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**THE INTERNATIONALISATION OF THE MICRO-ENTERPRISE FROM A
SOCIAL EXCHANGE RELATIONSHIP BUILDING PERSPECTIVE**

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Paul Antony Pickering

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Abstract

The micro-enterprise (MCE) represents by far the largest category of businesses in most industrialised economies but until now it has not been recognised as an important participant in the foreign market. Much has been written about how larger firms internationalise through the gradual acquisition of knowledge and resources, although there is a paucity of literature on how the MCE exploits international markets often despite the absence of such acquisitions. This thesis proposes that building a portfolio of relationships is critical in facilitating both market entry and subsequent outcomes. A more detailed investigation of this process helps reveal precisely how MCE internationalisation is largely a function of its specific relationship building efforts.

Employing a multiple case study approach, in-depth interviews were held with founders and directors from seven MCE's, purposely selected from three main centres of commercial activity in New Zealand. Interview participants were encouraged to provide detailed longitudinal retrospections of their firm's internationalisation journey, with a particular emphasis on precisely how resource constraints were overcome during this process. All interviews were recorded and transcribed, and together with other confirmatory data sources, these formed the canon of evidence used for ongoing analysis and interpretation. The whole research process was an iterative one with observations made from earlier cases being challenged and refined through the consideration of data from subsequent cases.

Several key findings emerged from this study. Firstly, internationalisation is of considerable significance to the MCE in that it expands product and market opportunities, improves operational competencies, and provides an outlet for the achievement of both financial and relational goals. Secondly, key relationships developed during this process include internal, manufacturer/supplier, distributor, support, EPO, and end-user *types*. Thirdly, MCE's gravitate towards adopting either a *social exchange* (characterised by trust, commitment and social norms) or *transaction cost analysis* (characterised by contractual mechanisms) approach to developing these relationship types. Critical to this finding though and previously unobserved in the literature, is that within the context of a social exchange or transaction cost analysis

approach, governance (bilateral or unilateral/market) may be observed as a separate construct. Finally, the MCE adopting a social exchange approach overall achieves more robust international outcomes particularly in respect to increased cost efficiencies and new market opportunities.

Although no statistical inferences can be drawn from the findings of this study, some important generalisations to theory can be made in respect to the manner in which small firm internationalisation is currently modelled. It is suggested that this research has begun to address the issue by proposing that the quality of relationships is central to the success of the smallest of internationalising concerns. Specifically, sequential knowledge, network, and resource based views, need to better incorporate the moderating role that the relational paradigm has on international progress. To this end it has been demonstrated that the precise underpinnings of the relationship can have a determining effect on both the rate and cost of international progress. Furthermore, managers may also benefit from these findings by improving both their relationship filtering and nurturing processes.

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List of Terms

BB	Biting Buddy
EPO	Export Promotion Organisation
FDI	Foreign Direct Investment
FF	Fancy Foods
FTE	Full-time effective (staff)
GP Margin	Gross Profit Margin
HiSE-HiBL	High Social Exchange – High Bilateral Governance
HiSE-LoULM	High Social Exchange – Low Unilateral/Market Governance
HiTCA-HiULM	High TCA – High Unilateral/Market Governance
INV	International New Venture (see also Born Global)
IRM	International Relationship Marketing
ISP	Infant Shelter Product
JAG	Joint Action Group
KK	Kids Korner
LoSE-HiULM	Low SE – High Unilateral/Market Governance
MM	Mobile Manager
MCE	Micro-enterprise
MNE	Multinational Enterprise
NZTE	New Zealand Trade and Enterprise
OBC's	Organically Based Condiments
OO	Ozone Officers
RDP	Remote Data Transmission Product
RM	Relationship Marketing
RP	Relational Paradigm
RR	Rifle Rangers
SE	Social Exchange
SME	Small to Medium Enterprise
SPP	Skin Protection Product
TCA	Transaction Cost Analysis
TT	Theatre Thespians
VAE	Voice Activated Electronics
VP	Visual Production
WKT	Wooden Kitset Toy