

Assignment
Studio



**Assistance with University Projects? Research Reports?
Writing Skills?
We've got you covered!**

www.assignmentstudio.net

WhatsApp: +61-424-295050

Toll Free: 1-800-794-425

Email: contact@assignmentstudio.net

Follow us on Social Media

Facebook:

<https://www.facebook.com/AssignmentStudio>

Twitter:

<https://twitter.com/AssignmentStudi>

LinkedIn:

<https://au.linkedin.com/company/assignment-studio>

Pinterest:

<http://pinterest.com/assignmentstudi>

Small Businesses in the struggle for GLOBALIZATION

We see "globalization" everywhere. The development of "globalization," can be referred to the big-picture process which involves the process of drawing products, services, and markets around the world closer together. Technology and media are playing their roles in bringing the world markets closer. There's a change in how organizations used to do business and how it is being done at present. Off shoring and out sourcing has become a common practice in today's business. With the increase in downsizing and layoffs many small business have emerged, offering services in new and unique ways. The globalization of small business will be the most important progress in international business. Though it is obvious that large global corporations have created a major portion of this century's wealth, but smaller business acted as the engines and generated most of the world's economic growth. (Graham.P, 2005)

Globalization is entering its mature stage, and it won't be wrong to say that it has already changed many aspects of the corporate world, how enterprises used to operate in the past and how operations are undertaken now (Ostapenko.N). Technology has altered what marketing is and how production occurs. Many small firms have challenge established positions in the global economy. Most of them are not highly advanced, especially when they start small, lack key resources and are distant major markets. (Mathews.J, 2006) The potential of small business with in the global world prospective can not be ignored, just because it is too small. It is indeed a small world but small business is indeed large. (Ostapenko.N). Every year service industry is growing, small businesses are out sourcing most of their jobs over seas because of low wage rates and specialized skills of labor.

With the use of technologies like internet and mobile it is far easier for small companies to reach clients located in other countries, what seemed to be the most difficult thing to do is now just a single click away. With jobs being located off shore, the pace has quickened. According to the Hackett Group, in an article entitled, [*Hackett Group: Movement of Jobs Offshore to Accelerate*](#), the company stated that, "Global 1000 companies will send over 350,000 jobs in IT, corporate finance, human resources and

procurement to offshore labor markets in 2009 and 2010, bringing the total number of back-office jobs being done offshore to over 800,000..."(Ann.A, 2009).

This article argues that the innovative features that these small businesses share, fits particularly well with the characteristics of the emergent global economy as one of complex Inter-firm linkages. SME's adopt a different perspective to the resources available to them through globalization. What they see and how they see is totally different if we compare them with other large MNE's.

Small businesses are very common these days; individuals are operating their business from home, all they need is access to the internet a mobile phone and that's it. Employees/labor can now easily be hired online and jobs are assigned to them. Many individuals are available to be contacted to perform a specific job or role. With the ease in communication and access to client's world wide small businesses are playing a major role in globalization, though most of the small businesses generally do not have strategies for internationalizing or dealing with foreign customers, as a result businesses theories of internationalization and globalization do not apply with them. They set their own rules, plans and strategies to deal with foreign clients and how to deal with over seas labors. This study will determine if small businesses are using technologies as a means to attract guests from other countries. According to (Johanson and Vahlne 1977, 1990), the upsala model of internationalization which is largely based on lengthy procedures, no longer applies because of the improved communication systems that are in common use today, of which the Internet is easily accessible for small businesses. Many small businesses may have existed before the development of internet but it was hard or may be too much time consuming for them to go global. (Gillani.P, 2010).

The attitude to fight for your life is caused by extreme uncertain times in the past. Many small businesses, entrepreneurs and freelancers are emerged as a result of downsizing and layoffs in big multinational companies. All these individuals are well aware of the latest trends and how to cope with the ever increasing competition in the market. At the same time the explosive growth of the internet and other modes of doing business have leveled

the playing field. There is no end in sight. Rather, a beginning to realizing the world is your market (Delaney.L, 2007). Portfolios are being shared online with overseas clients, offers are being made for international projects. Small businesses are taking full use of new technologies and using them in the right way.

Castells (2000a; 2000b) states that we are passing from the industrial age into the information age. This historical change in recent times is brought about by the advent of new information technologies – particularly those for communication and biological technologies. This information is of central importance in determining economic productivity. Communications technologies allow for the annihilation of space and for globalization. All this is happening because communication technologies, such as the Internet, allow for decentralization of operations and focusing of control, increasing the effectiveness of networks relative to hierarchical structures. With the use of internet, small firms are automatically being positioned in the international marketplace. Small firms generally don't have much of the human, financial and technological resources as compare to large organizations. But nonetheless small firms have their own advantages in terms of their capacity to innovate, adapt new ways of doing business and their capacity to react quickly to changes in the environment. (Julien and Raymond, 1994).

The use of internet, particularly the World Wide Web, is growing at a staggering rate. It offers great possibilities with endless opportunities. In different ways it enables firms to provide detailed product information, to its existing and prospectus clients. Managing foreign clients was never too easy before internet came into existence. Small businesses are taking full use of internet as an innovative form of marketing that is in many ways revolutionizing traditional marketing. (Gilani.P, 2010). Therefore globalizing refers to the process by which a small firm begins a journey of becoming global in its vision and corporate objective in order to achieve corporate objective. Many firms have become truly global and many however are globalizing.

The decision to “go global” by small firms is increasingly happening sooner in a company’s development. Few years ago, only the largest companies were considered becoming a “multinational.” Due to the advancement in technology and global economy, the desire to "go global" has become stronger and it occurs faster and easily because the economy is global, market is global, supply is global, distribution chains are global, technology is global and the labor market is global (Jackson.C, 2006).

While the desire to “go global” is exciting for almost all the companies, perhaps even glamorous, and unquestionably opens up the world for business opportunity in so many ways. But is this whole process simple and easy? The challenges faced by many small businesses will be how to globalize their operations in order to be able to better source raw materials and components and to take advantage of proximity to global markets in order to compete head to head with much larger international companies. (Graham. J, 2005)

SME's are faced with challenges for the company’s legal department, human resource department and its international operations to maximize potential while minimizing legal exposure on employment related issues (Gillani.P, 2010). Besides all these there are many core issues that still remain to be explored: Will the cultural diversity be reduced or expand by globalization? Will new technologies empower small businesses in operating internationally? Will hiring and managing new employees in the global market would be easy or not? Castells argues that the operations of network, their ability to include or exclude actors on the basis of their ability to contribute to the goals of the network, have changed: “the work process is globally integrated, but labor tends to be locally fragmented” (2000a, p. 18).

Before going global all companies either small or large, needs to do PESTE analysis and have to choose modes of entry. Which mode of entry would suit them? Though due to the technological advancement going global is no more a big problem but it is definitely a big concern for both small and big companies. They have to conduct various researches and have to do few analysis on the basis of that they will better be able to take their

decisions. Political, Economical, Social, Technological and Environmental are such issues which have to be considered by small businesses before they decide to go global. Unlike MNE's, small businesses are less likely to take risks, as they have less capital and less resources. (Jackson.C, 2006). Small businesses do have their strengths but in the process of going global they have to consider all the pro's and con's that they might face in the near future. Other than PEST analysis another important thing to consider is deciding on the mode of entry. Which mode of entry is best suitable for the company, deciding on the mode of entry is not at all an easy thing to decide on. (Delaney.L, 2007). The whole business or a complete venture is at risk and it might get ruined if proper decision is not made. Smaller companies usually have fewer market servicing options, because they don't have enough resources to go global. The influence of company size on its freedom of choice in selecting market entry mode and their relevant preferences depends on industry specific demands and supply (Koch.A).

According to Welch.J, *“Globalization has changed us into a company that searches the world, not just to sell or to source, but to find intellectual capital - the world's best talents and greatest ideas.”* Deciding on what to offer by small businesses depends on a number of various reasons, small business owners are less aware of the latest trends that are taking place in the global market. The Internet has decreased expenses and enabled small businesses to conduct international business from home (Knight and Cavusgil 1997). Small inns and B&Bs are advertising on the Web and are therefore becoming a presence in the global market. Therefore, they face the likelihood of serving foreign customers that may have different hospitality expectations.

Globalization has made its impact on small businesses particularly in the emerging markets. Every country has its unique environmental synergies and they have their own process and terms to boost up the process of small business development within the context of globalization. According to (Ostapenko. N,) in Russia alone, the number of small businesses is steadily growing, small businesses in Russia currently employ 12% of the Russian labor force and is responsible for about 12% of the GNP.

For all practical purposes, there are few events that have changed the nature of global business for small size companies, one of them is the change in the educational system. Local colleges and universities began offering international business specialty courses. Many of these courses were more focused on transportation, logistics, language and other basic courses (Graham. J, 2005). Many small business owners are benefited with the help of these courses; they learned the basics of how things are done on the grass root level and started implementing. Many small firms are now operating with in an organizational context characterized by the emergence of new organizational forms such as the networks or extended enterprise, and the virtual enterprise.

As we move forward into the next millennium, most of the small businesses have to face new challenges. They will be dealing with the complexities of an increasingly globalized market place. This gives an indication that companies will have to globalize their operations in one way or another. (Delaney's, 2007). They will design their own strategies and plans, few of them might hire international business specialist to develop a global strategy, and others might rely upon an international business consultant. As I have mentioned earlier many of the small businesses might not follow any theories in the process of globalization. But in some way or the other almost all companies will be required to develop different type of corporate relationships that will help them in building their presence in foreign markets. Small businesses also have to find new and more effective ways of assimilating huge amounts of information and analyzing the process of utilizing them.

With the growing trend of globalization employees have to learn and adapt new skills such as foreign languages and international commercial practices which will give them dominance over other employees to get recruited. (Knight and Cavusgil 1997). Owners of small businesses will be required to travel to foreign markets more frequently to visit and meet with local distributors and with other local vendors in order to participate in trade missions and trade shows. In the near future global strategic planning will become an essential factor for the success of small businesses. (Jackson.C, 2006). It is very obvious that small business owners will have to rethink their global business strategies and to find a more dynamic approach to keep pace with the changes taking place in the

global marketplace. Small business owners have to adopt the use of new technologies and have to make it a common practice. (Gillani.P, 2010). The adoption of IT innovation is intertwined with business strategies, be it to reduce costs and reengineers business processes, to increase products/service differentiation, to achieve growth by developing new products/services and entering in to new markets.

Many small businesses are now joining large networks whose hubs are large firms. They are also forming strategic alliances with other small firms either in foreign market or in the local market to have the competitive edge over the others small businesses. What is still not clear is how this approach will be developed. Though few things are certain that any or all new solutions will be technology-based.

REFERENCES

1. **Graham. J, 2005, 'The Globalization of the Small Enterprise'.**
2. Delaney. L, 2007, 'THE WORLD IS YOUR MARKET: SMALL BUSINESSES GEAR UP FOR GLOBALIZATION', viewed on 3rd May, 2010
<<http://www.scribd.com/doc/217684/The-World-Is-Your-Market-Small-Businesses-Gear-Up-For-Globalization>>
3. Ann. A, 2009, 'Hackett Group: Movement of Jobs Offshore to Accelerate', viewed on 28th April 2010,<<http://www.itbusinessedge.com/cm/community/features/interviews/blog/hackett-group-movement-of-jobs-offshore-to-accelerate/?cs=30446>>
4. Ostapenko. N, 'Globalization and Entrepreneurship: Partnering with the New Russians',
5. Georgetown University, Washington, D.C., USA
6. Mathews. J, 2006, 'Dragon Multinationals: New Players in 21st Century globalization', Vol 23, pp 5 - 27
7. Lituchy. T, Rail. A, 1998, 'Bed and Breakfasts, Small Inns, and the Internet: The Impact of Technology on the Globalization of Small Businesses', Journal of International Marketing Vol. 8, No. 2, 2000, pp. 86-97
8. Julien, P-A, Raymond, L, Jacob.R and Ramangalahy, C. (1996), "Patterns and Determinants of technological scanning: an empirical investigation of manufacturing SME's" in Reynolds, P.D. et al (Eds), *Frontiers of Entrepreneurship Research*, Babson College, Babson Park, MA, pp. 584-88
9. Castells, M. (2000a). Materials for an exploratory theory of the network society. *British Journal of Sociology* Vol. No. 51 Issue No. 1 (January/March 2000) pp. 5-24.
10. Castells, M. (2000b). *The Rise of the Network Society, Second Edition*. U.S.: Blackwell Publishing.
11. Gilani. P, 2010, 'Global manufacturing: creating the balance between local and global markets', University of Exeter Business School, UK, pp 103 - 108
12. Jackson. C, 2006, "Going Global": An Overview of International Employment Issues1',
13. Koch. A, 2001, 'Factors influencing market and entry mode selection: developing the MEMs model', School of business, Swinburne University of Technology, Melbourne Victoria, Australia, *Journal of Marketing intelligence and planning*, 19/5 (2001) 351-261

14. Knight, G.A. and S.T. Gausgil (1997), "Emerging Organizational Paradigm for International Marketing: The Born Global Firm," Academy of International Business, Honolulu, HI.
15. Johanson, J. and J.-E. Vahlne (1977), "The Internationalizing Process of the Firm—A Model of Knowledge Development and Increasing Foreign Market Commitments," *Journal of International Business Studies*, 8 (1), 23-32.