

SMALL BUSINESS FOR GLOBALIZATION AND INTERNATIONALIZATION OF ECONOMY

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Purpose: The reason for writing the paper is the need for presentation of the approach of small business in the context of globalization and the aim of the research is presentation of the importance of small business companies in the global economy because the entry of small enterprises into a new market is a strategically important step and perspective for long-term development.

Design/methodology/approach: The literature research and observation were conducted. The design was based on the review of the advantages and disadvantages of small companies in relation to global processes.

Findings: It was found that the conditions for the development of small and medium-sized enterprises resulting from their impact on the environment change over time. It was also noticed that the entry of small enterprises into a new market is a strategically important step and perspective for long-term development, but in the literature it is emphasized that globalization generally worsens the conditions of competition (intensifying particular "forces" identified in the Porter model).

Originality/value: Own conception.

Keywords: small business, globalization, internationalization.

Category of the paper: Literature review and own conception.

1. Introduction

Along with the limitation and elimination of barriers in international economic exchange, the importance of competition increased. The free play of an increasing number of representatives of market forces in global competition had to unleash in the participants of this game specific skills to take on competition, and success in this competition became the goal and driving force of all activities. Global competition has become the share of not only individual enterprises and their managers, but also entire economic organizations, countries, cities, etc. The rivals in this competition are growing in numbers, becoming stronger, better

organized and representing an increasing level on the playing field. The factors that have not been taken into account yesterday, or were even unknown, decide today about the success in this rivalry. To win this competition, you need to use increasingly sophisticated methods, which are planned and implemented more and more consistently. Planning has now become much more short-term. The goals are changing more and more frequently. In the literature, it is emphasized that globalization generally worsens the conditions of competition (intensifying particular "forces" identified in the Porter model). Therefore, the main skill of enterprises and their managers has become the ability to learn and the ability to permanently compete and succeed. And this applies to all organizations, in particular entities from the SME sector.

2. Elimination of barriers in the flow of goods and services

Small entities engage in activities on a global scale insofar as they bring them higher profitability than just those provided by existence on the local market. Thanks to the international transformation, there is a greater ease of reaching new customers than in the past, but at the same time the risk that the new market will not respond enthusiastically to the products and services offered is just as likely as "unlikely". Establishing cooperation at a distance creates the uncertainty that the recipient may turn out to be inaccessible or unreliable. New environmental conditions are a new environment, new rules and a challenge on an unprecedented scale (Recklies).

Small enterprises in their development process often reach the point where important decisions should be taken in the field of internationalization of activities. Looking at the globalization process, one can have the impression that small enterprises are going a long way to become independent global units. However, it does not have to be that way. Already in the initial phase of the operation, the use of civilization transformation to achieve benefits can take place through commissioning, and in the case of effective development, through merger with other entities or even independent development. Very often, small entities enter the path of international cooperation in a natural way, somehow off the cuff, by cooperating with foreign contractors or other domestic companies that sell their products outside the borders of their home country.

Ways of entering foreign markets are the subject of research and development of numerous scientific institutions and scientists gathered there. The most well-known concept of internationalization of a company is the so-called U model. The name of the model comes from the University of Uppsala, where it was developed in 1975 by J. Johanson and F. Wiedersheim-Paul, and two years later refined by J. Johanson and J.E. Vahlne`a. The starting point for building the model was to notice that companies operating on relatively small domestic markets (such as the Swedish market), entering their development into foreign markets, behave in

a typical manner. A kind of a caesura in the life of an enterprise – which is entering foreign markets – is connected with achieving a high position on the domestic market, and as a result the board considers further development strategy, where internationalization of activities is only one of the discussed solutions. If the decision to enter foreign markets is made, then this is done first with export, and only after a successful export debut there is a commitment to more complex forms of internationalization. Another typical behaviour in this model is entering markets that are geographically, linguistically, mentally, culturally, technologically, etc. close. The basis of the U model is the assumption that the internationalization process is evolutionary in nature, that it develops over time in certain ordered phases; subsequent stages of the process are not accidental and occur as a consequence of previous stages of development. The presented models of internationalization of activities, by their very nature, show typical situations, while the choice of how to enter a given market and the development of the internationalization process made by various companies can be much more complex. The conduct of a given company depends to a large extent on the current situation of the company and its environment as well as the situation on a given market. This process becomes even more complicated when the company enters many different markets, and even more so when it enters these markets with many products. In one market with a given product it behaves according to model X, while in another market with a different product according to the model Y, or in general with a hybrid model.

It should also be noted that typical models of internationalization generally refer to small enterprises. Large corporations with large organizational skills, and above all significant resources that can be involved in sometimes very risk moves, can proceed in a very unusual way, beginning the process of internationalization "from the end", "skipping" some phases or completely changing the sequence of proceedings. Increasing global competition will force us to use similar activities - and IT techniques already allow this - also for smaller businesses.

Table 1.

Internationalization models

Bilkey and Tesar (1977)	Cavusgil (1984)
1. The lack of interest of the board in exports	1. Domestic Marketing: the company only sells on the domestic market
2. Management is interested in implementation of spontaneous orders from abroad, but does not take efforts to resolve the possibilities of export activity	2. Pre-export phase: the company is looking for information and considering export options
3. The management considers the possibility of active export activity	3. Experimental engagement
4. The company experiments, exporting to a similar in psychological terms country	4. Active involvement: export to a larger number of countries – direct exports, growth of export sales
5. The company becomes an experienced exporter	5. Total commitment: management constantly makes decisions about allocation of limited resources
6. The management considers the possibility of export also to other countries	choosing between local market and foreign markets

Cont. table 1.

Czinkota (1982)	Reid (1981)
1. The company is not interested in foreign markets at all	1. Export awareness: the problem of recognition of opportunities, the emergence of demand
2. The company is partially interested	2. Intention of export: motives, approach, expectations
3. A company is discovering foreign markets	3. Attempts to export: experience resulting from limited export activity
4. An experimental company	4. Export development: effects of engagement in export activities
5. Experienced small exporter	5. Acceptance of export: acceptance or rejection of export activity
6. An experienced large exporter	

Source: M. Gorynia, B. Jankowska, *Teorie internacjonalizacji*, Gospodarka Narodowa, 10/2007, p. 29.

So if initial foreign contacts develop in a proper way and the company is increasingly targeting foreign markets, a moment comes when this natural course of things should be supported by serious strategic decisions. Taking any marketing decision must be preceded by a thorough analysis, and entering foreign markets, due to significant difference from the domestic environment of the company, is associated with particular risks and therefore the requirements as to the quality and quantity of information supporting the decision are extremely high. The process of internationalization of activities of small (and not only) enterprises is hindered mainly due to limited information about foreign markets, and sometimes even erroneous information, whose distortion results from cultural, social, political differences etc. Significant geographic distance also generates some psychological resistance in the company's employees and among the board members. Then, such obstacles as costs related to export with limited resources of the company seem to significantly increase the risk of the process.

3. Small enterprises in globalization process

For the mechanism of functioning of small businesses, all the activities of other entities on the national and international scene take on significance. The dependence of small entities on the market is total, and their impact is small or does not change anything. That is why it is so important for effective decision-making in small entities to recognize the features of modern globalization from the point of view of the objective impact (Kołodko, 2003):

- integration of financial markets,
- growing share of services in foreign trade,
- geographical dispersion of product manufacturing processes,
- growing importance of multinational enterprises (1/3 of world trade),
- the creation of small states,
- growing integration problems of former communist economies.

In the era of globalization of the economy – or rather in the era of European integration, as this is the main reason for changes in the Polish economy – an essential necessary change that many enterprises have to undergo in order to survive on the market is the need to internationalize their activities. This remark concerns especially those small entities which, mainly limited by the mentality of their owners, are still trying to act only on the basis of the local market.

Table 2.

Advantages and disadvantages of small enterprises in relation to globalization processes

Characteristics	Advantages	Disadvantages
Limited number of people	<ul style="list-style-type: none"> - long-term perspective thinking - stability - no pressure for quick profits - high identification with the company - stable culture - high liabilities 	<ul style="list-style-type: none"> - strategic thinking limited to experience and knowledge - difficulty in adopting the company's culture to new situations and challenges - potential conflict between the owner's professional and personal goals
Close relationships with clients and business partners	<ul style="list-style-type: none"> - a stable foundation for future business - the ability to corporate success for mutual benefit - ability and inclination to enter into partnership 	<ul style="list-style-type: none"> - risk to focus too much on existing business
Simple structure	<ul style="list-style-type: none"> - high flexibility and adaptability - fast response time - functional communication and cooperation within the organization 	<ul style="list-style-type: none"> - in many cases not suitable for comprehensive planning and implementation of international activities - low inclination to introduce advanced structures
Small size	<ul style="list-style-type: none"> - the basis for specialization, often niche strategies 	Limited sources in financial resources and human resources: <ul style="list-style-type: none"> - limited funds for investments and operating costs at the beginning of operations - expenses for market research and marketing research in a small company constitute a much larger share in total expenses than in large companies - limited number of staff to carry out additional tasks - lack of experienced employees in the international arena

Source: D. Recklies, *Small and Medium-Sized Enterprises and Globalization*. www.themanager.org/Strategy/global.htm, 15.05.2019.

From the review of the advantages and disadvantages of small businesses in relation to global processes, one can notice the potential for the development of the export activity trend. For small-scale enterprises, entering a new market is a strategically important move and a prospect of long-term development. The conditions for the development of small and medium enterprises resulting from their impact on the environment change over time as the environment changes. In some areas of human activity these conditions change into more favourable ones while others become less favourable or even hostile. Another issue is the ability of entrepreneurs to use all the possibilities created by the environment. There is never such a situation that would clearly favour development or completely prevent the development of

any activity. Even in the times of the biggest economic crises, companies have been created and achieved great market successes, as their owners / managers were able to see the chance for success due to such and not different conditions. Global competition is also a phenomenon reminiscent of a rapid river. A river that you can neither ignore nor stop, or even slow down its course. For some, it will be a deadly threat, but for others, who thanks to their skills are able to use the strength of this rapid river for their purposes, it can become a source of success. And one of such skills that allow you to use the power of globalization to achieve your goals is the ability to cooperate.

It would seem that in conditions of fierce global competition, where, among other things, economies of scale are important, small enterprises will be able to successfully compete in the market only under certain restrictions, such as:

- focusing on niche products,
- targeting products to local markets,
- focus on particularly demanding clients.

Secondly, in the current situation, it would seem that the sphere of production should be the domain of only large global enterprises, whereas small business can only occupy the sphere of services, as large enterprises are predominantly designated for the production activity of the SME sector. Nevertheless, there is also the opportunity for small enterprises to compete in markets dominated by global corporations. This competition will take place mainly in the field of specific product quality, but also in terms of price level or distribution capacity. Small companies do not have to give way to their big competitors. However, a necessary condition is to use all the possibilities created by the environment and to unite activities.

One of the characteristic features of globalization – as already mentioned – is the growing share of services in the overall economic balance of individual countries and in the global economy as well as the share of services in foreign trade. Although the phenomenon of a disproportionately faster growth of services than commodity production is not a phenomenon that is not beneficial for the global economy, it is a phenomenon allowing participation in global competition for countries that do not have sufficiently high economic potential and do not have modern industrial technologies. The same phenomenon and for the same reasons is also beneficial for the development of small business entities.

One of the ways to effectively compete in using the opportunities offered by the globalization of the economy, especially European integration, is the small business strategy of internationalization of the business. However, entering the company on foreign markets is generally associated with greater risk and greater involvement of forces and resources than in expanding the company's operations on the domestic market. If the company has an established position on the domestic market and knows the realities of doing business in this market, then expanding the activity with new products or new outlets is carried out smoothly and is a natural consequence of the company's growth and development. The situation is different when the company expands to foreign markets. A particularly difficult task is faced by

enterprises that have no experience in the internationalization of their activities. It will be a little easier for companies that themselves did not operate outside the country, but have some experience in selling their goods or services on foreign markets, when – eliminating intermediaries – they make vertical distribution in the forward distribution channel. On the other hand, in today's world it is difficult to find a company that would not have any experience in competing on the global market. Even if the company operates only on the local market, its products compete with products from around the world and even this fact compels the management of the company to get acquainted with the operating conditions on the global market (Chrzan, Kowalski, 2009).

In the literature on the subject of marketing on foreign markets one can see the so-called dichotomous division of marketing into marketing conducted in a given country (national marketing) and marketing covering all possible forms of marketing activities of the company outside the home country (international marketing) (Fonfara, 2000).

International marketing covers coordinated activities undertaken by the company on many foreign markets, including understanding the needs and expectations of the buyer on the international market, recognizing the business environment, preparing and implementing a marketing strategy (Grzegorzczuk, 2005). In a more complex approach, apart from domestic marketing, there is a distinction between export marketing, foreign marketing, international marketing and global marketing. On the other hand, the view that divisions into domestic and international marketing are increasingly archaic is becoming more and more popular because it is difficult to make marketing decisions without taking into account the realities of the globalization process. What's more, internationalization and globalization of the company are becoming common even for small and medium-sized enterprises. The market environment of business is being reformulated. The territorial scope of acquiring information being the premises of marketing decisions is widening. There is a significant increase in the demand for information about potential market partners, often operating in distant regional markets (Dietl, 2000). The need to reduce costs and increase benefits, resulting directly from the economies of scale, leads to a change in the scope of activities and ways of thinking in terms of the global market. Global marketing therefore means competing globally on the entire global market, and not on individual markets of different countries. In this situation, gaining and maintaining a good position on the market depends on the company's ability to see all the competitors' actions on the global market in mutual interaction, and not only on the observation of the companies' activities on individual foreign markets treated separately.

The model of life and consumer needs are becoming more and more homogeneous in different parts of the world. The spread of universal consumption patterns, the preferences of consumers, means that we can talk about a "global consumer" looking for the same products and services. However, there are still many services or products whose markets remain diverse nationally or regionally. The extent to which the market is global will depend on whether the needs of consumers for a given product or service are similar throughout the world.

Globalization, however, means that consumers' needs, despite the similarity of general needs, become richer and more complex in details, they expect non-standard products and services. The great variety of products supplied from the remotest parts of the world means that "global consumers" have already become accustomed to the possibility of choosing from a very rich market offer. It would seem that they are more price sensitive, but most often "global consumers" are more sensitive to quality, technical features or product design, which can only be ensured by the wealth of the market offer from companies from around the world, and secondly from the small ones. Local businesses know the local needs best and are able to respond quickly to the requirements of not only the market as a whole, but even individual customers.

Enterprises are constantly subject to the actions of closer and further surroundings and react to changes taking place in it. In the era of globalization, the company's environment is becoming less and less transparent and increasingly difficult to predict. All mutual relations, trends and changes that exist in the environment should be treated as uncontrolled variables (Duliniec, 2004). The company should be able to identify areas in which it can introduce real and realizable, and at the same time changeable possibilities in its surroundings. The task of the company is therefore also to create, implement and stimulate such changes that enable better use of the possibilities. These possibilities are primarily for real perception of the reality in which the company operates and for understanding the essence of changes taking place in it. Effective perception of the environment in which the company operates helps to skilfully determine the area in which it can make individual choices and conduct effective operations. A high level of business awareness in a company should enable it to assess the level of risk of each undertaking, its necessary costs, as well as the size of possible success and possible failure (Chrzan, Ślusarczyk, 2009).

Enterprises are forced to participate in changes and their introduction, not only so that they can develop, but that they can survive. The company's development is a never-ending process of creating, implementing and stimulating change. The effectiveness of this process is measured by the time of making changes, incurred costs, as well as the effects of achieved successes or the effects of failures. In the era of global economy, the circumstances in which companies operate are a state of constant threat of crisis. However, when responding to a threat, the company should be ready to notice and use the opportunities that arise in its environment. Small enterprises, which by their nature are more flexible, therefore have (or at least should have) a significant advantage in the turbulent market. However, these chances often require the company's resources to be almost at the limit of its security, which especially for small entities is threatened with a crisis in case of inaccurate or too late reaction to an emerging chance. Certain phenomena appearing in the environment are often unnoticeable by large companies, or simply not taken into account due to the small size of the phenomenon. On the one hand, this is an opportunity for small businesses to use, but excessive optimism, often not supported by appropriate market research, can cause such a strong involvement in the implementation of

a given project, that in the case of not large scale of demand it can lead to the company's collapse. As experience shows, large companies were generally able to cope with such situations thanks to considerable capital reserves of related organizations (e.g. financial) ... they could always count on help from the state for which a large number of employees dismissed suddenly on the labour market was not a desirable phenomenon. And with small companies, nobody helps in such cases, leaving their owners and a small group of employees to their own fate. Therefore, dealing with crisis situations and the crisis itself is now a crucial skill for small businesses.

The basis of functioning of the market economy are the individual successes of operative units making the risk of choice. Entrepreneurial success is primarily attributed to the person who has made the right choice among many opportunities to undertake other types of activities. Setting up a new business, or even achieving a certain market success in the initial period, is quite easy. It is enough to notice the emergence of a new need or to realize the existence of a latent need, find an idea for it to be able to exist on the market. However, against the growing competition from everywhere, the survival and development of the company, which is its main goal, becomes a real challenge. And here it turns out that the owner's enemy is sometimes the owner. The owner convinced of his competence, as the father of the created company, does not even allow the thought that in order to develop the company, then management should be entrusted to people with the right knowledge and experience. The development of management sciences has resulted in the creation of numerous methods and techniques useful in managing a company and planning its development. As the practice teaches, none of these methods can be a panacea for all ailments, and it cannot be a universal method for any company. However, the combination of different methods increases the effects. Thanks to this you can achieve a significant improvement of the company's activity and raise its competitive advantage on the market. If these new concepts are so effective, why are small and medium-sized enterprises so rarely interested in them? The answer is simple - because their introduction is a difficult undertaking, requiring proper preparation. Peter Drucker defines small business as a business requiring one manager in charge of management. Well, this is: "manager dealing with management". It is not enough to have practical skills in a certain field of production or services and a certain amount of entrepreneurship to run a small enterprise, but you also need appropriate managerial knowledge. Every enterprise - large or small - must be properly managed, because each is subject to the same market competition and must also meet the market requirements.

Speaking of the concept of globalization, one cannot omit those voices saying that it is only a myth, and that the entire globalization process is only an artificial product, and what is currently happening is only the internationalization of transnational economies and it will not have a dominant influence on individual policies and countries. And although it is difficult to deny lasting transformations which changed the life of entities and institutions forever, and though it is also difficult to underestimate new sciences (e.g. globology) investigating human existence in a new global reality (the sphere of bio-psycho-socio-economic) (Šmid, 2002),

there is a large part of entrepreneurs, politicians and even scientists who disregard the impact of the globalization process on the market situation of individual economic units. For conservative-minded representatives of small business, this is a good argument to prove the rightness of their traditional methods of "management". The experiences of small businesses teach that even with the traditional management model, you can be successful in the market. There is even an opinion that all these "novelties" are costly, and secondly, all theorists' opinions have little to do with the practice of managing small enterprises. Perhaps the growing global competition is – if you can say so – an opportunity for management sciences to occur in the minds of owners and managers of small business entities. In the final analysis, the threat of fierce international competition forcing modern management methods in small and medium-sized enterprises may prove beneficial also for the interested companies themselves. On the other hand, an important factor limiting the development of small enterprises is (among others) the lack of imagination combined with the lack of knowledge about the possibility of planned development. The owners of small enterprises often lack the faith in their own development possibilities, which sometimes results from the lack of appropriate management knowledge. It is difficult for them to create a vision and plan the development of a company in a much larger scale or on a global market. The majority of small entrepreneurs show willingness to act only on the domestic or regional market including at most several / a dozen of the smallest territorial units (such as in Poland or in Germany, there are municipalities and in the United Kingdom parishes). Only a small group of entrepreneurs strives (intends to strive) for the emergence of their companies on foreign markets. Ignorance, and more importantly awareness of the lack of proper preparation, give rise to fear of long-term planning and creating a vision of a company competing on the global market. Owners of small and medium enterprises are convinced about their omnipotence in the field of business management. They convince themselves and their surroundings to this thesis using the argument of achieved results in business. These beliefs are also supported by examples taken from the past, when a father, an older cousin or a neighbour who does not have management knowledge has achieved considerable market successes. The above remarks, however, refer to all owners of small business entities in the world, but they are particularly accurate in relation to the activities of small entrepreneurs from the so-called Third world countries or those that only recently (like Poland) have opened their borders to the free movement of goods, people and capital. However, new companies cannot be institutions inherited from the past (which was admittedly glorious, but it is no longer suitable in a difficult global market), but – as Hamer and Champy say – should be specially adapted to operate today and tomorrow. In each company there are tacitly accepted rules inherited from previous decades. If companies are unable to abandon obsolete policies, their actions will become ineffective (Hamer, Champy, 1996).

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