches. Most SBEs have limited access to finance and lack specialised skills needed to operate in a globalising environment. They depend on learning from network contacts, advisers and accountants. Such professional services are costly and beyond most SBEs’ budgets.

Keywords: globalisation, SBEs, challenges, opportunities.

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Introduction

Small firms play a significant role in the economic development and growth of nations. Governments pay more attention to SBEs now than ever before. Policy makers are becoming increasingly aware of the innovative and entrepreneurial potential and capabilities of the smaller firms in producing goods and services needed by the society and in creating jobs that contribute to economic growth. The increase in attention on SBEs is taking place in the wake of the recessionary impact of the recent financial crisis on economies globally. Financial markets of most economies are globally connected, hence the globalised impact of the financial crisis.

With globalisation intensifying countries are becoming increasingly interdependent for international exchange of goods and services, economic growth and sustainability. This phenomenon enhances the case for SBEs to have much bigger roles for job creation and economic growth in many countries.

Globalisation has opened up new opportunities for MNEs, SMEs and SBEs and an increasing number of SBEs now consider trading internationally as an important business option. They are seen as a new generation of international traders. However, globalisation has also created new challenges for the survival and sustainability of firms, especially the SBEs. As more small firms enter the emerging and growing markets domestically and overseas many face challenges which arise from various sources e.g. the threat of competition from new and emergent entrants in their markets.

SBEs characteristically have very flexible and lean governance structures. This enables them to make and implement decisions quickly. For instance, in comparison to their larger counterparts, SBEs take less time on decisions to modify systems and processes, produce new products and services, adopt new selling strategies or get to new customers. Such decisions are usually dependent on technological capabilities, managerial competencies and incentives to invest in new approaches and innovations. Most SBEs have limited access to finance and lack managerial and specialised skills and expertise needed to operate in a rapidly globalising market. Often they lack proper information about technologies and markets. SBEs often get informed about these technologies, markets, opportunities and issues from their formal and/or informal network contacts, advisers, consultants and accountants. The services provided by such professionals are costly and often beyond a SBE’s budget.

Purpose

The purpose of this study is to examine the impact globalisation has on small business enterprises (SBEs). The study aims at reporting the findings from an exploratory and qualitative research conducted to explain the impact of globalisation on SBEs and SMEs. The study is expected to contribute to small enterprise research by investigating and reporting on the critical issues and factors that influence a small firm’s performance as they conduct business in a rapidly globalising business environment. An effort is made to understand some of the strategies that SBEs adopt to deal with the issues, challenges and opportunities they face from globalisation in their economies.
Key questions for this research

The key questions addressed in this study are: Who or what are SBEs and SMEs? What is globalisation? What is the impact of globalisation on SBEs? What theoretical frameworks and models are available to explain the behaviour and performance of SBEs generally and, especially, in a constantly globalising environment? What are the issues, factors and strategies SBEs’ considered important as they traded in a constantly globalising environment?

Literature review

A review of literature was carried out to determine definitions of key concepts, research methodology, the theoretical frameworks available to explain the behaviour of SBEs and the issues they faced. The review helped to identify the gaps in the literary discussions on the performance of SBEs in a globalising environment. It also helped in determining:

- the research problem,
- the research methodology,
- the definitions of the key concepts to be used in this study,
- what discussions and theoretical frameworks on globalisation and small business enterprises are available for the purposes of this study and
- the gaps in literature to establish the purpose of this study

Constraints

While data collection from literary search progressed well, the work on the case studies has faced some setback. A few of the internationally trading SBEs selected for case studies have their international business and networks, domestic and/or foreign, affected by the recent economic downturn and natural factors. This was not anticipated initially. Consequently the initial sample of SBEs trading internationally had to be revised to meet the purposes of this on-going study.

SBEs and (SMEs) – a definition problem

There is no generally accepted definition of small business enterprises (SBEs) and small and medium enterprises (SMEs). This implies that, depending on the criteria used, there could be a few definitions of SBEs and SMEs. Most countries use the number of employees as the key criteria to classify firms in size categories as indicated in the table below:
Table 1:

<table>
<thead>
<tr>
<th>Country</th>
<th>Type</th>
<th>Indicated number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>small firms except small manufacturing firms</td>
<td>&lt;20 employees</td>
</tr>
<tr>
<td>Canada</td>
<td>small service firms small manufacturing firms</td>
<td>&lt;50 employees &lt; 500 employees</td>
</tr>
<tr>
<td>Japan</td>
<td>small firm</td>
<td>&lt;250 employees</td>
</tr>
<tr>
<td>United States</td>
<td>small firm</td>
<td>&lt;500 employees</td>
</tr>
<tr>
<td>European Union (until 1996)</td>
<td>SMEs (independent)</td>
<td>&lt;500 employees</td>
</tr>
<tr>
<td></td>
<td>SMEs (independent)</td>
<td>&lt;250 employees and annual turnovers ECU &lt;3,40 million or a balance sheet total &lt;ECU &lt;5 million</td>
</tr>
<tr>
<td>European Commission 2005 (Jan1)</td>
<td>Micro-enterprises</td>
<td>&lt;10 employees and annual sales &lt;2,000,000 euros</td>
</tr>
</tbody>
</table>

A recent study that relates to high-growth firms in Sweden, (Daunfeldt & Halvarsson 2013), used the Eurostat firm size classifications as shown in the table below. The study used data on 432,689 observations in Sweden during 1997-2008 periods.

Table 2:

<table>
<thead>
<tr>
<th>Type</th>
<th>No. of employees</th>
<th>as a percentage of total firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>micro firms</td>
<td>&lt;10 employees</td>
<td>83.7%;</td>
</tr>
<tr>
<td>small firms</td>
<td>10-49 employees</td>
<td>13.4%;</td>
</tr>
<tr>
<td>medium-sized firms</td>
<td>50-249 employees</td>
<td>2.4%;</td>
</tr>
<tr>
<td>large firms</td>
<td>&gt;249 employees</td>
<td>0.5%.</td>
</tr>
</tbody>
</table>

The term ‘Small Business Entrepreneur’ (SBE) is a recent introduction in the small business management literature. Just a handful of studies have used SBE as a term in the last few years. For example, Zhuplev and Shtykhno (Jan 2009) used it in their work in progress report on the findings of a longitudinal survey that involved small business entrepreneurs. It was a two stage study conducted in 1994 and in 2008 that examined entrepreneurial climate and developments in Russia’s small business sector.

Daniel Defoe, the author of Robinson Crusoe published in 1719, was an early entrepreneur who later in his life published a business text titled The Complete English Tradesman. Hamilton (2005) has argued that The Complete English Tradesman should be considered as an early predecessor to the great works in management literature. Besides other things, Hamilton’s study found considerable overlap between Defoe’s advice and modern small business management principles. It also found
unique insights offered by Defoe that could be applied for the *small business entrepreneur* in modern times.

**Globalisation**

A rapid advancement in communication technology would easily be the primary contributor to the accelerated development and intensification of contemporary globalisation. Foreign direct investment (FDI), international trade, migration of jobs and migration of workers are the key drivers of globalisation. In economic terms, FDI is becoming probably the most important and possibly the most visible aspect of globalisation in many economies.

**Migration of workers**

There is interdependence between globalisation and international mobility of not only highly skilled professionals but also of semi-skilled personnel (Xiaonan C, 1996). Two general trends are noticeable for the migrating workers. One trend relates to the highly skilled workers, such as academics, medical practitioners, engineers and scientists who migrate to the West for better jobs, incomes and professional recognition (see e.g. Tinguy & Wenden, 1993). There is a second trend that consists of technical and managerial personnel who obtained education; training and experience in the West and who return to their home countries for work or to create competitive and/or new business ventures (see e.g. Engardio, 1994). It is this second type that is now becoming more of a new generation of small business entrepreneurs in developing and transitional economies.

The term 'highly skilled personnel' is used to refer to professional, managerial and technically skilled workers who possess tertiary level qualifications or their equivalent (Salt, 1992a, p. 484). Following (Xiaonan C, 1996) it can be argued that the global mobility of workers should be seen as a 'brain and skill circulation' rather than a just a ‘brain drain’ from one country to another. The indicated trends in the global migration of workers are both, contributing to intensification of globalisation and new venture creation, as well as becoming an inevitable result of globalisation. Such a mutually reinforcing relationships i.e. worker migration as a contributor to new start-ups in domestic and foreign economies and as a result of globalisation, together with the continual economic, technological and structural changes taking place in most of the economies, suggests that the ‘brain and skill circulation’ phenomenon is becoming more important and spreading out to many regions of the world. More globalisation of workers is inevitable. This phenomenon should lead to the formation of more new SBEs and start-ups globally. The global mobility of workers and particularly the highly skilled personnel that seek jobs in the international markets may be asocial engineering issue. But it is becoming a new source of business entrepreneurs across many nations. Many SBEs are owned and operated by such migrant workers. A number of the more entrepreneurially skilled and semi-skilled migrant workers set up their own business ventures in the host countries. Although data is not available to support this claim, it can be argued that global mobility of workers contributes to the formation of new SBEs in many economies. Developing a more clear understanding of this complex issue will certainly benefit policy-makers. Most policy makers operate with policies that help optimise the benefits of overseas training programmes and mobility of highly skilled personnel while at the same time prevent the loss of their best brains. How to leverage the entrepreneurial capabilities of the skilled and semi-skilled migrant workers for new SBE start-ups is still a policy challenge.
The impact of Foreign Direct Investment (FDI) on the survival of SBEs

As indicated earlier, foreign direct investment (FDI), international trade, migration of jobs and migration of workers are the key drivers of globalisation. In economic terms, FDI is probably the most important and possibly the most visible aspect of globalisation in many regions. This would be true because according to World Investment Report 2012, despite the turmoil in the global economy following the 2008 crisis, global foreign direct investment flows reached $1.5 trillion in 2011 and this exceeded the pre-crisis average (United Nations, 2012).

According to the report, a slower FDI growth was predicted for 2012 with FDI flows to reach about $1.6 trillion. However, following the trends indicated by the key indicators, such as the value of cross-border mergers, acquisitions and greenfield investments, the report predicted a moderate FDI growth for 2012 and the longer-term projections for a steady rise in the global FDI flows to reach $1.8 trillion in 2013 and $1.9 trillion in 2014. This prediction in the report is based on the assumption that there will be no major macroeconomic shocks (United Nations, 2012). According to the report FDI inflows increased across all major economic groupings during 2011.

FDI inflow increases across major economic groupings in 2011

<table>
<thead>
<tr>
<th>Economic groupings</th>
<th>Percentage increase in FDI flow</th>
<th>FDI flow increased to($bn)</th>
<th>As percentage of global FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed countries</td>
<td>21%</td>
<td>$748</td>
<td>49%</td>
</tr>
<tr>
<td>Developing countries</td>
<td>11%</td>
<td>$684</td>
<td>45%</td>
</tr>
<tr>
<td>Transition economies</td>
<td>25%</td>
<td>$ 92</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source: Summarised from UNCTAD, United Nations Report 2012

Developing and transition economies accounted for a little more than 50 per cent of total global FDI during 2011. Projections are that these countries will maintain their high levels of investments over next 3 years (United Nations, 2012).

Globally, FDI has potential for negative displacement/competition effects, as well as, positive knowledge spill over and linkage effects on the survival of new business start-ups and existing SMEs and SBEs. In their study Burke, A et al. (2008) concluded that FDI had an impact on the survival of new ventures. The study found that globally, foreign firms were generally viewed as having potential for negative displacement/competition effect as well as positive knowledge spill over and linkage effects on new start-ups. However, based on the dataset they used in their study they found that the net effect of FDI was a positive one. Burke, A et al. (2008) argued that net effect of FDI is unlikely to be homogenous across all types of industries and that the direction of the effects is likely to vary between dynamic and static markets. The study found that the negative competition/displacement effects dominated in dynamic markets while positive knowledge spill over and linkage effects dominated in static industries.
The results posed some challenges for industrial policy makers in many countries in dynamic markets in terms of striking a balance when trading off the direct positive effects of FDI against the negative indirect effects on the survival of new ventures and SMEs and SBEs.

Such a trade-off is influenced by the extent to which policy makers discounted future benefits and costs of FDI as the negative influence on new firm survival. Although this may be small in current economic terms, it could potentially be enormous in the long term if, for instance, a ‘promising start-up’, that was initially destined for success, is snuffed out of its fledgling existence and now allowed a chance to develop its competitive resilience in a rapidly globalising market.

### Impact of social networking on SBEs and SMEs

Social networking is expected to have a positive impact on performance of SBEs and SMEs as they operate in a more global environment. In a study that involved born-global Chinese SMEs Lianxi et.al (2007) have argued that local or home-based social networks play a mediating role in the relationship between inward and outward internationalisation and performance of SMEs. The study used survey data from born-global Chinese SMEs and suggested that the mediating mechanism of social networks gained from three information benefits: i) knowledge of opportunities in foreign markets, ii) referral trust and solidarity and iii) advice and experiential learning. From their findings Lianxi et.al (2007) recommended that managers of internationally oriented SMEs should consider social networks as an efficient source of help to go international more rapidly and profitably.

### Impact of business networking on SBEs and SMEs

The role of business networking and the impact such networking has on the daily performance and survival of a SBE and/or a SME has started appearing in the literature. In order to manage the new challenges and, at the same time explore new opportunities in domestic and global markets SBEs now have to ‘play the networking card’ Perrone G. et.al (2010). The authors have argued that business networking improves the efficiency and effectiveness of the SBEs both, at home and in the foreign market. Networking is essential if the SBEs are to survive and grow in the new globalisation battle Perrone G. et.al (2010).

Ojala et.al (2008) conducted a study involving US software SMEs and suggested that, in order to enter foreign markets, SME managers needed to take an active role in developing network relationships. The study has provided a warning that if SMEs took just a passive role in networking, it could be at a cost of losing opportunities in the leading markets and they could end up doing business in countries where the actual market potentials are low or diminishing.

### Globalisation and innovation & entrepreneurship challenges for SBEs and SMEs

New start-ups, together with the existing SBEs and SMEs that are innovative and entrepreneurial, are now seen to have an increasing role to create job and to drive economic growth globally. However, they face major challenges in adapting to new forms of innovation especially in response to impacts created by rapid globalisation. Creation of new firms and survival and growth of existing SBEs and SMEs have also been affected adversely by the global financial melt-down of 2008-9 and the economic crisis that followed. There have been firm closures, large and small,
The role of innovative and entrepreneurial SBEs and SMEs for job creation and economic growth has been recognised since 2000 by 48 OECD member and non-member countries with recommendations for improvements to SMEs’ abilities to manage innovation, reducing of financial barriers to SME innovation and facilitation of small firms’ access to national and global innovation networks (OECD (WPSMEE) 2010). According to the OECD report-

“....the OECD Istanbul Ministerial Declaration on Fostering the Growth of Innovative and Internationally Competitive SMEs in June 2004, in which Ministers committed to working cooperatively to achieve progress in reducing barriers to SMEs' access to international markets and assessing the effects of globalisation on SMEs, in particular examining issues related to SME access to financing and to support for innovation.” (OECD (WPSMEE) 2010, p 3)

New start-ups and high-growth SBEs and SMEs are responsible for creating most of the jobs in many countries and driving dynamic efficiencies through productivity increases. In spite of the widespread economic downturn following the financial melt-down of 2008-9, the OECD report identified the following facts that characterise the contributions made by the innovative and entrepreneurial SBEs/SMEs to job creation and economic growth under a constantly globalising environment:

I. SMEs account for 99 per cent of all enterprises and two-thirds of employment across all OECD countries

II. New firms created between 1 and 6 per cent of all jobs in the OECD countries for the reporting period.

III. Two distinguishing characteristics of high-growth SMEs and SBEs are their innovative capabilities and their export orientation. Other characteristics included their effective exploitation of intellectual assets, active networks and adequate finance (OECD, 2002, 2010a).

IV. Job losses in SMEs were fewer than in large firms in past recessions. This cushioned the impact of reduced output on unemployment levels.

V. In the long run new firms, high-growth SMEs and SBEs introduce innovations and contribute to productivity gains. However, there are SMEs and SBEs that may not able to improve performance and hence, be a drag on productivity(OECD, 2003).

VI. Although SMEs’ contribution to national R&D is quite uneven across economies, it is often greater in smaller economies than in the larger ones.

VII. Globalisation is perceived to have an impact on SMEs and SBEs. For example, increases in market access appear to be positively correlated with increases in the stock of SMEs (OECD, 2010c)

VIII. Nearly 50 per cent of the high-growth firms were started as SBEs and SMEs and they created a disproportionately higher number of jobs across the OECD nations.

IX. (Daunfeldt & Halvarsson 2013) analysed growth persistence in Swedish firms using data on all firms during 1996-2008 periods. The authors focussed on whether high growth firms in one 3-year period had higher probability of high growth again in the next period. The study found that in the Swedish case the average firm had a logarithmic growth rate of 4.8%, mean logarithmic growth for micro firms was (3.5%) which was lower than for small and medium-sized firms (11.1%), and for large firms (12.8%) (Daunfeldt&Halvarsson2013).The authors found that most firms did not grow at all and that only a small number of high growth firms
created most new jobs.). This finding is consistent with some other studies (see Bottazzi et al, 2011).

A large percentage of Small business entrepreneurs start their businesses by counting on their personal experiences, interests and passions, some form of practical skill, craftsmanship or trade training. Generally most of them are very poorly trained to own and manage a business. They rarely undergo any formal management training or business education. A rapidly globalising and changing business environment constantly creates new and more challenges for them as they try to be innovative and entrepreneurial.

**Globalisation and barriers for SBEs/SMEs for innovation and entrepreneurship**

There are a number of constraints and barriers that prevent SBEs and SMEs from being more innovative and entrepreneurial and play their full potential role in the economy. At a global level, such barriers constrain innovative and entrepreneurial behaviour among firms and hence impede the ability of nations to generate more employment and economic growth. Some of the barriers are indicated below:

a) **Poor macroeconomic framework conditions**

In a rapidly globalising environment the entry, growth and exit of firms are influenced, to a very large extent, by the macroeconomic frameworks adopted by a country. Macroeconomic instability and inappropriate regulatory and tax policies curtail entrepreneurial behaviour and prevent SBEs and SMEs from being innovative and entrepreneurial. Macroeconomic instability, for instance in the form of fluctuating interest rates and exchange rates reduce investment and risk-taking ability of SBEs, SMEs and nascent entrepreneurs. Regulatory and compliance costs often impose more undue burdens on SBEs and small entrepreneurs than on their larger counterparts. Lack of transparency in the application of rules and regulations, inefficient bankruptcy laws and procedures, lack of clarity and coherence in product standards in global markets, unfair or non-transparent competition policies and ineffective anti-corruption measures prevent many SBEs and SMEs from being innovative and entrepreneurial (See, e.g. OECD (2010).

b) **Obstacles in accessing international markets and knowledge**

For many new-start-ups, existing SBEs and SMEs internationalisation is essential for their growth and competitiveness. However, operating in international markets exposes them to foreign competition, much as it provides them with new opportunities. Globalisation is increasing the cross-border flows of knowledge, markets, technologies and suppliers and many SBEs actively participate in such flows to grow and diversify. There are many others who do not. One key reason for a SBE’s non-participation in the global markets is its inability to find a suitable business partner in another country to do business with. A trusted foreign partner is particularly valuable for a SBE in a global knowledge exchange process.

**SBEs under-represented in international forums and knowledge markets**

Although research data is not available to substantiate the claim that SBEs are under-represented in international discussions, organisations, collaborations and markets, it is worth recording here.
Research is needed to prove this claim and to guide policy directions for growth and development of SBEs and SMEs in a globalising environment.

Access to knowledge flows is important in the context of the widespread adoption of innovation across many cultures, sectors and industries. This would involve collaborations between new start-ups, existing SBEs, SMEs larger firms, organisations and policy makers in diverse regions. Such collaborations are now becoming prerequisites for development of new products, services, processes, technologies and new organisational models. SBEs and SMEs representation in the discussions, networks, organisations, and any such collaborative arrangements in the local and global economies is essential. To some extent, this under-representation by SBEs is mitigated by their participation in value chains which enables them to import/export and collaborate directly or indirectly with larger firms in their domestic markets or overseas.

**Lack of strategies to manage intellectual and intangible assets**

Management of intellectual and intangible assets is critical for SBEs and SMEs for innovation, competitiveness, sustainability and growth as globalisation is taking a strong hold in many economies. The use of intellectual property rights (IPR) which includes copyrights, trademarks and patents are the common tools SBEs and SMEs can use to protect and manage intellectual assets. Although these IPR tools can be used to help increase enterprise value, operate in new markets and raise finance, many SBEs prefer financially less expensive and informal methods such as secrecy and short lead times in entering markets to protect their intellectual property. SBEs generally face financial constraints and are often driven by short-term goals that are based on securing immediate commercial advantage in the domestic and foreign markets. They often do not concern themselves with the long term protection, management and strategic use of their intellectual assets.

SBEs and SMEs rarely have explicit intellectual asset strategies. They lack knowledge of the possibilities offered by IPR regimes and generally use intellectual property protection to a much smaller extent than their bigger counterparts (OECD, 2010).

c) **Lack of entrepreneurial human capital**

In a globalising environment some entrepreneurial skills are needed to organise, leverage and manage resources in order to create new products, new venture and to enter new and unfamiliar markets. A portfolio of specialised entrepreneurial skills required would include careful risk assessment and risk-taking, strategic thinking, self-confidence, networking, motivational and other skills.

New start-up small entrepreneurs often lack skills across a number of areas which include a proper screening of a business idea, business planning, business management, marketing, selling, managing cash flows, accounting and financing. Most SBEs lack strategic skills associated with entrepreneurship, decision-making, risk-taking, information processing, opportunity recognition, resource organisation, market awareness, product pricing and management. In a rapidly globalising environment this challenge is not getting any smaller for the SBEs.
Challenges for SBEs in a Local Case Study

An exploratory pilot case study of a sample of small firms located in the local region was conducted earlier on to guide the current study. The findings indicated below are based on the data collected from a sample of six SBEs that come from the wider Hamilton city area. The findings from the case study SBEs support a number of the common issues, challenges and opportunities identified in this study. The findings also suggest that, regardless of the type of SBEs, the strategic and operational challenges faced them are common across various industries. Globalisation seems to have fairly similar and widespread impacts on SBEs and SMEs. A summarised version of some of the findings is presented below:

I. The SBEs in the case study were very small -14% of the SBEs were operated independently all by themselves. 44 per cent operated with two or fewer staff and 75 per cent had five or fewer staff. It is interesting to note that all the SBEs in the case study were trading internationally with at least 20 per cent of the business coming from markets overseas.

II. Each SBE was asked to give the key reasons why he/she was in that particular business. Some 50% indicated that they expected to earn good financial returns and have an improved life style.

III. 70 per cent of the firms in the case study believed that they were in that particular business because they had some expertise and experience in the industry they were in. They were quite passionate about what they were doing. And they faced challenges when thinking about the global business environment which was well beyond their limited view of domestic business environment.

IV. 19 per cent of the SBEs saw a gap in a growing market and figured out that there wasn’t much competition in the market for what they wanted to do. They show the potential to grow quickly and trade in the global market.

V. SBEs faced following challenges as they traded overseas:

   a. Finding a reliable distributor or business partner in to do business overseas. Marketing and selling a product in another country was costly, difficult and had more uncertainties than selling domestically.
   b. There were more risks involved in doing business overseas. Some SBEs were concerned that occasionally their overseas buyer would place an order but failed to follow it through.
   c. Sometimes overseas customers failed to pay their bills promptly. This created cash flow problems which created further problems in the business.
   d. Fluctuating exchange rates made international trading risky for some SBEs
   e. Managing shipping logistics and customs requirements was a challenge for SBEs.
   f. All SBEs were unfamiliar with the culture, language, ethics and business practices in the foreign country. This was an on-going source of challenge for them.
VI. Sixty four per cent of the SBEs were unhappy with all the pieces of legislation they had to comply with in order to operate their businesses. Twenty per cent were unhappy with so many rules and regulations they had to abide by to operate the business.

Findings/Conclusions and Implications

Findings so far have indicated an overall lack of enquiry and researched discussions and theoretical frameworks to explain the impact of globalisation and international business on SMEs and SBEs. Most discussions relate to large businesses and MNCs. There is little discussion on the internationalising or globalising experiences of the smaller firms, particularly the SBEs. This is in spite of the fact that globalisation has been intensifying for a few decades now and an increasing number of SMEs and SBE area participating in it now than ever before. The findings indicated that, as new opportunities were unfolding in a constantly changing environment; many SBEs had challenges in identifying and leveraging new opportunities and operating their businesses for more gains. The challenges and opportunities were arising from both, the domestic and global sources. While there are opportunities for survival and growth for the more innovative, entrepreneurial, technology and knowledge-based SBEs, there are issues and concerns for those that lacked resources, innovative, entrepreneurial and managerial skills and other capabilities required to perform successfully in a globalising environment. There are constant changes in customers’ needs, market expectations, compliance requirements, levels of competition and technological changes in the domestic and in foreign economies. It is tempting to conclude that globalisation has created more challenges than opportunities for many SBEs. However, a large body of well researched data covering many countries is required to substantiate such a conclusion.

Factors that constrain SBEs performance include: lack of financial and human resources, uncertainties arising from on-going globalisation of markets and economies, management of cash flows, short-term planning, finding reliable business partners domestically and overseas, marketing and selling challenges in foreign markets, fluctuations in exchange rates, increasing regulatory requirements with associated compliance costs, difficulties arising from differences in culture, language and business practices and inability to manage intellectual and intangible assets.

Practical implications

The findings indicated that SBEs needed formal support in the form of business training, professional advice and better networking and collaboration skills in order to survive and be successful in a constantly globalising and changing environment.

For SBEs and SMEs to fulfil their potential for job creation and long-run economic growth, governments will need to ensure a business environment that stimulates innovation and entrepreneurship among SBEs and SMEs and does not impose undue burdens on them.

There are implications for policy makers interested in SME/SBE lead job creation and economic growth. There is also implication for a more in-depth research in the area of globalisation and survival and success of smaller firms. Such a study is expected to contribute to the development of a model or framework that could be used to enhance understanding on the impact of globalisation on
SBEs. Policy makers may find such a model or framework helpful in developing strategies for survival and growth of SBES in a rapidly globalising environment.

Findings indicate that an exploratory investigation of this nature is one of first and it has practical implications for SBES and SMEs if they are to contribute to economic growth by surviving and growing in rapidly globalising markets.

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