



Warsaw University of Life Sciences - SGGW
Dr Mariusz Maciejczak

GOING INTERNATIONAL MICROMultinationals



www.maciejczak.pl



Global does not means big





Definition of SMEs

Small and medium enterprises (also SMEs, small and medium businesses, SMBs, and variations thereof) are companies whose headcount or turnover falls below certain limits.



SMEs in the EU

Enterprise category	Headcount: Annual Work Unit (AWU)	Annual turnover	or	Annual balance sheet total
Medium-sized	< 250	≤ €50 million <small>(in 1996 € 40 million)</small>	or	≤ €43 million <small>(in 1996 € 27 million)</small>
Small	< 50	≤ €10 million <small>(in 1996 € 7 million)</small>	or	≤ €10 million <small>(in 1996 € 5 million)</small>
Micro	< 10	≤ €2 million <small>(previously not defined)</small>	or	≤ €2 million <small>(previously not defined)</small>



Importance of SME in the national economy (on the example of the EU27)

Table 1: Key indicators for enterprises in the non-financial business economy, EU-27, 2005 ⁽¹⁾

	Total	SMEs	Micro	Small	Medium	Large
Number of enterprises (millions)	19.65	19.50	18.04	1.35	0.21	0.04
Share in total (%)	100.0	99.8	91.8	6.9	1.1	0.2
Persons employed (millions)	126.7	85.0	37.5	26.1	21.3	41.7
Share in total (%)	100.0	67.1	29.6	20.6	16.8	32.9
Value added (EUR billion)	5 350	3 090	1 120	1 011	954	2 270
Share in total (%)	100.0	57.6	20.9	18.9	17.6	42.4
Apparent labour productivity (EUH : 1000 per person employed)	42.3	36.4	28.9	38.7	44.8	54.4
Relative to total (%)	100.0	86.1	70.7	91.5	105.9	128.6

Source: Eurostat (SBS size class)

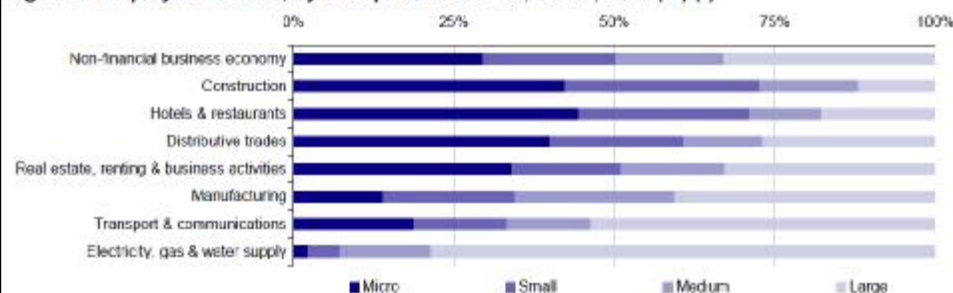
⁽¹⁾ Including rounded estimates based on non-confidential data; SMEs (1-249 persons employed); micro enterprises (1-9 persons employed); small enterprises (10-49 persons employed); medium-sized enterprises (50-249 persons employed); large enterprises (250 or more persons employed).

Source: M. SCHMIEMANN Statistics in focus. Industry, trade and services no.31/2008, EUROSTAT



Importance of SME in the national economy (on the example of the EU27)

Figure 1: Employment share, by enterprise size class, EU-27, 2005 (%) ⁽¹⁾



Source: M. SCHMIEMANN Statistics in focus. Industry, trade and services no.31/2008, EUROSTAT



Importance of SME in the national economy (on the example of the EU27)

Figure 2: Density of SMEs – number of SMEs per 1 000 inhabitants, non-financial business economy, 2005 (1)



Source: M. SCHMIEMANN Statistics in focus. Industry, trade and services no.31/2008, EUROSTAT



Importance of SME in the national economy (on the example of the EU27)

Table 3: Key indicators on SMEs in the non-financial business economy, 2005 (1)

(% share of SMEs in national total)

	Number of enterprises (thousands)	Number of persons employed (thousands)	Value added (EUR billion)	Number of enterprises	Number of persons employed	Value added
EU-27	19 902	85 000	3 090	99.8	87.1	87.6
BE	395	1 902	83	99.8	88.6	87.6
BG	240	1 318	5	99.7	72.6	83.2
CZ	878	2 461	30	99.9	88.9	88.7
DK	202	1 129	67	99.7	88.0	84.6
DE	1 654	12 357	653	99.5	80.6	83.2
EE	38	305	4	99.6	78.1	75.1
IE	85	854	53	99.5	87.5	88.2
EL	830	2 031	44	99.8	81.9	83.6
ES	2 542	10 598	398	99.9	78.7	88.5
FR	2 274	8 834	412	99.8	81.4	84.2
IT	3 819	12 182	420	99.9	81.3	79.9
CY	49	174	5	99.9	84.5	80.0
LV	82	489	5	99.7	75.6	71.1
LT	99	819	5	99.7	72.9	58.5
LU	21	120	7	99.6	70.8	58.5
HU	556	1 783	20	99.8	70.9	58.2
MT	-	-	-	-	-	-
NL	482	3 146	146	99.7	87.6	81.5
AT	272	1 589	76	99.7	87.4	88.0
PL	1 405	5 289	59	99.8	89.8	48.4
PT	848	2 676	47	99.9	82.0	87.8
NO	410	2 463	13	99.5	82.8	48.4
SI	88	371	8	99.7	85.4	88.6
SK	42	501	7	99.8	54.0	44.5
FI	187	717	40	99.7	58.5	53.9
SE	529	1 987	83	99.8	83.2	55.6
UK	1 535	8 636	501	99.6	54.0	51.0
RO	241	895	102	99.8	89.6	88.6



Theories of internationalization - a process of increasing involvement of enterprises in international markets

1 Trade theories

- * 1.1 Absolute cost advantage (Adam Smith, 1776)
- * 1.2 Comparative cost advantage (David Ricardo, 1817)
- * 1.3 Gravity model of trade (Walter Isard, 1954)
- * 1.4 Heckscher-Ohlin model (Eli Heckscher, 1966 & Bertil Ohlin, 1952)
- * 1.5 Leontief paradox (Wassily Leontief, 1954)
- * 1.6 Linder hypothesis (Staffan Burenstam Linder, 1961)
- * 1.7 Location theory
- * 1.8 Market imperfection theory (Stephen Hymer, 1976 & Charles P. Kindleberger, 1969 & Richard E. Caves, 1971)
- * 1.9 New Trade Theory
- * 1.10 Specific factors model

2 Traditional approaches

- * 2.1 Diamond model (Michael Porter)
- * 2.2 Diffusion of innovations (Rogers, 1962)
- *
- * 2.4 Foreign direct investment theory (FDI)
- * 2.5 Monopolistic advantage theory (Stephen Hymer)
- * 2.6 Non-availability approach (Irving B. Kravis, 1956)
- * 2.7 Technology gap theory of trade (Posner)
- *

2.3 Eclectic paradigm (John H. Dunning)

2.8 Uppsala model

3 Further theories

- * 3.1 Behavioral theory of the firm (Richard M. Cyert & James G. March, 1963; Yair Aharoni, 1966)
- * 3.2 Contingency theory
- * 3.3 Contract theory
- * 3.4 Economy of scale
- * 3.5 Internalisation theory (Peter J. Buckley & Mark Casson)
- * 3.6 Product life cycle theory (Raymond Vernon, 1966)
- * 3.7 Transaction cost theory
- * 3.8 Theory of the growth of the firm (Edith Penrose, 1959)



Internationalization process

In the late 70s, two Swedish researchers (Uppsala School) developed one of the most influential internationalization models that describe the foreign market access of firms as an incremental learning process along several internationalization stages.

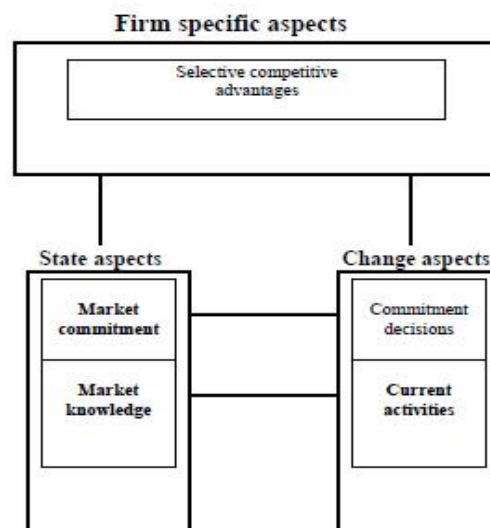


Uppsala model

The Uppsala model is a theory that explains how firms gradually intensify their activities in foreign markets. The key features of the model are the following: firms first gain experience from the domestic market before they move to foreign markets; firms start their foreign operations from culturally and/or geographically close countries and move gradually to culturally and geographically more distant countries; firms start their foreign operations by using traditional exports and gradually move to using more intensive and demanding operation modes (sales subsidiaries etc.) both at the company and target country level.



Uppsala model





International entrepreneurial processes

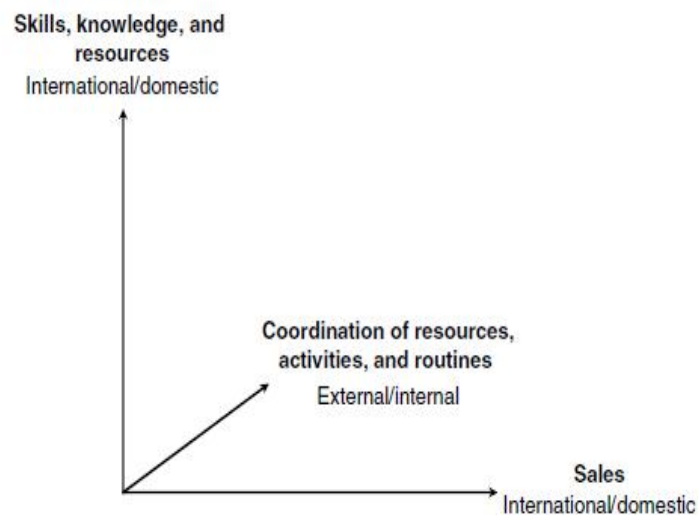
The entrepreneurial processes typically involve the parallel execution of a variety of tasks and activities, the significance of the international dimension is highlighted by distinguishing between three organising principles, or milestones, of the entrepreneurial process:

- (1) the discovery of opportunities;
- (2) the deployment of resources in the exploitation of these opportunities; and
- (3) the engagement with international competitors.

John A Mathews and Ivo Zander. The international entrepreneurial dynamics of accelerated internationalization. Journal of International Business Studies (2007), 1–17.

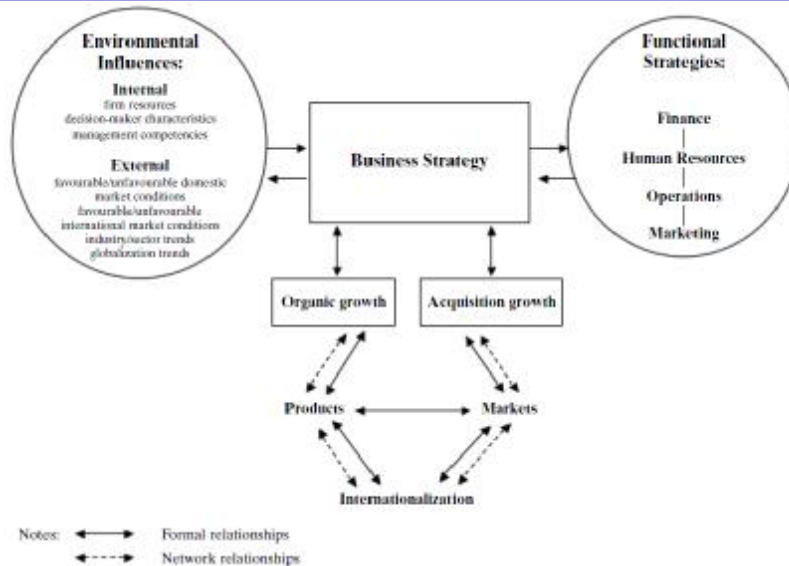


Entry points into the global marketplace



John A Mathews and Ivo Zander. The international entrepreneurial dynamics of accelerated internationalization. Journal of International Business Studies (2007), 1–17.

Business Strategy and Internationalization Interrelationships



J. Bell, D. Crick. Small Firm Internationalization and Business Strategy. International Small Business Journal, Vol 22(1): 23-56. SAGE Publication.

OLI Paradigm - The Eclectic Theory by John Dunning

The Eclectic Theory was evolved by John Dunning, emeritus professor at the Rutgers University (United States) and University of Reading (United Kingdom).

The OLI Paradigm is a mix of 3 various theories of foreign direct investment, that concentrating on a various question.

$$\text{FDI} = \text{O} + \text{L} + \text{I}$$



"O" - Ownership Advantages (or FSA - Firm Specific Advantages)

This firm specific advantage is usually intangible and can be transferred within the multinational enterprise at low cost (e.g., technology, brand name, benefits of economies of scale).

The advantage either gives rise to higher revenues and/or lower costs that can offset the costs of operating at a distance in an abroad location.

A Multinational enterprises operating a plant in a foreign country is faced with additional costs paralleled to a local competitor.



"L" - Location Advantages (or Country Specific Advantages - CSA)

The firm must use some foreign factors in connexion with its native Firm Specific Advantages(FASs) in order to earn full rents on these FSAs. Therefore the locational advantages of different countries are key in determining which will become host countries for the Multinational enterprises .

Clearly the relative attractiveness of various locations can change over time so that a host country can to some extent engineer its competitive advantage as a location for foreign direct investment.



I" - Internalization Advantages (IA)

The Multinational enterprises has several choices of entry mode, ranking from the market (arm's length transactions) to the hierarchy (wholly owned subsidiary). The Multinational enterprises chooses internalization where the market does not exist or functions poorly so that transactions expenses of the external route are high.

The subsistence of a particular know-how or core ability is an asset that can give rise to economic rents for the firm. These rents can be earned by licensing the Firm Specific Advantages to another firm, exporting products using this Firm Specific Advantages as an input, or adjustment subsidiaries abroad.



OLI critics

The eclectic ownership–location–internalization (OLI) theory of multinational activity became the arguably dominant view in the 1970s and 1980s, and continues to be perhaps the most influential theoretical account of the existence of MNEs as such, and of the sources of their advantages over domestic rivals.

The OLI theory never set out to capture new firm formation and early development processes, but is based squarely on the experiences of large, well-established international firms.

The actual origin of firms, the process of the firm's internationalisation, and the transformation of the sources of competitive advantage are of only limited interest to this theory. Thus it has little dynamic content, and limited explanatory purchase on novel ways of implementing an internationalization approach.



Beyond OLI

The early and rapid internationalization of mMNEs one needs to go beyond the basic assumptions of the framework established by OLI. This involves recognition of the multitude of diverse organisational forms that have emerged in more recent years, and of their ability to draw competitive advantage from external networks and inter-firm relationships rather than from internalised resources, skills and knowledge.

Moreover, the early growth and experiences of any firm becoming engaged in the global economy can best be accommodated in a theoretical framework that is open to an appreciation of internationalisation as a process of entrepreneurial discovery, strategising under genuine uncertainty rather than economising, and dynamic processes of exploitation, redeployment of resources and learning.



BORN GLOBALS

- None of internationalization theoretical approaches can explain the existence of young and small internationally operating firms that skip different stages of the internationalization process or are global from day one. This critique led to a new stream of literature in the field of international business research.
- International entrepreneurship has linked the paths of research in international business and entrepreneurship in order to place emphasis on the relevance of small firms – so-called “born globals” or “international new ventures” – in the increasing globalization of markets.



New paradigm of going international

Recent international entrepreneurship research suggests the increasing adoption of more committed internationalisation modes by smaller 'born global', 'global start-ups', 'rapidly internationalising', and network-driven firms.

These firms can, in principle, use the same strategies – ranging from export modes to international alliances and joint ventures to internationalize business – as large multinational enterprises, even though resource restrictions and the inexperience in entering new markets are comparatively high in young entrepreneurial firms.



micromultinationals (mMNEs)

Term micromultinationals (mMNEs) to characterise these globally assertive SMEs.

mMNEs are a separate body of internationalised SMEs that control and manage value-adding activities in more than one country, using (such advanced market servicing modes as international licensing agreements, international franchising, international joint ventures or foreign subsidiaries.

These firms are expected to grow in number in future years and might be vital for the longer term growth and development of national economies.



micromultinationals (mMNEs)

Micromultinational enterprises (mMNEs) are small and medium-sized firm that controls and manages value added activities through constellation and investment modes in more than one country

John A Mathews and Ivo Zander. The international entrepreneurial dynamics of accelerated internationalization. Journal of International Business Studies (2007), 1-17.



NUTRECO <http://www.nutreco.com/>



Nutreco is a global leader in animal nutrition and fish feed. Our advanced feed solutions are at the origin of food for millions of consumers worldwide. Quality, innovation and sustainability are guiding principles, embedded in the Nutreco culture from research and raw material procurement to products and services for agriculture and aquaculture. Experience across 100 years brings Nutreco a rich heritage of knowledge and experience for building its future. Nutreco employs approximately 9,700 people in 30 countries, with sales in 80 countries. Nutreco is listed on the NYSE Euronext stock exchange in Amsterdam and with annual revenues of EUR 4.3 billion in 2009.

[About Nutreco](#) | [Investor Relations](#) | [Press Issues](#) | [Research & Development](#) | [Corporate Governance](#) | [Sustainability](#) | [Careers](#)

Search

You are here: Home

AAA

Nutreco, the international animal nutrition and fish feed company





Fresenius Medical Care

<http://www.fmc-ag.com/>



[Site Map](#) | [Glossary](#) | [Contact](#) | [Imprint](#) | [Deutsch](#)

Our Company

- [Dialysis Products](#)
- [Medical Information](#)
- [News and Press](#)
- [Investor Relations](#)
- [Human Resources](#)

CAPITAL MARKETS DAY
 Replay Webcast of
 September 1 and 2, 2016
[More Information](#)

Fresenius Medical Care

We are the world's largest integrated provider of products and services for individuals undergoing dialysis because of chronic kidney failure, a condition that affects more than 1,899,000 individuals worldwide.

With innovative dialysis products and therapies we define highest standards for the treatment of patients with chronic kidney failure.

News

* August 25, 2016
Fresenius Medical Care acquires peritoneal dialysis business from Gambro

Country Page





CMS ENERGY

<http://www.cmsenergy.com/>



CMS Energy Stock Price: \$17.87 +0.04 (0.22%)
 01:14 PM ET 09/28/16

Consumers Energy is our principal business.

About Us
[Investor Relations](#)
[Shareholder Services](#)
[Corporate Governance](#)
[Compliance and Ethics](#)
[Environment](#)
[Media Center](#)
[Careers](#)



Our principal business is our Michigan-based electric and natural gas utility, complemented by a North American independent power business.



AKCES DANCING SHOES

<http://www.akces.biz/>



Pracownia Obuwia Scenicznego








O firmie

Promocja

Oferta

Cennik

Miary

Zamów

Kup teraz

Aktualności

Sponsoring

Linki

E-mail



**Obuwie taneczne na miarę i ...
na miarę Twoich potrzeb.**

Firma AKCES DANCE (wcześniej Akces) projektuje i produkuje obuwie taneczne od 20 lat niezmiennie w Krakowie, przy ulicy Gościńnej. Firma o podobnie brzmiącej nazwie nie jest naszą filią.



Prezentujemy naszą parę sponsorowaną

Monika Kapela oraz Filip Nowak



CARS ON THE WEB

<http://www.carsontheweb.com>



TOP-QUALITY RANGE
 Cotw is an auction platform for second-hand cars. The cars come from European leasing and car rental companies and car manufacturers, so are top quality!

[Find out more](#)









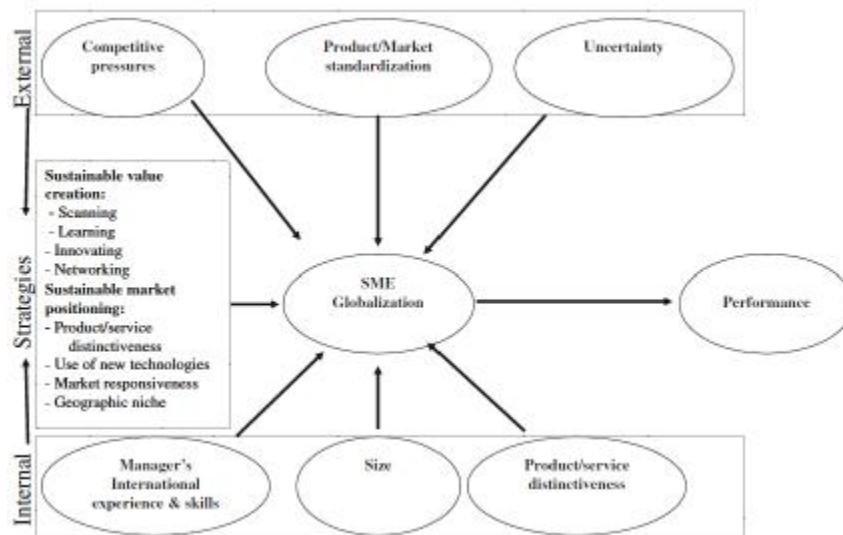
Characteristics of mMNEs

1. mMNEs are more likely to be found in high technology and knowledge intensive sectors.
2. mMNEs largely employ the contractual modes of entering and servicing international markets.
3. mMNEs are less influenced by psychic distance factors in their foreign markets selection and targeting decisions.

Source: Kevin Ibeh et al, 2003: MICROMULTINATIONALS: SOME PRELIMINARY EVIDENCE ON AN EMERGENT 'STAR' OF THE INTERNATIONAL ENTREPRENEURSHIP FIELD



Framework for an SME's globalization and performance



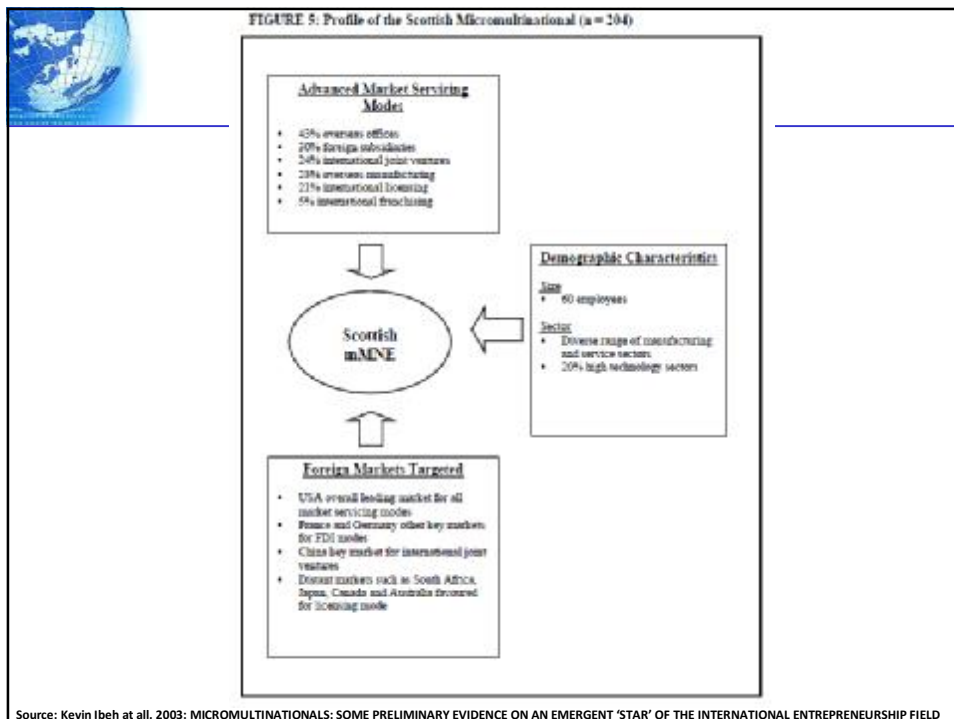
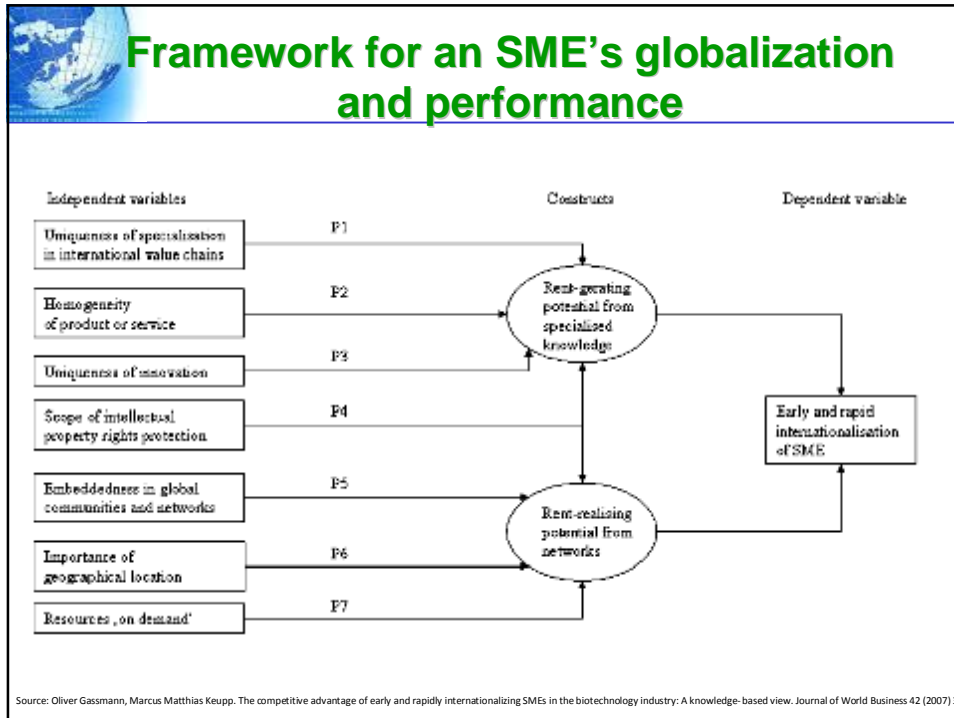
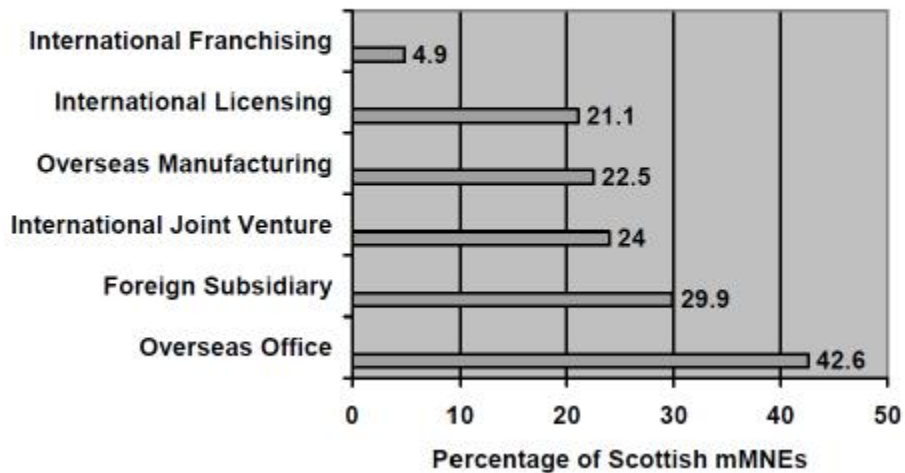


FIGURE 1: Utilisation of Advanced Market Servicing Modes



Source: Kevin Ibeh et al., 2003: MICROMULTINATIONALS: SOME PRELIMINARY EVIDENCE ON AN EMERGENT 'STAR' OF THE INTERNATIONAL ENTREPRENEURSHIP FIELD



latecomer MNEs

Another cluster of firms, many of which originate from the peripheral regions of the global economy, may be labelled **latecomer MNEs** – because they arrive late on the international stage, but can thereby draw advantages not available to their earlier counterparts.

These firms have pursued accelerated internationalisation over the course of the past decade and acquired global reach in a fraction of the time taken by their predecessors, typically on the basis of leveraging or reconfiguring the value chains of established competitors.

John A Mathews and Ivo Zander. The international entrepreneurial dynamics of accelerated internationalization. Journal of International Business Studies (2007), 1–17.



ACER <http://www.acer.co.uk>



About Us



Since its founding in 1976, Acer has achieved the goal of breaking the barriers between people and technology. Globally, Acer ranks No. 2 for total PCs and notebooks. A profitable and sustainable Channel Business Model is instrumental to the company's continuing growth, while its multi-brand approach effectively integrates Acer, Gateway, Packard Bell, and eMachines brands in worldwide markets. Acer strives to design environmentally friendly products and establish a green supply chain through collaboration with suppliers. Acer is proud to be a Worldwide Partner of the Olympic Movement in staging the Vancouver 2010 Olympic Winter and London 2012 Olympic Games. The Acer Group employs 7,000 people worldwide. Estimated revenue for 2009 is US\$17.9 billion.

Over 30 years of making history in the fast-paced IT industry shows that Acer has walked in the right direction. Its far-reaching strategy of focusing on R&D and marketing development laid the foundations and created a company ready to embrace the challenges of the future.