SMALL BUSINESS ENTRY INTO INTERNATIONAL MARKETS

by

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Abstract

Small businesses encounter problems unique to their size, limited resources and infrastructure while academic literature is limited on their challenges of globalization and partnership issues. They are often owned by equal partners, creating additional complications. Finding a suitable international strategy for growth and diversification as well as understanding practical business solutions for global operations are key variables to guide the decision process. A literature review and analysis of the international experiences of a small Canadian company were conducted to identify risks and resources for global market strategies. This investigation revealed that small companies should capitalize on network and alliance opportunities to gain access to international markets, and consider exporting to test market environments. Good leadership will provide a successful international strategy that fits the small business operations and the company's strategy, while leveraging their core capabilities and competitive advantage into a global niche strategy.

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1 Introduction

Many small businesses are faced with the decision to compete in the international business environment to achieve growth and long term sustainability. Vertical diversification allows a small company to take advantage of growth opportunities within their industry with their limited resources. Developing a strategic international plan to expand into new geographical regions, that is compatible with the infrastructure and modest resources of a small business, has unique challenges. Identifying and managing risks in the international environment is complex for a small business, as there are different economies, currencies, cultures and legal systems. Small businesses are often owned by equal partners, which can be an advantage or disadvantage. Analysis of current infrastructure and the resources allows a business to assess international opportunities for strategic fit with the company core capabilities and competencies. The method undertaken to assess these challenges included a literature review and analysis of a small Canadian company's international operations to offer insight of their experiences in the global economy and share solutions they found to international business problems that were compatible to the organizational size and resources.

2 Company Overview

A small Canadian company, referred to as Company XYZ for confidentiality, operates in the aerospace industry, providing new and used parts and some maintenance services to a specific segment of this industry. Company XYZ was initially a parts distributor in the aviation industry. The company carries an extensive inventory of primarily used parts comprised of bargain lot purchases, wrecks and consignment items. Due to the uniqueness of the items required by the customer, the majority of the parts sales revenue is driven by procuring individual items on demand.

2.1 Ownership

The company was formed by industry engineers who had direct practical experience and intellectual knowledge in this market segment. This company is owned by two equal partners, who have different views on the primary business focus, core competencies and the competitive advantage to achieve long term sustainability of the business.

2.2 Employees

Company XYZ's number of permanent full time employees have varied from five to fifteen depending on the volume of business. The sales team is comprised of three permanent employees, the accounting and administration staff has consisted of up to three permanent employees, while the balance of the employees are distributed in shipping/receiving roles, inventory and repair technicians. Temporary skilled employees are employed to fulfill maintenance and service obligations or to assist with large inventory purchases. The temporary employees are recruited from the Canadian market during Canadian off seasons, and are usually directly known by the owners. The core employee structure is small, but all employees have flexible capabilities to meet changing needs.

The lack of business experience and marketing abilities led this company to hire qualified sales employees in this technological complex environment, as it did not have the infrastructure or resources to train and develop employees internally. The sales employees of this company have extensive industry training and experience, which was gained in competitors' environments. Sales employees utilize their previous experience, industry connections and knowledge of competitor pricing structures to expand the customer base and gain access to additional procurement sources. The payment structure of these employees varies on an individual basis, with some employees receiving straight salary and others receiving a combination of salary and commissions.

2.3 Management

Management of Company XYZ is shared by the two owners of the company. The management roles and responsibilities change between the owners, referred to as Owner A and Owner B for identification purposes, and often is a function of default rather than any agreed upon decision process. The factors that influence the lines of authority are physical location of owner, owner's personal passion on the subject, initial contact of the problem, and owner's time commitments.

Owner A spends more time at the physical location and is more involved in day to day operations, therefore by default makes the majority of the operational decisions. This individual is task and detail oriented, provides daily sales support as well as maintaining specific customer relationships for parts sales, while offering bilingual services to French speaking business contacts. Owner A is the registered parts inspector with Transport Canada, requiring all re-furbished and used parts to be inspected and re-certificated by this individual, which is a key business function of day to day operations. Owner A spends approximately 25% of his time travelling and is at the office during business hours when in town. Owner A also has keen memory, financial understanding and stores much of the business intellectual knowledge on his shoulders. Owner A does not like dealing with human resource issues or conflict of any sort, although he has a logical mind and operates in a fairly consistent manner. Owner A has a long term perspective on the business and favours the parts sales part of the business.

Owner B is a dynamic individual who is constantly in motion. This individual spends at least 50% of the time traveling and his energies are spent on external relationships and on off-site projects. When he is in town, his office hours are sporadic, unless there is pressure from the other partner. Owner B usually prefers to be a decision maker from outside locations and likes to take over the day to day operational decisions when he is in the office. He prefers a broad overview perspective of the business and delegates activities to others that requires detail or follow up. Owner B is a passionate individual that does not enjoy the routine of day to day sales or things that cannot be dealt with immediately. Owner B is project oriented and maintains a number of industry relationships. Owner B has a short attention span and does not like or fully understand the administration or financial portion of the business. This individual is a quick decision maker, favouring immediate solutions to allow him to move his attention to a different direction. He is also very social and his decisions are often influenced by personal relationships. The decisions can be altered and flexible, based on what his current passion is and his priorities at the time. Owner B embraces dealing with human resource issues and conflicts of any sort, although he has an emotional and inconsistent manner. In summary, Owner B has a short term business perspective and favours the service and maintenance portion of the business.

Business differences are addressed in different manners between the owners. The methods utilized for resolving problems are ignoring the problem, delegating the responsibility to the other owner, allowing the most passionate party to make the decision, seeking information from third parties to influence the decision, and lastly the foosball (table game) challenge which determines the final decision.

2.4 Global Activities

Company XYZ made a strategic decision to diversify primary reliance on the North American economy and alliances were chosen to gain access to new markets, offering project services including maintenance, parts installation and brokerage services. This expansion in the global environment was an opportunity to achieve growth and international expansion in a focused niche environment by offering complementary services to the core sales business thus gaining a competitive edge over other parts suppliers and leveraging the expertise and industry connections.

2.5 Industry - Aerospace

The aerospace industry is regulated by the Canadian federal government under Transport Canada. Company XYZ is a Transport Canada AMO (Approved Maintenance Organization) and parts distributor certificate holder. International trade accounts for more than 82% of the aerospace industry's output, with 2008 global sales of 58% to the United States and 24% to Europe. Canada's international exports in this industry were $19.3 billion dollars in 2008 (Aerospace Industries Association of Canada 2011). The international standard currency is USD. Industry conditions are very volatile as they are directly linked to seasons, weather, resource industry economies and currency exchange rates.

3 Literature Review

A literature review was conducted to examine strategies, opportunities and risks specific to small business entry into international markets. A small business' goal to achieve a cohesive global business strategy requires fitting together the strategic approach and global marketing with the intensity and scope of global operations. Identifying additional resources such as alliances and networking to facilitate the small business' international strategy can create additional growth opportunities. Identification of international business risks assists a company to formulate a global strategy that is compatible to their organization and entrepreneurial spirit. A small company's international strategy is directly linked to the leadership which led to investigating the advantages and disadvantages of equal partnerships, which are a common element in many small businesses. The goal of the literature review was to obtain knowledge on small businesses globalization efforts.

3.1 Strategy

Research on Irish SME (Hynes 2010) indicates that globalization should be a component of company strategy, not a separate strategy. Small enterprises are unique in the global environment as they provide a different offering to the international economy with limited resources and infrastructure. Hynes identifies three internationalization approaches appropriate for SMEs as staged, network or born global. The staged approach is gradual expansion to external markets to gain experience and knowledge, at a controlled speed of entry and resource commitment level. The network approach is an approach that capitalizes on business relationships and networks to establish the company as a global provider, by contributing value chain activities. This approach offers restricted control and opportunities that are tied to the network. Born global approach is a business start-up strategy where a company's operations are focused on the customers in the global market environment, regardless of borders. The skills and competencies of the owner/management directly relate to globalization success and the strategic fit of the organizational structure. The network approach is supported by Zucchella and Palamara's research that small companies can also position themselves in market niches utilizing customization to obtain a protected competitive environment from large international firms. This process is a serial activity that focuses on global customers, like a born global, but shape the market with proactive innovation and dynamism (Zucchella and Palamara 2007). Strong customer orientation is required with this strategy, as is continuous monitoring of rival competition and customer needs.

Diversification is only valuable to reduce risk in a privately held company as the company and owners risk are the same (Porter 1987). The corporate strategy should provide the direction to proceed, which sometimes will result in diversification. When diversifying within a company, it is also important to examine Porter's action plan to make sure that value is added to existing business unit's core competitive advantage with shared activities that fit within the organization's infrastructure.

Studies indicate that small global companies act different than non global companies, competitively and structurally, and that networking offered little value to the globalization process in a small business (Nkongolo-Bakenda, et al. 2010). The dominance of the global economy has engaged some small businesses to respond to the opportunities and threats with globalization. The scope and intensity of small business international activities differs from larger corporations as they can utilize their flexibility and customization abilities to adapt to market niches, whereas large companies focus on standardization. Determinates of globalization were two internal pushing factors, the firm's size and management's international skills and not the pulling forces of competition, uncertainty or standardization.

3.2 Marketing

Douglas, Craig and Kee recommend an in-depth marketing analysis derived from secondary data sources, when determining potential markets. Other recommendations include establishing a country screening process, with online professional information to access for country fit as well as federal government public market reports. Setting up a customized criteria model that will assess countries fit with an evaluation tool can exclude markets and match specific company goals and characteristics (Douglas, Craig and Kee 1982). In-direct marketing, such as US trade shows or utilizing agents can provide access to networks in other countries. Howard and Herremans list the five most important business activities that provide the foundation for successful exporting firms were selecting agents/distributor, maintaining these agents/distributor relationships, completing exporting documentation, pricing decisions and providing technical advice (Howard and Herremans 1988). When selecting an export management company Brasch advises to determine the financial stability prior to entering into an agreement and consideration should be given to the concerns that large EMC experience high turnover and small EMC may have questionable qualifications and high mortality rates (Brasch 1981). Brasch outlines the necessity to train and supervise the EMC, plan early trips to foreign market with representative and have the agent provide a specific market development plan. Accessing some foreign markets may be only available through personal business contacts, so active management of this relationship will be important, while setting realistic expectations. The culture of the target audience will determine the appropriate marketing strategy in the international environment.

3.3 Alliances

A study of alliance relationships (Fernandez and Nieto 2005) favoured export agreements as a method to collect market information and gain market opportunities. Family run small businesses are very similar to other small businesses as the limited capital has to fund business growth needs as well as the owner needs, creating additional pressure. Alignment with international partners allows small businesses to leverage resources for global expansion but also creates transactional costs, with risks of opportunism, moral hazard and adverse selection. (Zacharakis 1997). Developing alliance relationships require that there is a clear understanding of each party's partnership complementary goals, while analyzing the combined skills and performance expectations for fit. Zacharakis identifies the need of some smaller firms to ally with partners to participate in the global economy.

Griffin and Pustay identify the alliance opportunity as a method to share the responsibilities and risks on a project. Functional alliances require allocation of responsibilities and risks, as well as clarifying the level of collaboration that will be in place. Decisions on strategic partners need to consider compatibility, partner's products, the safeness of partner and the cross-learning opportunities available with an alliance (Griffin and Pustay 2010). Analyzing trust, communication, operating principles, strengths/weaknesses, learning opportunities and product/service compatibility of a potential partner will facilitate the decision process of whether to pursue an alliance relationship. Ensuring that the agreement is equitable for all parties is important in establishing a trusting relationship, and will create sustainability opportunities. In an alliance relationship, each business is separate and there is a risk that when a new opportunity is presented, the ally may select different allies or chose to do the project independently. Zacharakis references Williamson's work on Transaction Cost Economics to determine the structure and method based on transaction cost effectiveness (Zacharakis 1997). The decision process should consider his three primary assumptions that people are opportunistic (self interest), rationality bound (only have partial information) and the transaction nature is affected by contribution of valuable attributes to each party in international strategy. Developing strategic relationships offer an opportunity for synergy.

3.4 Networking

Networking opportunities are available as large companies leave a lot behind because it doesn't fit or is too small (Sowinski 2005). Capitalizing on competencies to fill gaps (Hutchinson, Quinn and Alexander 2005) is an opportunity for a small business to gain entry in the international economy, in a niche environment. Hutchinson identifies a top-down (owner led) strategy process that is consistent with the organizational commitment. The small business personalized management style can offer more global network opportunities from informal and formal contacts. Traditional firms often have an unplanned opportunistic global approach versus the more structured approach of technological firms to global opportunities. Small businesses are unique from other businesses in the internationalization process as it is more casual and not a methodical change process. The globalization entry mode, timing and choice of markets have to fit the company characteristics while targeting similar market segments.

3.5 Risk

Barriers to international markets include internal barriers that impede the global expansion and external barriers that impede the international process (Quinn, et al. 2009). Internal barriers for small business are related to management's decision process with internal and external perceptions of foreign markets, lack of flexibility to adjust to a changing business environment, or lacking the resources to implement a value added strategy. Strategic networking can offer opportunities to fill internal resource gaps. The nature of the small business requires lower cost international entry modes.

Forlani, Parthasarathy and Keaveney study of management perceptions of risk in global environment relate to the firms control and capability interaction that predicts managers risk perceptions. Less capable firms see increased risk with increased levels of ownership on foreign soils, while more capable firms (resource based firms and increased firm size) see increased risk with decreased ownership (Forlani, Parthasarathy and Keaveney 2008). Large companies do not like non-ownership as it limits application of internal capabilities, and is viewed as diluting the opportunities available. Management perceptions of risk are concerned with negative outcomes, based on magnitude of financial losses perceived. One risk management approach is to control the proprietary processes as a method to counter balance the host-country's control of market-based relationships. Management perceptions are that they can use skills to manage internal risks, but that relying on the external environmental is uncontrollable risk. Low ownership entry like transaction cost theory, is market based relationship that mitigates financial losses. Hynes research supports that the influencing factor of risk perceptions is the organizational motivation of globalization, either positive and proactive seeking opportunities, or negative and reactive due to a lack of opportunities. Direct exporting to international markets is the least risky strategy as it can fit within the current organization structure fairly easily, while requiring limited financial resources, however it is difficult to gain market share in this manner (Hynes 2010).

3.6 Equal Partnerships – Advantages and Disadvantages

Under the right condition, two leaders can be better than one (Alvarez, Svejenova and Vives 2007). The key elements for a successful dual leadership structure are careful choice of the partner, partner knowledge and understanding of each other that will enable them to design a shared job, vision and accountability, while speaking in a single public voice and resolving disagreements privately. Alvarex, Svejenova and Vives identify the qualities necessary for these power sharing arrangements as complementary aptitudes, compatible relationships - demonstrating comfort and trust, commitment to a common purpose, sharing mutual values, vision and decision making criteria and careful design of shared and separate responsibilities – particularly concerning communications and willingness of both parties to adapt and change over time.

Thurston suggests preventive actions are taken in equal partnership agreements to insure that although ownership may be equal, inequitable decision rights are given so control of the organization is clearly defined. Establishing who is in charge from the beginning of the partnership is important and when disagreements are not resolvable, predetermined mechanisms are in place, if the lesser partner does not abide by the decisions. The worst choice is the failure to resolve "knot of disagreement" as deep disagreements magnify over time and will spread throughout the organization (Thurston 1986). The toxicity of the dispute will proliferate, jeopardizing the business and the quality of life of all exposed individuals. Options available to open up lines of communications are third party unbiased agents that can include a lawyer or business associate or may involve engaging a professional. The partners must be active participants to find a solution that improves the partner relationship, and being willing to give up some ground for a long term solution. Partnerships may need to be redefined to allow partners to continue the relationship. Partners that provide complementary skills may find a solution by focusing on specific part of the business that is defined, separate and respected, while reducing the equality of day to day management. When the partnership is destroyed it will be necessary to dissolve the partnership.

Rosenberg recognizes that conflict is good in partnerships when it is explored and resolved. Focusing on goals and long term plans can shift partner's perspective from short term disagreements. One method for solving disagreements is to focus on the issue that the most difficult and have the partners summarize the other side of the argument (Rosenberg 1998). Ground rules for communication and resolving issues need to be established and agreed upon in advance. Finally "Partners should become partners or remain partners if there is more reason for being together than being apart" (Rosenberg 1998).

4 Pitfalls to avoid - Cultural, Financial and Legal Risks

Examination of pitfalls experienced in global operations of Company XYZ offers insight to other small businesses entering international markets. Company XYZ was unprepared for the cultural, financial and legal risks associated with international business, and had to learn some lessons in the process. Assessing the risks associated in the foreign markets is an initial step to the screening process. Small businesses lack the resources and infrastructure to address the number of obstacles associated with a market place that does not fit the current operational business model. The risks associated with a market environment will offer key information to small businesses, allowing them to limit their exposure, entry mode or eliminate specific markets entirely.

4.1 Culture

Cultural differences need to be assessed and managed for risk. Culture is the integrated set of shared values, customs, attitudes and beliefs that determines the rules that firms operate under in the society. The components of culture are language, religion, social structure, values and communication. Operating in foreign countries with closer culture elements decreases operational risks. Operating in different cultural environments such as China where personal relations are more important than legal contracts can present complex business relationships. It is important to understand the culture and society norms, so non verbal communication or behaviour is not offensive (Sowinski 2005). Small businesses lack the resources to have internal knowledge available to manage the cultural differences.

Company XYZ cultural literacy was limited to verbal communication only, and was based on a self-reference criterion, where they used their own culture to judge their environments. There were elements of ethnocentric behaviour and own cultural superiority, demonstrated by some employees when operating in a foreign country. Company XYZ had maintenance and repair service contracts in Scotland, Australia and Lebanon. The cultures of Scotland and Australia are very similar to Canada as their roots came from the British Empire and they share a common official language (English). Company XYZ's small business did not have the resources or knowledge to understand the cultural dimensions when providing services in Lebanon. The opportunity was assessed on a financial basis and the only cultural element considered was language. The official language in Lebanon is Arabic; however French can be used in particular cases. Lebanon's secondary languages are French (70%) and English (30%), with 55% considered either francophone or partial francophone, however business transactions can be conducted in English (Wikipedia Lebanon 2011). Company XYZ considered this a viable opportunity with a bilingual French Canadian partner and other bilingual employees. The other cultural differences created additional stresses and complications that Company XYZ had not considered a business risk, and therefore was put in the position of crisis management when situations arose. The key failure in managing the cultural differences was related to the power distance and individualism. Conflicts arose when Company XYZ did not demonstrate the appropriate respect of the status of the Lebanon leaders or the rule-oriented policies, as Canada's culture allows for greater equality and individual self-confidence and reliance. Company XYZ focused on delivery of the final product, and regarded the rules and policies as guidelines to operate within while operating in a more flexible and cooperative environment. The Lebanon culture is also bounded in strong cohesive groups with collectivism attitudes contrary to the Canadian culture that demonstrates loose ties to groups, with individualist attitudes. Company XYZ failed to focus on developing the relationships in Lebanon, which may limit future opportunities with this customer. All the cultural dimensions need to be understood to manage a foreign relationship appropriately.

4.1.1 Hofstede's Five Dimensions

Hofstede's Five Dimensions (Geert Hofstede 2011) culture theory helps clarify elements to understand prior to operational decisions. Hofstede examines power, social, goal, uncertainty and time orientation of a society which can give clear guidance to cultural compatibility and the differences that may require additional attention. Power distance shows the country's respect versus tolerance of unequally distributed power with higher score indicating a high level of inequitable distribution of power and wealth. Social orientation (IDV) is an analysis of individualism versus collectivism (integrated group), the higher score indicating an individualism social orientation where self interest is the focus. Goal orientation (MAS) is examining the passive versus aggressive natures of the society with higher scores indicating competitiveness. Uncertainty is a measure of acceptance or avoidance of the unknown, the higher score indicating a more emotional and strict society with a low level of tolerance for uncertainty. Time (LTO) is a measurement of only 23 countries and is long term versus short term orientation of the society, with higher scores indicating perseverance and thrift.

Hofstede's website (Geert Hofstede 2011) offers a cultural comparison chart that gives scores on the home country and a host country that the business is considering. Identifying potential risk areas provides an opportunity to formulate a plan to address the cultural differences or exclude the market place entirely.

Utilizing Hofstede's cultural dimensions, a sample chart was prepared to examine Canada, Arab World, Australia and the World Average (Figure 1). Reviewing the cultural differences between Canadian and the Arab World it is immediately apparent the Power and Individualism are extremely different. Based on this cultural information one should be prepared for a rule-oriented business relationship with formal power structure and an uneven distribution of power. Examination of Australia and Canada shows very similar scores on all the elements with Australia achieving slightly higher scores in all categories except Power Distance. A business relationship in this environment has lower risk as it is more compatible and requires less cultural management. Hofstede provides valuable information on culture differences, which small businesses can utilize to evaluate the risks associated with the country's cultural climate.

Assessing new cultures requires cultural literacy. The initial and automatic reaction is to use self-reference by using one's own culture to assess the other culture. Consciousness of ethnocentric behaviour, which is belief or assumption of superiority of own culture; will mitigate alienation and misunderstandings on foreign soils. It is necessary to become literate in the new cultural environment and to behave appropriately to have an opportunity for success. Acculturation is the key to successful global strategy. Acculturation is a process of understanding and behaving in a compatible manner that is consistent with the new culture. Managing cultural differences is primarily about educating and managing the small business representative's behaviour, to find a niche environment that capitalizes on the company's competitive advantage.

4.1.2 Ethics

Ethics should be guided by the business values. Company XYZ did not establish guidelines for their employees to operate within the international environment and as result employees were making their own decisions regarding ethical behaviour, which caused internal friction. The unique challenges to a small business operating in the global environment is that it lacks the controls and infrastructure to address international ethical issues, with generalist employees, taking on many areas of responsibilities and lacking time to research for answers.

One ethical situation that developed at Company XYZ was a member of the sales team sold goods to a South American publically held company at highly inflated prices. The invoices were submitted to the company for payment and the authorizing party was getting the majority of the funds redistributed back to him personally under different company names. An internal conflict arose between the sales department, who was receiving commissions on the sales and the accounting department, who had to process the transactions. The company leaders were not aware of all the specific details of these transactions, nor had they assessed the risks associated with these types of transactions. Some of the sales department operated under the Naive Immoralist theory, justifying that other firms were doing the same thing. The accounting department operated from more of a combination of Freidman Doctrine and Justice Theories, believing that increasing profits had to fit within the rules of law and distribution of goods could be handled in a fair and equitable manner. Eventually Company XYZ stopped allowing these transactions, but there was a permanent wedge created between the departments.

Small business need to be conscious of the lack of influence that they have on the global environment, and accept the parameters that they will have to operate within. The lack of resources limits the role a small enterprise can actively play in ethical social responsibilities; however documented guidelines should be established to manage actions and conflicts within the company. Removing ambiguity from individuals who have to make decisions reduces work place stress and expedites the decision process, while protecting the stakeholder, environment and social welfare as the business owners intended. Ethical guidelines should also be included so the company's principles of right and wrong, and legal responsibilities are clearly stated to guide the entire team's actions. There are many theories regarding ethics and foreign operational procedures with cultural relativism representing the most popular theory adopted in business situations. Cultural relativism is simply adopting the ethics of cultures they are operating in, however caution should be exercised when the cultural ethics create legal risks for the business in their home country. One critical area to address is the ethical and legal conduct of the company and their employees. The OECD (Organisation of Economic Co-operation and Development) has publicly released the data on enforcement of anti-bribery, which indicates that Canada has been lax in enforcement of these obligations (OECD 2011) (Figure 2). It is important to understand that the sanctions and penalties that can be leveled against individuals and/or corporations. Canada's laws prohibit corruption of Foreign Public Officials (Bill S-21) and money laundering (FINTRAC) which relates to crime proceeds (including fraud and corruption) and terrorism. Businesses need to be cautious that they are not participating in these crimes. FINTRAC monitors all cross border transactions of $10,000 or more in Canada. Corruption on a corporate level is prevalent in some global countries and it is necessary that the business maintains clear policies as to how they will address these issues to ensure compliance with Canada's laws. Small businesses can protect themselves by choosing to not participate in specific international markets when the risk is too high and by not participating in fraudulent activities. The largest risk that is unique to a small business breaking these laws is the risk of legal costs and punitive measures that could financially destroy the company, where larger companies would be able to manage the legal issues and absorb the risks.

Gifts, service and agent fees may be normal business expenses in some countries and may not contravene any laws. In some cultures, such as Japan, gift giving is considered proper business etiquette, while other cultures find this distasteful or offensive. Transaction transparency in the business relationship and procedures is a strong indicator of the lack of corruption.

4.1.3 Social Responsibility

Global business operates in three different social responsibility environments. The Anglo-Saxon approach is one of competition separating government, business and society as adversaries. The Asian approach is one of close cooperation with government as an opportunity for business success, with only a minimum regard for society. The Continental European approach is one of inclusive cooperation of government, business and society. Acculturation based on the host's operating environment is appropriate because every culture's values and infrastructure are in context with their society and represents the societal norms.

There are four approaches to managing social responsibility and the business needs to find a compatible approach with the company's strategic vision. The two least responsible approaches are the Obstructionist stance which denies and avoids responsibility and does as little as possible, or the Defensive stance which does the minimum required by law and generates profits. The most responsible stances are the Accommodative stance which meets ethical and legal responsibilities and participates in social programs, and the Proactive stance which seeks opportunities to participate in social responsibility. The company's corporate vision should give guidance on which stance is most appropriate, however small enterprises have limited resources restricting them to adopt the obstruction or defensive stance in the global economy. Managing social responsibilities need to stay in context of the foreign country's culture, to be least disruptive. Company XYZ had no policies on social responsibilities so employees made independent individual decisions on what was appropriate.

4.2 Financial

Financial and currency risks are magnified with global operations. Operating in foreign countries creates financial risks not only with the monetary exchange, but also with environmental changes in political environments. The volatility in the exchange rates increases with the volume of transactions, the time frame involved and the complexity and mixture of these transactions.

The aviation industry's standard currency for purchases and sales is in US dollars, in both the domestic and foreign markets. Company XYZ had to participate in the global economy, in US dollars, and accordingly was directly linked to the declining US dollar exchange rate, which reduced the net income with increased exchange loss expenses (Figure 3), weakening competitiveness for Canadian companies. Company XYZ had historically established credit based on industry knowledge of the customer and no credit limits had been predetermined. As the customer base grew, credit was given to foreign customers; however payment terms were not adhered to. Collections in foreign countries are more complex and can be expensive, so for smaller transactions and short term customers acceptance of credit cards is important. The global recession has impacted business stability, for companies of all sizes. Larger transactions can be addressed with electronic fund transfers often in the form of international wires, which also carry significant fees for both parties. Small businesses need to assess risk and credit worthiness data on prospective customers, which can be addressed with Dun and Bradstreet credit reports as gathering information on international business customers is difficult and small companies are not able to absorb large bad debts. Opportunities exist to re-negotiate international banking expenses and receive preferred exchange rates, based on the volume of banking transactions. Longer cash turn around increases currency fluctuation and collection risks. Loss of profits is a real risk in international business.

4.3 Legal

Legal considerations of the national sovereignty policies and the political environment have to be assessed, as there may be restrictions on business relationships by Canada or a foreign body regarding restricted or controlled goods. The legal systems that countries operate under can provide key information for global operational decisions. Canada operates under common law based on case law or precedents. Former colonies of the British Empire employ this system such as United States, Australia, India and New Zealand. Civil law is based on codification of what is allowable and is the most widespread legal system that includes France, Germany, Mexico, Japan and the majority of South America. Common and civil law are very similar although business contracts need to be very detailed in a civil law environment. There are also countries that operate under religious law which can be interpreted in different ways guided by faith and regional practices, predominately practiced in Middle Eastern countries under Islamic law, creating risks due to the subjectivity involved. Bureaucratic law is a legal system in dictatorships and communist countries that is based on government having total control, creating risks which lack consistency, transparency and predictability. Business risks increase in countries operating under religious and bureaucratic legal systems. There were disputes regarding the Lebanon contract (Civil Law) that Company XYZ was involved in. Fortunately all the outstanding issues were resolved between the parties, however it is important to address how legal disputes are resolved if the parties cannot find a mutual solution. Legal contracts that include a clause that provides that disputes are to be held in the defendant's jurisdiction, and named arbitration parties, can provide a motivation to parties to find a solution that both are willing to accept.

5 Technology

Technological considerations for global operations are primarily focused on mobile computing and commerce. The ability to conduct seamless business operations, regardless of individual's physical location is often necessary in order for a small business to enter the global market environment. Aspelund and Moen's examination of small niche oriented companies, operating in international markets show that information and communication technology (ICT) expedites entry time frame and market identification, and supports small company's operations and international strategies.

Passino and Severance identified that the limiting factor of embracing technology for global expansion was the organization's transformation abilities. Although they were addressing large corporations, this is applicable to small enterprises entering international markets today, as technology is available to support operational needs. The tools required for a small business to utilize technology advancements are small investments in a global strategy, that do not require high capital investment, internal IT support or high implementation costs so no longer exclude small companies from obtaining them.

The infrastructure must include expansion in IT technology to address mobile computing and communication. ITC (International Telecommunications Union 2011) statistical data shows that access to the internet has expanded internationally from 1.1 billion users in 2005 to over 2 billion in 2010, doubling in a 5 year time frame. This data also shows that online access of the population is 71% developed countries, 21% in developing countries but only 9.6% in Africa. The challenge in developing countries is the cost is much higher as it has to be spread over a much smaller consumer base. Mobile communication in BC is limited to communities and has spotty coverage in rural areas. Communication challenges are always a concern when entering a foreign market.

Company XYZ provides laptops for the international contract managers who utilize Skype and cloud environments for emails and document sharing. International travel requires accommodations to provide internet access, however the daily costs of the internet can be quite expensive ($20 USD per day in one instance). Company XYZ is always looking for technological solutions for international business that can fit the resources of the small company. Large corporations have a sophisticated infrastructure and resources that do not require the budget consciousness a small firm has to consider in global operations.

5.1 Smart Phones

Smart phones are a business necessity to effectively operate in a global business environment. Smart phones are internet enabled cell phones that can connect to wireless networks, providing access to emails and telecommunication networks. Mobile apps are growing rapidly as the software applications are available on mobile devices offering GPS capabilities as well as a wealth of direct web access. 3G capable phones are the new world standard at this time and are available to 90% of the world population and 80% of world's rural population (International Telecommunications Union 2011). A large portion of the Middle East and North Western Africa are not covered by the 3G infrastructure. Company XYZ originally had a Bell contract; however service was very inconsistent in BC and expensive, so Telus was chosen as the service provider for cellular requirements. International cell and messages are expensive when usage fluctuates in different foreign locations.

5.2 Banking

Transitioning to a global capable small business requires the business to utilize a commercial internet banking environment to create efficiencies with remote access. Fortunately all major Canadian banks have secure commercial internet banking solutions including electronic funds transfers for payroll and suppliers (Canada and USA direct payments), wire transfers to foreign banking and foreign exchange capabilities. This access allows authorized parties to monitor banking activity, including incoming payments, in a live environment. Canadian banking systems are constantly evolving to address changes in business environments.

5.3 Language Translation

Shared language in the market can offer a large competitive advantage. There are free internet tools available to translate foreign language text and web pages such as Google translate and Yahoo's Babblefish. A Google translate icon has been included on Company XYZ web site which facilitates web users to access to their website in 58 different languages (Translate.Google 2011). Babblefish offers translations in 12 languages and is a quick translation tool to utilize (Babelfish 2011). Company XYZ uses both of these translators in day to day business operations when dealing with foreign customers. Contracts and other legal documents should always be professionally back-translated to insure the accuracy of the language.

5.4 Cloud Computing

Cloud computing is a key resource when operating globally. Cloud computing utilizes internet based services of software and servers, rather than the traditional software that is stored on a desk top. Operating in this cloud environment provides IT scalability, in a public, private or hybrid environment. A small business entering foreign markets can utilize the cloud computing resources on demand, without high initial technological expenses. The bare bones structure of a small business requires that employees located in a foreign market retain some of their duties and responsibilities at the home office, for business relationships continuity and exchange of internal information. Cloud computing offers software and data solutions from any internet connection and enables remote data storage and access. There is an advantage of shifting the IT maintenance of the cloud product to the service provider, allowing the end user to reduce the technological complexities and expenses and focus on the core business. Software companies are shifting to cloud computing or offering remote access to software applications as the business world becomes more mobile and global. Cloud computing is still a new technology and unregulated so there are some concerns to consider like data security, privacy, portability, control, service standards and international regulations. Small businesses can utilize cloud computing for non critical business data until these issues are addressed. Storing critical business data in a cloud environment should not be considered until the elements of data integrity, accountability and transparency are clarified. Cloud computing is reliant on high speed internet connections, where global coverage has increased (as discussed earlier), but is not available in all global regions. It appears that technology is transitioning towards cloud computing and businesses should keep abreast of these developments. Company XYZ utilizes cloud environments for non sensitive business correspondence and data. Cloud computing has the potential to provide flexible and scalable IT solutions, which is appealing to a small business, but policies should be in place regarding what business data can be stored in the cloud environment. Small businesses operating internationally may find Google Docs a useful platform. Google Docs offers free email and software applications that allow people to store and work on emails, documents, spreadsheets, presentations and forms on the web, including collaboration functions, in a live environment. Google Docs (Google Docs 2011) is a free service and can be used as an important resource to share digital information immediately, regardless of the physical location of the other parties. Google Docs is one way to store non-sensitive information that previously needed to be carried in a briefcase, on a laptop or faxed to the location. One application utilized by Company XYZ is uploading source documents for approvals and authorizations such as payables invoices for a cheque run, where the appropriate individuals can examine these items remotely. Any digital information can be shared between parties, or stored for viewing or printing through the internet. The sensitivity of the data should be considered as there are unclear parameters regarding the data ownership and confidentially. Many documents that do not contain any confidential information can be stored or shared in the cloud environment. Company XYZ's employees who travel extensively maintain a significant amount of correspondence in the cloud environment. Company XYZ does not have procedures or guidelines on using Google Docs, which may introduce additional risks.

5.5 Digital Documents

Company XYZ transitioned to a more paperless environment, to support global operations. Storing digital documents saves time and money, as well as allowing quick access to multiple parties. Digital documentation can replace the storage requirements in an office and control the security of the documentation. As a small business enters the global environment it is beneficial to have systems in place that support the remote access or quick accessibility to documentation in a digital form. Setting up a paperless system is a fairly simple process. The paperless system should be setup in the same manner a traditional filing cabinet would be set up. All documents would be scanned and stored in a logical manner but in a digital environment. Copies of these digital documents can be attached or linked to other documentation to create a more comprehensive audit trail. Scanners are available to all employees at Company XYZ to move all documentation to a digital environment. Paperless systems enhance productivity in all business environments and can be easily replicated in a small business environment. Digital documents are advantageous to a small business operating internationally as they are easy to share.

5.6 Communication Costs

Small businesses can reduce international communication costs by utilizing VoIP (Voice over IP). VoIP can be initiated from a regular phone with an adapter, IP phone or PC; voice is digitized and travels through a high speed internet connection. The VoIP technology enables a traveler to receive incoming office calls from any location with an adapter and internet connection. Company XYZ's office phone lines are on VoIP service. Company XYZ also uses Skype, which is a free internet software application for voice, video, text, file transfer and conferencing (Skype 2011). Skype can be used worldwide for free communications with home office, customers or other field employees, who also have a Skype account. Skype allows users to call cellular and traditional telephones with an inexpensive prepaid account. There are other internet software solutions available; however Skype is the most popular. Small businesses can benefit by using video conferencing for face to face meetings with international customers, employees, network contacts and families to maintain personal connections while reducing costs, travel time and the environmental footprint. Company XYZ could use video conferencing to show customers specific parts, gauge readings and documentation in a live environment.

Internet communications provide a large savings to a small business in international commerce.

5.7 E-Marketing

Facebook is a social networking service that has over 800 million users according to their website. Facebook is available through mobile devices and 75% of these users are outside the USA (Facebook 2011). Access to Facebook can be open or available to invited guests only. Company XYZ maintains a Facebook account. Facebook can be utilized as a small business marketing media to share current news or promotions with customers or employees, extending communications to the international market.

Marketing goods on auction sites or industry catalogue listing e-marketplaces is an option that may be suitable to increase sales and get exposure to new customers. There are multiple sites available and finding one that is suitable for the specific industry can provide international exposure and facilitate in expanding the client base into international markets. E-markets are another opportunity to get market information and facilitate in finding new suppliers. Company XYZ utilizes e-markets extensively as part of day to day operations. The convenience and costs of using these services often will decrease overhead and allow focus to be directed to the core competencies of the small business.

5.8 Travel Expenses

International travel expenses vary vastly. Small businesses require a method to predict and control these expenses for international business. Establishing realistic parameters is difficult due to all the variables involved. One option to manage these expenses is to use the Canadian Government's Travel Directive Appendices for guidelines on meal expenses and other travel expenses, which are available to the public online (National Joint Council 2011). The data is updated quarterly and it can be used to determine reasonable costs to expect when traveling abroad. A small business utilizing this schedule or other guidelines will be able to set reasonable and equitable reimbursement or allowances for foreign reimbursements and expenses.

5.9 Remote Access

Company XYZ had to address remote server access so employees travelling internationally had access to the server, sales, procurement and inventory information. Small business participating in international business ventures need to access information outside of standard home business hours. Company XYZ has set up remote server access for employees travelling internationally. Both internal and external communications need to be available at all different hours of the day, and all days of the week as coordinating is challenging when operating in different time zones.

6 Strategic Entry for International Markets

The foreign market strategy of a small business has to be driven by the core competencies and competitive advantage of the business, while considering the costs, risks and benefits of the strategy. The market entry strategy for a small business must also fit within the company structure. The small business size is the largest determinant of market entry, with options of export, alliances and joint ventures being the only realistic modes of entry. Entry strategies are not exclusive of each other and therefore strategies should be chosen based on opportunities and actual market conditions.

Company XYZ's primary mode of entry is with exports for business to business commerce. The company's primary customers are located in the North American market with regular customers in Panama, Australia and Brazil. Company XYZ has tried different entry modes in an effort to expand customer base with complementary services. Company XYZ had an unsuccessful attempt expanding the South American market with an export management contract (in-direct export). Company XYZ attempted to negotiate a joint venture agreement with an interested Australian party, with the hopes of securing a larger market in the South Pacific. Discussions on this deal were postponed as the global economy started to melt down and there is no plan to resume discussions in the near future. Company XYZ secured an Australian distributor since that time; however it has failed to generate any additional revenue with only a few sales, while significant expenses were incurred shipping inventories to the distribution center. Large service contracts were obtained through alliance entry modes in the USA, Australia, UK and Lebanon. Company XYZ has scattered its international focused energies in too many directions simultaneously, diluting the impact in a global market place. If the only measurement of success is financial, these contracts were very lucrative, increasing the annual net income by approximately 60%.

6.1 Identification of criteria to determine operational levels in global markets

The level of resources a small business can commit to global markets at any one time has to be determined as opportunities become available. The company needs to evaluate that the international strategy fits within the company strategy, and therefore does not jeopardize the company's stability, core competencies or competitive advantage Small businesses do not have the resources to restructure and set up new systems just to address the international market opportunities. Small companies are unique from large corporations as they have finite cash flow and limited credit to pursue opportunities. Small company resources are directly tied both to the company and owner's financial well being. A large financial loss will directly impact the personal financial stability and livelihood of the decision maker. Company XYZ is a limited company owned by middle class partners. The two owners left their previous careers ten years ago, to develop the business. Both partners have families that are dependent on the company's financial stability for survival. The owners started the business with personal lines of credits to purchase inventory. After five years the company was able to purchase a building, however there is a mortgage on the property, and property values have decreased. During the first 8 years of operations the owners received a wage and the small profits were all re-directed back into the business. The owners have no pension plan and are between 40 and 55 years of age. The option to re-enter their previous careers would be difficult as they have effectively been out of the workforce for 10 years and have lost seniority and benefits in the process. As the company has grown over the years so has the infrastructure, staffing and overhead. The growth of the company has also necessitated an increase in inventory levels to meet customer service and demand. The company was highly leveraged until 3 years ago but the cash flow situation has improved radically in the past couple of years. Recently the owners made a decision to purchase some large inventories, which has put the company at risk with increased lines of credit. Company XYZ's sales have been lagging due the global recession. Small businesses must manage the financial risk of the company and by extension the owners, to continue to be a viable organization.

6.1.1 What internal resources are utilized?

Identification of the internal resources that are utilized for market position includes human resources, financing, and knowledge. Company XYZ's internal resources were sources of capital, technical expertise, highly skilled employees, logistic management, global customer list, large inventory, project management skills, industry experience, procurement skills, industry memberships, vast industry connections and established suppliers. A small company can utilize their specialized internal resources to offer an outsourcing solution to other international aerospace companies so the customer can focus on their core business.

6.1.2 What internal infrastructures are capitalized on?

Internal infrastructures that Company XYZ could capitalize on for global marketing positioning include offices, warehouse, repair shop, yard space, networked computer system, industry specific software, linked marketplace procurement software and international commercial banking software. These internal resources provided additional opportunities to capitalize on.

6.1.3 What resources will have to be out sourced?

Outsourcing provides both benefits and risks. Outsourcing allows a company operating in the global market to expand and contract operational levels and acquire additional resources to meet specific market conditions. Small companies are unique as limited resources require them to keep core business overhead to a minimum to survive changes in the economic conditions while retaining core competencies. Company XYZ requires outsourced resources such as language translator expertise, additional talent pool, distribution networks, and regional marketing specialists to compete in different global markets. Outsourcing would also be necessary for legal advice, customs clearance, and IT services. There are risks associated with outsourcing as service standards are not directly controlled by the company, which can impact the product or service provided by the small firm. It is important to gather business intelligence on outsourced parties including historical experience, references from reliable sources, service standards, accreditations and alternate outsourcing solutions available. Managing a global outsourcing situation is more complex; however there are significant cost benefits and it opens up more opportunities for small business by providing flexibility.

6.2 Identification of measurement criteria to determine projects/regions of global market for participation

It is necessary to understand Canada's trade agreements (Foreign Affairs and International Trade Canada 2010) such as NAFTA and WTO to see what impacts it has on the business' decisions, as well as excluding some markets. A small company has limited resources and therefore should focus the resources initially on close markets that have similar cultural characteristics. Small companies should utilize networking opportunities to gain information on potential marketing opportunities, as they do not have the infrastructure to examine all potential markets.

The initial mode of entry for a small business should be export as it is the safest and requires the least amount of business change. A small company should examine global opportunities that become available through industry networks to determine if it fits with the company's strategy. Global markets need to be examined for culture, legal and financial risks. Risks and benefits need to be examined both from the market and the internal resource perspective.

6.2.1 Criteria to identify total level of resources allocated

Internal resources such as financial and human resources need to be evaluated to identify the total quantity of resources available for additional global expansion. There has to be available resources to manage the additional responsibilities when operating in a different global environment. Global expansion plans must have the appropriate financial and human resources allocated.

6.2.1.1 Financial

The timing of the expenditure and collections need to be considered. Company XYZ experienced large time curves involving collections in South America and at times in the Panama. South American customers exceeded credit terms by more than three months on average, and it was a labour intensive process for collections including providing invoice and shipping documentation numerous times. Company XYZ eventually received all payments, however in some instances collections could take over 6 months. Collections in the Panama can occasionally present a challenge as well. Accounting techniques vary in different countries and therefore collections can be complicated with procedural techniques. The issue that was experienced in Panama was that some of the accounting systems are tracked by quote numbers, and paid by quote numbers. Company XYZ's sales system generated invoices numbers sequentially, as goods were shipped out (referencing quote numbers). Quotes contained items that could be shipped at different times or unavailable by the time the order was received. Company XYZ's sales invoices could contain items from multiple quotes. Reconciling accounts between parties were complicated by the volume of invoices and language translation, as Spanish is Panama's official language. Company XYZ had to create internal policies that invoices to Panama had to be generated individually, based on quote numbers and issue revised quotes when items were unavailable. On average the Panama customers paid 30 to 60 days late, however payment could be relied on. Company XYZ experienced a high write off rate with African clients as collections efforts were unsuccessful. Small companies are at the disadvantage in the international market for collections as business customers can exert higher power, and the small business must accept different terms to retain the customer. Canada has the soundest banking system in the world (Government of Canada - Invest in Canada 2011) and therefore the expectation is that all banking systems are comparable; however that is not a world standard so it can cause complications and expensive fees to receive funds. Small businesses weaker financing requires quick return on investment (Hutchinson, Quinn and Alexander 2005). Company XYZ watched all their receivables increase as the global economy fell and businesses were forced to tighten their belts and extend historical payment schedules. This limited the company's financial resources.

6.2.1.2 Human Resources

Human resource needs have to be addressed for international trade. Internal human resources will require additional skills to operate in the international environment. Company XYZ had to change their banking system to address the volume of international transactions, foreign exchanges, direct deposits and electronic fund transfers. New systems had to be developed and utilized to meet changing operational responsibilities from foreign locations. All internal employees had to take on additional responsibilities including shipping, receiving, inventory control and logistics as well as operational responsibilities of the internal employees who were relocated to another region of the world. New Canadian temporary employees were hired for foreign contracts. Due to the length of the foreign contracts, each employee returned to Canada every 3 weeks, for a one week break. There were additional responsibilities to secure flights that met these parameters, and circumstances arose requiring many changes to initial itinerates. Company XYZ did not employ any foreign workers, as they were the responsibility of the host company.

Communication channels with the owners and foreign employees had to be accommodated based on the different time zones. Company XYZ had employees located in BC, Aberdeen Scotland and Melbourne Australia during the same time frame. Mornings revolved around Aberdeen conference calls, while late afternoon revolved around Melbourne conference calls. As a small business operating in a foreign environment, all employees had to make changes to their normal operational procedures to perform their employment responsibilities. One specific example of this is regarding payroll. Timesheets were due to accounting on Monday mornings via email. Any questions regarding time cards or missing information had to be clarified on Monday, so if at 9:00 am (BC) emails were be sent out to Aberdeen (5:00 pm) and Melbourne (3:00 am), questions could be clarified Monday morning (Aberdeen) and Monday afternoon (Melbourne). Banking requirements necessitated that all payroll data had to be approved in the banking system by Wednesday 11:00 am. Payroll was processed and uploaded into the banking system on Tuesday so it could be digitally signed off and released for disbursement. This is just one minor example of the complexities created with international employees. An internal process normally accomplished in less than an hour, had to be processed over a 3 day time period, resulting in additional time and resources being utilized. Day to day operational procedures became embedded with new variables, and additional processing time, requiring the company to continuously find solutions for new problems.

6.3 International management of region and project measurement criteria

It is important to have budget, reporting and metrics to evaluate projects. Many small businesses operate in a casual manner and do not have formal budgets or systems set up to monitor foreign global activity. Company XYZ utilized networks to secure an alliance agreement to provide services in the global market. Reporting requirements were increased although the initial budgets were not shared with the accounting department. One large contract's gross margin was 28% of the original forecast, however it was impossible to determine what had happened as there was no initial budget to compare with. Without the ability to know what mistakes were made, and correct the forecasting, it is likely that the company will repeat the problem. In addition one of the alliance partners did not keep proper records of their transactions and therefore could not be audited for accuracy. Small businesses can easily fall into this trap as there are often informal agreements and trust becomes a contentious issue.

6.4 Criteria to identify global growth intensity

The speed to enter markets has to be evaluated with the company's total commitments. The timing of the opportunity, as well as the length of the commitment, has to be compatible with the financial resources available. The risks multiply with longer time lines and higher global intensity.

6.4.1 Timing of Commitment

Company XYZ's internal staff had to be flexible and have problem solving skills as there were often absentee owners during periods of international business contracts. The small business structure did not allow all the responsibilities to be delegated to other staff. During this time frame, reconditioned parts could not be inspected or re-certified for sale as the owner supervising the Australian contract was the only licensed signing authority. Company XYZ resources were stretched to a danger zone when both owners were effectively absent from the business for a period of five months. A large corporation can absorb some missing internal employees, however even they would have problems when approximately 50% of the core staff is missing, and fulfilling foreign contract obligations. International business commitments for a small business need to be evaluated on a commitment percentage basis to understand the impact on internal resources. Company XYZ is capable of only handling one foreign contract at a time, when it involves taking internal employees from the core business.

6.4.2 Length of Commitment

The length of commitment needs to be evaluated as risks increase over the longer time frame. Securing international business is a long process, and it is important to weigh the length of the commitment with other opportunities available. Company XYZ had two overlapping contracts with significant time lengths. One contract was negotiated for ten months and involved a seven month commitment. Another contract was negotiated for approximately four months and involved a five month commitment. Both of these contracts were negotiated and commenced when the USD was healthy. Subsequently the USD tumbled, after the majority of the inventory expenses had been paid for, resulting in significant exchange losses by the time final disbursements were released, eroding the return on equity. Company XYZ's revenue dropped about 20% due to the currency exchange rate, while the company's overhead and payroll expenses were paid in Canadian funds. The length of the contract must be considered when pursuing other international business, as resources get depleted over longer time frames. There is higher risk involved as the time frame increases, particularly for a small business in the global economy as it is effectively putting most of their eggs (opportunities) in one basket, with little opportunity to recover from losses.

6.4.3 Financial resources

Small business have limited financial resources so it is necessity to prioritize cash and cash flow demands and establish a level of financial commitment available for international business opportunities. Securing a large contract often requires large capital investments, requiring active financial management and can also rob operational cash flow from the core business. Small companies, such as Company XYZ, are often directly tied to owner's credit worthiness as banks typically require owner's personal guarantees to secure additional credit. Therefore, increasing operating lines of credit not only increases the company's risk but additionally increases the owner's personal financial risk. The return on equity has to warrant increasing any financial risk level.

6.4.4 Risk Management

There are risks associated with the speed of global growth. Company XYZ quickly entered several global regions simultaneously, achieving less than optimal results. Entry in the Australian, UK and South American market at the same time increased risks and did not allow the appropriate time to acclimatize to any one global region's economic business environment or culture. One direct impact was that a South American export management company was hired to open that region; however there was no time available to spend time with him or answer any questions. All the internal resources were tapped out and the owners were unavailable to even get the process initiated. The owner's abandonment of this contract cost the company 20,000 USD and severed an opportunity to work with this export management company in the future. Both the Australian and UK contract suffered due to the lack of resources of Company XYZ to insure that all the contract obligations were fulfilled in a timely manner. A small company cannot scatter their energy in more than one direction at a time as there are simply not the resources to accomplish everything that is required. The focus on opening a new international region should be done when the company has the available resources to monitor and adjust to the new global environment.

6.5 *Criteria to identify key factors required to exploit the distinctive competitive advantage*

The ability to exploit the company's distinctive competitive advantage in an international region is a primary consideration with global expansion. Company XYZ's distinctive competitive advantage was their industry expertise, customization abilities and access to both rare refurbished parts and Canadian trained labour pool of engineers. The flexibility of a small business allows it to mobilize its distinctive competitive advance to other global regions.

Company XYZ determined that seasonality of a region was important criteria to examine. The specific segment of the industry that it was operating in was directly linked to the summer and fall season of the domestic market. Company XYZ looked for global opportunities that could be performed during the slow season of the core business and in regions where access to resources were consistent. A small business does not have the diversity or resources of most large companies; therefore there are not domestic opportunities to find additional revenue sources, or provide complementary services during the slow season.

Company XYZ tried to secure opportunities where there was an opportunity to develop a long term relationship. Contracts were taken on for large corporate clients, who had international operations, and access to additional networks. Company XYZ did not secure any further contracts, as the final portion of these contracts ended with poor customer relationships. Small businesses have an opportunity to catapult into new global region, if they can successfully complete their contracts and retain good customer relations, in a sustainable relationship. Company XYZ discovered through the process that the primary relationship was between the alliance and the customer. Company XYZ has maintained the relationship with the alliance however the alliance's primary role in the relationship was as an agent securing the international contracts. Alliance actions also influence the success or failure in the global regions. A small business needs to rely on networks to gain opportunities in other global regions and choice of the alliance and their international skills can be critical.

6.6 What tools can be utilized to reconcile this business problem?

Preparing a TOWS analysis can help a small business clarify the global opportunities it should be seeking or avoiding. A TOWS was prepared for Company XYZ (Figure 4). Once a global market is identified, a small business can initially access the cultural dimensions differences with Hofstede's tools, and then utilize network connections to collect additional culture and risks related to the global region.

7 What are the advantages and disadvantages of equal partnerships?

Equal partnerships are usually a theoretical relationship, with an uneven distribution of power and contribution. Partnerships need to identify allocation of roles and responsibility to counter balance human nature. There are more disadvantages than advantages so establishing leadership is important for business survival. Partners must fix their relationship or break it.

7.1 Partnership Stability

Company XYZ's partners are unhappy and locked in a very dysfunctional relationship. Owner A is the company's marathon runner. Owner A is very resentful that the other partner does not contribute to the business with the same energy and commitment. The operational burdens rest squarely on his shoulders and he is an active contributor to day to day operations. Owner A is very concerned with the long term outlook for the company and believes that the company's core competitive advantage lies with parts distribution and that maintenance and services are a complementary expansion strategy. Owner A is trapped and stressed. He pushes some of the workload on to his partner until things have escalated to a crisis situation, at which time he will get involved to find solutions. He is truly Company XYZ's de facto leader. His method of coping is to withdraw.

Owner B is the company's sprinter. Owner B believes that the role of the owner is to make decisions, create income opportunities and set priorities for the staff. He believes that one of the benefits of being an owner is that staff is hired for day to day operations so owners have the freedom to set their schedules. Owner B's spouse spends many hours calling or coming to the office to remind Owner B of his family responsibilities and therefore is a sounding board on business matters. Owner B believes that the company has the potential to make much larger profits providing maintenance and services, so the company should focus all its energy in this direction. Owner B has a short term outlook and does not respect his partner. Owner B publicly tries to push his partner into an early retirement, as he believes he has a potential partner that is more compatible, regardless of the fact that Owner A has no desire to retire from the business. His method of coping is to campaign for support from the staff and other business contacts. Owner A refuses to leave the company that he has built and cannot afford to buy his partner out. The stalemate is a toxic environment for the partners, staff and company.

In a small business the company is simply a reflection of the partner's characteristics and the health and functionality of that relationship, as they are the leaders of the organization. Partnerships are advantageous when complementary aptitudes and abilities can be brought together to create synergy. Partners can share operational burdens and rewards and create more opportunities for success. Partners need to establish rules regarding communication and resolving disagreements, and speak publicly in one voice. Allocating leadership roles and responsibilities removes confusion and chaos from the business environment. Equal partnerships are a difficult dynamic, as disagreements can paralyze the decision making process, so voting rights should never be equal. Dual leadership is a carefully designed leadership style that cannot just be applied to a business structure. As the business changes it is necessary to re-examine and re-negotiate the partnership arrangement, including the performance expectation criterion that each partner believes is consistent with company vision and goals. Ignoring serious disagreements is not a logical option, as it will deteriorate the chances of finding a solution that both parties can accept, and create hostile relationships. When partners find themselves in a stalemate situation, outside help should be sought to determine if it is more personally advantageous to continue the partnership or not. This decision is based on finding a solution for the business and personal situations of each partner. Once the partners have personally decided what direction they need to proceed, solutions can be found. If the partners have decided to continue the relationship, they must spend the time to actively find solutions that they can tolerate, which can include a hired leader. If the decision is to dissolve the relationship then the partnership agreement will provide guidance on options available. Dissolving a business partnership will involve buying the other partner out, dividing the business, closing the business or selling part or all of the business. It is not uncommon in a small business that the partners do not have the cash available to buy each other out, as the cash has been re-invested in the business as the company grows. New investors usually insist on controlling interest of the company, to protect their financial interest. When partners' relationship becomes toxic the entire organization is infested, which can become terminal to the firm. Company XYZ is a challenging working environment, as there are different directions, information and expectations of the employees. Some employees exploit management's weaknesses to run their own personal agenda, which further erodes the staff moral and the business. Small businesses are unique as there are no other support systems to mitigate or hide the leadership problems and there is no authority that the partners are accountable to. International operations are more complex and challenging and will magnify problems in the infrastructure and competencies. A small business should never enter the international market without a solid and firm foundation under it.

8 Business Importance

Industry Canada identifies over 980,000 small businesses in Canada with less than 100 employees. BC accounts for 16%, or 156,800 of these small businesses. It is an important sector to examine as Industry Canada states that 75% of these businesses have fewer than 10 employees (117,600) versus large businesses employing over 500 employees only representing 0.3% (approximately 890) in BC (Canada 2010).

Small businesses do not have the infrastructure or resources that are available in large organizations. As the competitive environment changes to a more global economy, small business have to have more analytical tools and resources at their disposal to position themselves correctly in the new playing field. The skill set of the business has to be much broader and flexible to adapt to the changing climate and in this transition weaknesses magnify disproportionally compared to the strengths of an organization. This shift in business causes stress that creates cracks in the infrastructure of the business that must be either repaired or dissolved in one way or another.

Successful businesses can lose their competitive advantage and profitability as internal problems exhaust the resources and deplete their focus in revenue generating activities. The goal and strategy of the business needs to be a clear mandate that all the employees can follow to achieve success. Difficulty will arise when two paths are being chosen and confusion follows, dividing resources and capabilities in too many directions.

9 Outcomes/Recommendations

Small business entry into international markets is filled with opportunities and risks. They are unique, operating with very limited resources and infrastructure. The small business' company leaders are normally the only investors, and often have all their additional funds reinvested back in the business, which is a different dynamic than larger companies. The global business environment is dominated by large corporations; however there are gaps in the international markets that larger companies just are not interested in. Small businesses have the opportunity to identify a niche market strategy that fills a hole in the global business environment. These include staged, network or born global.

Company XYZ, a small Canadian parts supplier to the aerospace industry, had expanded into other global regions with exporting, a low risk but slow process. This company developed a niche market strategy to diversify and expand their global reach offering complementary services. This strategy was consistent with their internal resources such as technical expertise, project management skills and procurement and logistic proficiencies and was reinforced by the large parts inventory. The company's core competitive advantage was an offering of a mobilized full service maintenance company providing flexibility, access to low cost reconditioned and recertified parts inventory, customization abilities and expert technical advice. This strategy was also consistent with their infrastructure that included industry specific software, market linked procurement software, commercial international banking, warehouse and in house repair shop. Company XYZ also had access to a labour pool of Canadian trained engineers. The network mode of entry was chosen for a customer focused, value adding diversification strategy.

Some of the pitfalls with international business strategies for a small business are being unprepared for the risks and complexities. The primary limiting factor is the owner's perspective on their international business skills to limit financial losses. Company XYZ used network and alliance relationships to gain access to international markets and selected alliance partners that would provide market information, additional networks and share the financial risk. Some of the obstacles in international markets relate to culture, currency exchange, political environments, different legal systems, corruption and opportunist behaviour. Company XYZ financially profited from the international service contracts; however the revenue (CAD) on the contracts dropped substantially as the US dollar fell. Company XYZ lacked knowledge of cultural differences, which complicated business relationships of a large contract. Hofstede's Cultural Dimensions is useful tool to gain information on the culture of a new international region. Small businesses need to develop written international ethical and social responsibility guidelines to guide the actions of the employees. Company XYZ's had internal problems when international corruption had to be addressed. Small businesses can manage some of these risks with knowledge of market conditions through external sources such as alliances, network connections and the internet.

Small business partners must allocate roles and responsibilities in international markets. Owner A of Company XYZ has the attributes and skills to lead the company and manage day to day operations; whereas Owner B should focus on external management responsibilities as his attributes and skills are more compatible with project and relationship management. The international strategy in a small business must be led by the owners with concise directions as they will be the decision makers on resource deployment and risk management. Company XYZ lacked leadership due to partnership issues. International business is more complex and requires the small business' entire team is focused on the company's core competences and revenue generating activities. Company XYZ's partners need to resolve their problems, for the health of the company. Defining roles will provide internal stability and create consistency in marketing the niche offering and evaluating global opportunities. Networks and alliances also assess the risk of who they partner with and Company XYZ may have reduced global opportunities if it is viewed as lacking stability.

Technology provides small businesses mobile information and communication tools to support seamless international business operations. Company XYZ found technological solutions that fit within the financial constraints of their small company. Project manager's tools included laptops and smart phones that provided mobile solutions including remote access to company software and digital data, cloud computing, banking abilities and language translation capabilities. Company XYZ was also able to control and reduce international costs by using E-Marketing, VoIP communications, and government travel guidelines. Free and inexpensive technology is available to support small businesses globalization.

Establishing the criteria for small business goals and performance metrics is a continuous process of learning, self-correcting and adjusting performance expectations. A small business needs to set realistic globalization goals that are a strategic fit for the company, resources and infrastructure. Preparing a TOWS will help identify strategies to focus on or to avoid. Company XYZ's international strategy was to provide complementary services to the aviation parts business, which added value to their core competencies and completive advantage. Small businesses should measure the allocation of internal resources by a percentage of the company's operations to gain a quick insight of the expected impact of decisions. Company XYZ had a very small flexible core staff, but starting with more than one large contract depleted the internal financial and human resources, particularly when both owners were absent from the business for an extended period. Network and alliance opportunities should also be evaluated for fit, integrity, legal environments, sustainability, timing and duration. Company XYZ required the timing and length of maintenance contracts to be performed between October and May, which is the slow season in Canada. Company XYZ's alliance relationships were selected based on financial opportunities, not necessarily for fit, integrity or legal environments. Networks and alliances successful opened doors to international markets for Company XYZ.

Strategic entry into international markets will include determining appropriate operational levels based on internal resources and acquired external resources. Company XYZ was at the initial stages of providing a new service and entering more than one global region simultaneously which caused internal staff had continuously find solutions for new problems and reporting requirements. Company XYZ lacked strategic decisions, so there was limited planning involved and a significant amount of crisis management involved. Company XYZ stretched the resources too far and customer service suffered in the process.

Project and regional analysis and their risk assessment include assessing the total level of resources allocated. All projects should be measured against an initial budget so the company can gain insight on the international performance. Collecting this data is valuable to make the company a stronger competitor in global markets. Company XYZ did not operate with budgets, so projects could not be evaluated to understand the difference between the forecasted and actual gross margin. The opportunity to make changes during the process was lost; the learning opportunity was also lost.

Criteria to identify the speed of global entry include analysis of the timing and duration of the commitment with the risks. New opportunities have to be considered in context of the small business' total operations. It is important to evaluate project for fit with company's strategy, operations, alliances, regional risks and growth intensity. There were lessons in Company XYZ's experiences. Evaluating the project or region and the combined company performance will provide information on the costs, lessons and the results of specific and combined international operations on the small business as a whole. Small businesses have opportunities available to successfully participate in the international economy when they can increase the value of their core competencies and competitive advantage by extending their global reach into a niche market.

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Figure 1- Geert Hofsted Cultural Dimensions

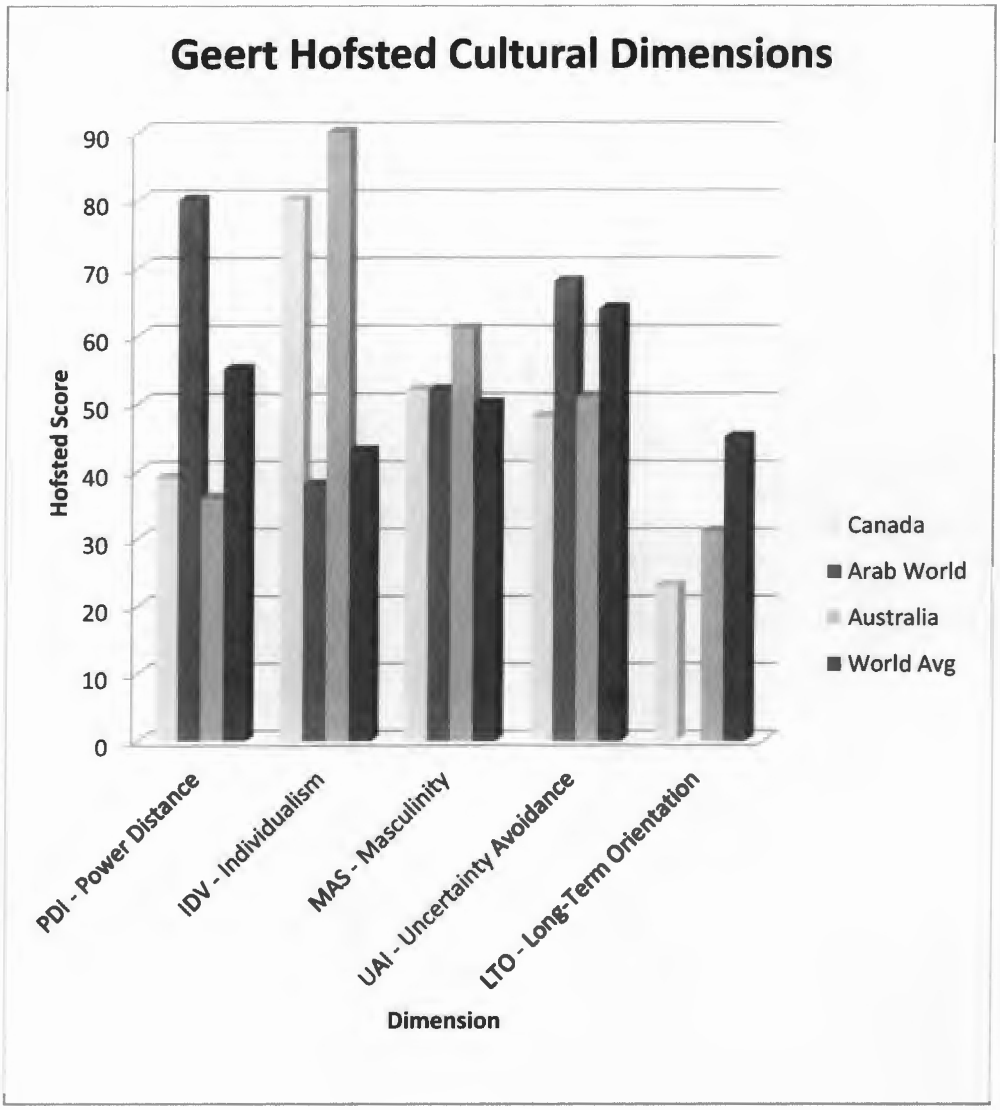
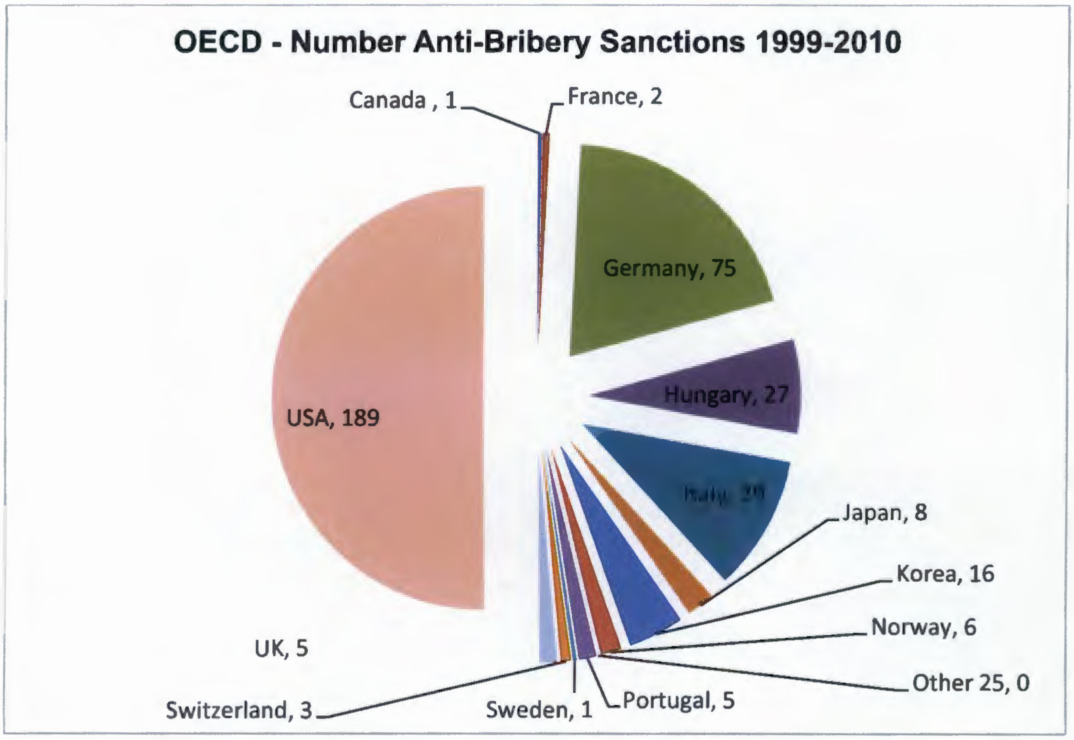


Figure 2-OECD Anti-Bribery Sanctions and International Trade



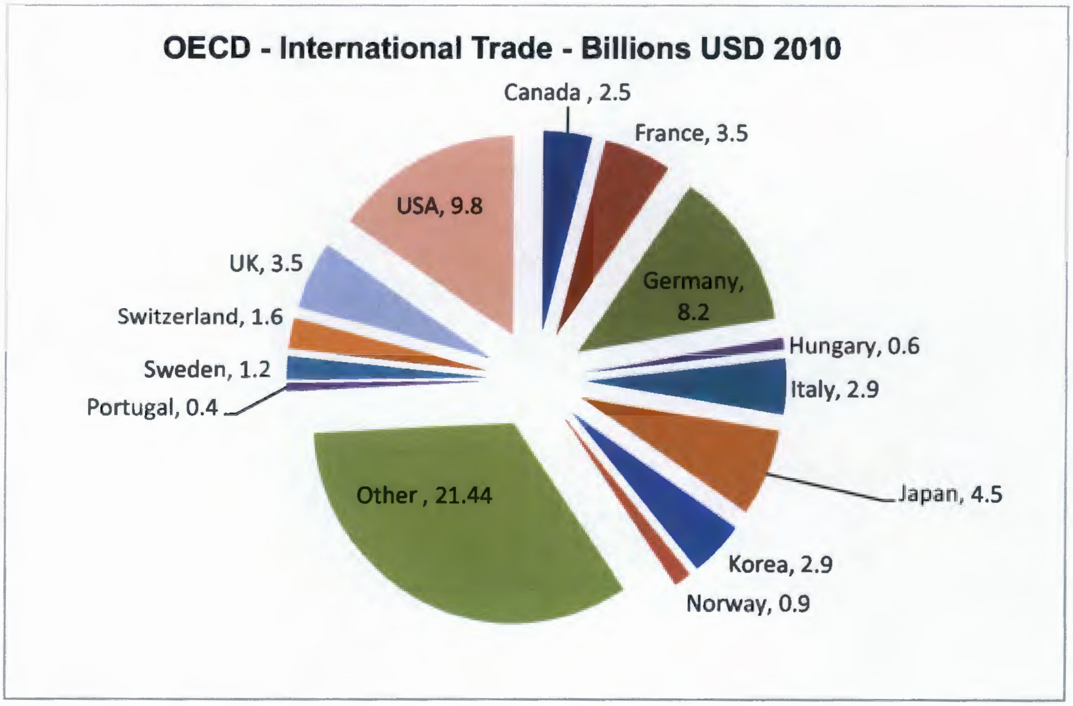


Figure 3-Bank of Canada Currency Exchange Changes

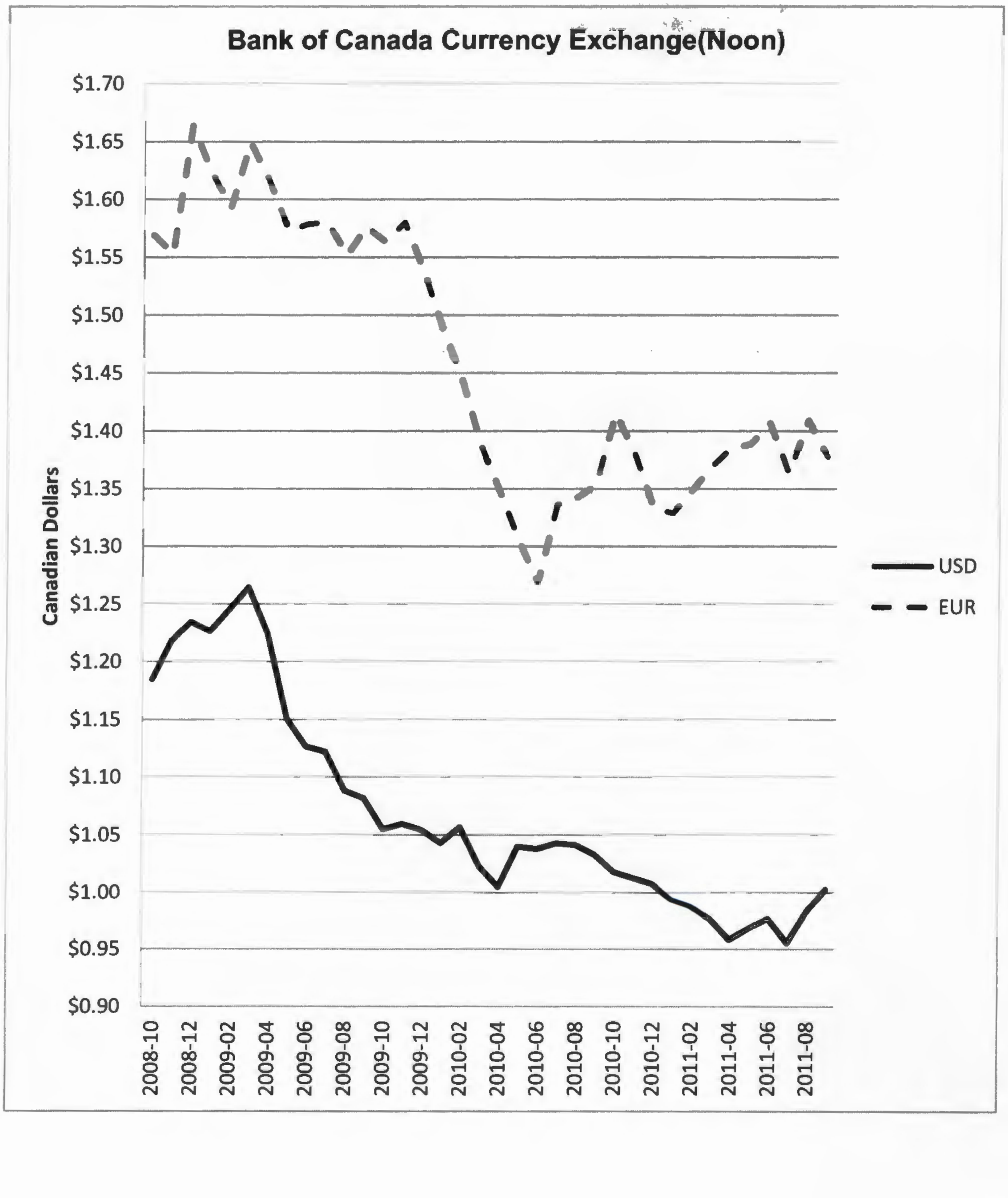


Figure 4- Company XYZ-TOWS

Company XYZ – Aerospace Industry - TOWS Analysis		
	Strengths: • Technical expertise • Technical experience • Flexibility • Unusual inventory items • Procurement Skills • Industry connections • Strong customer relationships • Established in some international markets • E-marketplace presence • Strong Canadian accreditation • Value added offerings	**Weakness:** • Small business • Small staff • Dual employee criteria (generalist to specialist) • Large Competitors • Seasonal sales of product • Currency exchange rates USD • Highly leveraged • Culturally illiterate • Mature market • Partner unrest
Opportunities: • Exploit the technical expertise • Capitalize on procurement skills • Alliance relationship with other industry connections • Utilize industry and customer relationships to gain learning • Use industry connections to access temporary human resources • Canadian Trade agreements	**Strategies:** • Marketing campaign on differentiations -technical skills, value added services, vertical expansion, unusual inventory items • Seek Global alliances • Presence at International Trade Shows	**Strategies:** • Seek small service agreements • Establish employee incentive and education program • Seek opposite season global markets • Require deposit on long term commitments • Become involved with local international business groups for cultural learning • Include employees in some trade events
Threats: • Global financial situation • Declining US Dollar impacts revenues • Too much risk with fast growth • Insufficient resources for global expansion • Adverse Seasonal conditions • Partner Unrest	**Strategies:** • Set up different Currency sales options • Customer loyalty program • Extend international internet presence • Market differentiated niche product • Explore new customer markets	**Strategies:** • Stabilize company resources before further expansion • Form industry alliance with large competitor for learning opportunities • Seek professional partner advice • Sell company • Buy out other partner • Divide business