Chapter 7

New Perspectives on the Internationalisation of Micro-Businesses

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ABSTRACT

Micro businesses are increasingly playing a significant role in the economic growth of most developed and developing countries. Despite this increasing trend, not much attention has been given to such businesses in the management literature. Policymakers have given little attention to their growth and internationalisations. Consequently, the increasing trend of the micro business internationalisation has also failed to receive deserved attention. The chapter uses qualitative data from two micro businesses in the UK to explicate the reasons and challenges of internationalisation. Findings reveal that reasons and challenges of internationalisation of micro and larger firms may be similar, but resource constraints shape the approaches and scale. In particular, growth and internationalisation of micro firms are often inhibited by the embeddedness of firm-specific knowledge in individuals. Significantly, micro firms with explicit knowledge can exploit international expansion via franchising/licencing, compared with those with tacit knowledge who export.

INTRODUCTION

The literature on small and medium enterprises (SMEs) has seen significant growth in recent years; however, the burgeoning micro enterprise spectrum has received little attention. In much the same way the internationalisation of micro businesses has fallen behind the SME internationalisation literature.

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This is despite the increasing expansion of micro businesses beyond their geographical borders from countries of origin. Indeed globalisation and the advent of the internet have increased the ease with which micro firms could internationalise. Institutions, organisations and authors have often contextualised and defined microbusinesses differently (e.g. EU, 2015; BIS, 2014). Consequently, it is difficult to specify a unified universal definition for a micro business because the definition needs to be framed within the context of a body, an association/institutions, or geography. For instance, in the United Kingdom (UK), an EU’s definition is adopted which defines a micro business as a company or organisation with fewer than 10 employees with an annual turnover not exceeding €2 million (EU, 2015). This chapter adopts the EU definition with respect to the number of employees. This is because for micro businesses it is more convenient to adopt a definition that excludes turnover so that policies can be tailored according to the relative number of employees (BIS, 2014). According to the UK’s Office of National Statistics (ONS), there were 5.0 million micro-businesses in the UK in 2014, accounting for 96% of all businesses. Although the vast majority of businesses in the UK employ fewer than 10 people, this sort of business accounts for 33% of employment and 19% of turnover (ONS, 2015).

Even though the UK’s ONS (2015) data advocates that micro businesses are the job creators, they have not adequately been included in the majority of the discussions within the SME literature and indeed policy instruments targeted at micro business are relatively scarce. Anecdotal evidence suggests that over three million individuals are either self-employed or members of a partnership. Seven hundred thousand businesses employ between one and four people. Micro businesses range from start-ups with both high and low growth potential, to family businesses that have been in operation for many years. These businesses face very different challenges to larger businesses both in their domestic and international markets (Madsen et al, 2000; Knight and Cavusgil, 2004).

The ONS (2015) report further states that typically, the owner-manager is responsible for carrying out the full range of managerial duties and complying with many of the same government policies and regulations that large companies must comply with, while simultaneously managing a small team of people and often undertaking part of the actual work output of the business. Also, these micro businesses do not have the managerial capability and skill base of larger SMEs and as a result face a unique set of challenges. Arguably, larger firms have a range of collective knowledge and skills that serve as the basis of their knowledge. Therefore, if in the case of micro firms, one person needs to be the embodiment of varied skills there is the potential that the individual may not possess the level of skill in a given discipline as one person in a larger firm who has specialised.

Although some entrepreneurs are motivated by the necessity to create such businesses to earn a living because of limited employment opportunities, the ONS (2015) argue that, notwithstanding the challenges these businesses face, they are an important source of new employment and growth in the UK economy. Some micro businesses may start small but often explore and exploit the potential to grow, with growth opportunities sometimes leading to internationalisation. Micro businesses can and often do play a vital role in maintaining the economic viability and social cohesion of many regions in the UK, particularly rural and deprived urban communities. The report also argues that despite both the historic and contemporary importance of micro enterprises to the economic and social well-being, micro businesses are not appropriately and unambiguously defined. As such, and by default, a definition devised by the European Union is often referred to. Unfortunately, in the UK the problem is this definition is not used consistently across all government departments (e.g. European Commission’s definition; and BERR’s current working definition). The consequence of this lack of consistent definition has been an inability on the part of government to create deliberate policies tailored towards micro businesses. In addition,