

DBA 304

# International Business Finance



Week 11

# Internationalization and the Small Business

- Two models
  - Small business stage model: process of following incremental stages of internationalization
  - Global start-up: company that begins as a multinational company

# Small Business Stage Model: Six Stages

- Stage 1: Passive exporting
  - Company fills international orders but does not seek export business
- Stage 2: Export management
  - Specifically seeking exports—usually rely on indirect exporting
- Stage 3. Export department
  - Significant resources dedicated to seek increased sales from exports

# Small Business Stage Model

- Stage 4: Sales branches
  - High demand justifies setting up local sales office
- Stage 5: Production abroad
  - Use licensing, joint ventures or direct investment
  - Difficult stage because of the risk of failure
- Stage 6: The transnational
  - Develop global integrated network

# Small Business Global Start-up

- Key elements favouring global start-ups
  - Dispersed human resources
  - International sources of venture capital
  - The existence of a global demand
  - The lack of a geographically protected market
  - The necessity of worldwide sales to support the venture
  - The potential to avoid later resistance to internationalization

# Small Business E-Commerce

- Web-sites offer a rapid way to go international
- Web-site configured for e-commerce is low cost
- Quick way to sell across national borders



# Advantages of Small Business E-Commerce

- Ability of small firms to compete with other companies
- Creates the possibility and opportunity for more diverse people to start a business
- Convenient and easy way of doing business
- Low cost to compete
- Makes domestic products available in other countries