1. Introduction

J. Mark Munoz

The contemporary global business environment has transformed business modalities in many ways. Breakthroughs in telecommunication and related technologies have speeded up cross-border communication and the acquisition of information. Innovations in transport and logistics have made international travel more convenient and faster, and expedited the movement of goods. International trade agreements and country policies have made many foreign locations attractive investment destinations. The Internet paved the way for the emergence of new and creative business models such as e-commerce, virtualization, outsourcing and many more.

Amidst this landscape, numerous challenges exist. Global enterprises are experiencing heightened competition. Companies need to perform optimally and leverage the highest-quality products and services at the lowest possible price. Furthermore, businesses have to confront and respond to external international factors such as oil prices, financial crisis, security issues, and trade accords, among others.

In the contemporary environment businesses need constantly to evolve, innovate, and reconfigure their organizations to survive and succeed. For instance, the global financial meltdown in 2008 led many business organizations to cope by expanding sales, lowering costs, and enhancing quality with little or no additional capital resources. Businesses that could not find the optimal operational mix ended up on a route towards bankruptcy.

The tough global environment requires small and medium-sized enterprises, private corporations, and even governments to re-examine existing models and seek out viable operational forms.

A model worth exploring is the “microenterprise.” These are very small business units that have existed from the very early stages of business evolution. It is entrepreneurship at its very core, and built on practical and time-tested approaches. In recent years, microenterprises have survived and even flourished in the toughest economic situations. Countries that experienced financial crises have seen a multitude of hungry and unemployed entrepreneurs coming up with inventive business models to feed themselves and their families. The models created were
Contemporary microenterprise

lean, market-responsive, required minimal capital, and were profitable. With tough economic times, countries around the world are seeing the emergence of microenterprises. Due to their large numbers and humble forms, these ventures have become the “silent transformers” of economies around the world.

Microenterprises offer so much value to a country’s economy and society. They help create jobs, stimulate income, contribute to purchasing power, lower costs, and add business convenience, to name a few. As there are millions of these types of ventures worldwide, they can be viewed as the “glue that bonds the global business community.” In every minute of each single day, there are millions of microenterprises in different corners of the world pouring in their small but significant business contribution to society.

The objective of this book is to highlight microenterprise models and explore the factors that impact their existence. Research studies and viewpoints of leading academics from various parts of the world are featured in the book in order to gain a deeper understanding of microenterprises and their operational environments. Through this book, it is hoped that: (1) academics and students worldwide will learn relevant lessons and share them with others so that understanding and appreciation of the practice may be expanded; (2) businessmen and executives from both small and large companies will gain new insights from the microenterprise model and apply them in industry; and (3) government officials, international organizations, non-governmental organizations, consultants, and policymakers may absorb fresh ideas and help create an environment that would allow microenterprises to flourish worldwide.

There exist several definitions of a microenterprise. In fact the term is perceived and utilized in different ways across countries. Establishing a clear yet broadly acceptable definition is well suited for a book that utilizes the word in the title. The combined terms “micro” and “enterprise” suggest that microenterprises are fairly small business operations. Many of them have gross sales of under $25,000 a year (Tinker, 2000).

Gathered literature point out to several characteristics of the microenterprise:

- Owner-operated initiatives. Microenterprises are viewed as ventures that are owner-managed, having few employees, and with limited capital (Tezler, 1992; Langer et al., 1999). Microentrepreneurs (persons engaged in the practice) find it challenging to find employment through regular channels, and tend to create their own jobs (Woodworth, 2000) by starting a small business enterprise. This may be a full-time or part-time arrangement.
Participated in by marginalized segments. In emerging nations, the sector is largely composed of women with families, the physically challenged, and residents in rural communities (Dorfling, 2001).

Engaged in sales of products or services. Microenterprises are constituted by street vendors, retailers, and traders who sell products or services to build income and expand their assets (Eversole, 2004).

Driven by entrepreneurial approaches. Small firms are often characterized by chaos, and driven by effective utilization of competencies in entrepreneurship, marketing, and innovation (Durkin and McGowan, 2001). Microenterprise success has been associated with enterprise profitability (Chaganti and Chaganti, 1983).

Diverse organizational forms. Microenterprises are organized in different forms and may be structured as a sole proprietorship, partnership or family enterprise, typically with less than ten employees, and more commonly less than five employees (Storey, 1994; Walls et al., 2001).

Flexible locations and arrangements. There is a lot of flexibility in how microenterprises are operated. The majority of microenterprises tend to be operated from home (Clark et al., 1999). Piore and Sabel (1984) alluded to the advantages pertaining to the flexibility and uniqueness of business structures of microenterprises.

Low entry barrier. Most individuals with an entrepreneurial drive and motivation can operate a microenterprise. Microenterprises can function across diverse sectors and have low entry requirements in terms of capital and skills (Lee, 2008).

Constrained by capital. Microenterprises, despite their size, are often constrained by limited inventory and capital access (Eversole, 2004).

Responsive to market trends and customer requirements. Being small by nature, microenterprises have the ability to be flexible, and can respond to market and customer demands quickly (Herman Trend Alert, 2009).

Experiencing growth. Microenterprises are appearing in many corners of the world (Carbonara, 1997).

By combining these definitions, a microenterprise is comprehensively defined as: “A very small enterprise that is typically owner operated and participated by marginalized segments, that sells a product or service through entrepreneurial methodologies and utilizing diverse organizational forms. It operates under flexible arrangements and locations to manage entry barriers and capital constraints, in order to respond to market trends and customer requirements to achieve profitability and business growth.”
Contemporary microenterprise

In a study on developing nations, Larson and Shaw (2001) further characterize micro and small enterprises (MSE) as: (1) mostly family-owned, with family working in the business; (2) driven by one person; (3) largely situated in rural areas; (4) involving trading and manufacturing; (5) featuring high rates of start-ups and business termination; (6) largely participated in by women, with close intersection with family life; (7) operating on a small scale; and (8) having a low level of income.

This book aims to examine closely the challenges and opportunities confronting microenterprises. In this quest, diverse topics are presented and discussed. The book is organized in a manner that allows stimulation of fresh insights and perspectives on the subject. Qualitative as well as quantitative methodologies are utilized, and lessons are drawn from many parts of the world. There are seven key themes in the book: entrepreneurial dimensions of microenterprises (Chapters 2, 3 and 4), emerging microenterprise dynamics (Chapters 5, 6 and 7), finance and the microenterprise (Chapters 8, 9 and 10), managing the microenterprise (Chapters 11, 12 and 13), microenterprise growth and expansion (Chapters 14, 15 and 16), microenterprise and its impact on society (Chapters 17, 18 and 19), and microenterprise development and sustainability (Chapters 20, 21 and 22).

More specifically, the book is organized in the following manner:

**Entrepreneurial dimensions of microenterprises**
- **Chapter 2:** “Microenterprise start-up: a cross-national comparison” (Michael Troilo) – this chapter discusses and compares the experiences of two microentrepreneurs in their quest to start new ventures in foreign environments. Lessons learned and insights into viable strategies are presented.
- **Chapter 3:** “Microenterprises: the interface between entrepreneur and manager” (Michelle Ingram Spain) – microentrepreneurs are constantly exposed to the tensions between being both an entrepreneur and manager. This chapter explores the theoretical similarities and differences between the two roles and the implications for the microenterprise practice.
- **Chapter 4:** “Microentrepreneurship in a transitional economy: evidence from Vietnam” (Mai Thi Thanh Thai and Ho Thuy Ngoc) – microenterprises are exposed to external factors such as the economic systems and policies of a country. In this chapter, Vietnam’s transition from a centralized economy to a market-oriented one is reviewed and the impact on microentrepreneurship discussed.

**Emerging microenterprise dynamics**
- **Chapter 5:** “Theoretical view on microenterprise entrepreneurial motivation” (Scott Hipsher) – through the examination of cases, this chapter explores the motivation of microenterprise owners. The underlying
assumptions of scholars, government officials, and non-governmental actors are revisited to provide potential policy frameworks.

Chapter 6: “Creating a typology for the arts and crafts microenterprise” (Ian Fillis) – this chapter examines the behavior of the arts and crafts microenterprise in the United Kingdom and the Republic of Ireland. A typology is presented which explains the variation in company and owner-manager orientation in the sector.

Chapter 7: “The challenges for tourism microenterprises in the Tiger Leaping Gorge, Southwest China” (Sacha Rawlence) – this chapter explores the business modalities of tourist guest houses operated by farming families in China. It examines how the proprietors’ choice of business model is affected by the transaction costs that they perceive, and how the choice is constrained by the institutional environment.

**Finance and the microenterprise**

Chapter 8: “Microfinance and the growth of micro and small enterprises (MSEs) in sub-Saharan Africa: the case of Faulu Kenya” (Fred O. Newa) – this chapter reviews the impact of microfinance and capacity building on the growth of microenterprises in Kenya. The case of a leading microfinance institution known as Faulu Kenya is examined.

Chapter 9: “Is micro-credit compatible with micro-entrepreneurship? Evidence from Latin American tienditas” (Michael J. Pisani) – microenterprises in the form of tienditas or in-home stores are common in Latin America. With evidence from 850 tienditas, this chapter analyses the nexus and compatibility of microenterprises and microentrepreneurship.

Chapter 10: “Microfinance: assessing its impact on microenterprises” (Gwendolyn Tedeschi) – this chapter evaluates the impact of credit on the enterprise through the examination of panel data from a microfinance institution in Peru. It examines the interplay of factors such as profitability, days worked by household and non-household members, and fixed assets.

**Managing the microenterprise**

Chapter 11: “Serving the poor: innovative business models at the base of the pyramid” (Jamie Anderson and Martin Kupp) – this chapter discusses the issues relating to serving customers at the “bottom of the pyramid.” The chapter underscores the relevance of acknowledging existing challenges, understanding target customers, and engaging in strategic adaptability.

Chapter 12: “Micro-global: can web-enabled microenterprises successfully internationalize?” (J. Mark Munoz and Daewon Choi) – this chapter introduces the term “micro-global” to describe microenterprises that pursue global markets from their inception. Through the review of
Concepts and discussion of cases, the chapter characterizes micro-global firms and offers strategies for success.

Chapter 13: “Micro-franchising strategies: drawing lessons from franchise literature” (J. Mark Munoz, Ilan Alon, and Matthew C. Mitchell) – the concept of micro-franchising has drawn considerable interest worldwide as there have been numerous successful cases among non-profit organizations and market-oriented actors. The chapter draws lessons and insights from existing franchise literature as well as micro-franchising cases to determine effective business strategies.

Microenterprise growth and expansion

Chapter 14: “Microfinance – microenterprise relationship: the Malaysian growth experience” (Sow Hup Chan) – this chapter examines the impact of microloans in the growth and development of microenterprises. Through the examination of cases in rural and remote areas in Malaysia, lessons and implications are discussed.

Chapter 15: “Microenterprise growth: the case of Dotz in Brazil” (Thelma Rocha and Tales Andreassi) – a firm in Brazil known as Dotz started as a microenterprise and successfully expanded into a large business organization. This chapter analyzes its evolution, challenges, and pathways to success.

Chapter 16: “Microenterprise in a free trade era: the case of Indonesia” (Tulus T.H. Tambunan) – the free trade era has transformed business modalities in many societies. This chapter discusses and assesses the impact of trade liberalization and reform on microenterprises in Indonesia.

Microenterprise and its impact on society

Chapter 17: “Social capital and cross-cultural model replication: the case of Hand in Hand in India and South Africa” (Lin Lerpold and Laurence Romani) – this chapter reviews the impact of cross-cultural replication of a socially oriented firm catering to microenterprises, as it transfers its concept from India to South Africa. The authors also examine literature on social capital in development studies, organizational knowledge transfer, and recontextualization to draw new insights and identify viable courses of action.

Chapter 18: “Sponsorship practice at the small business level: an applied perspective” (J. Terence Zinger and Norm O’ Reilly) – this chapter highlights cases and survey results of a Canadian study that examined small enterprise sponsorship. The authors probe the small business and sponsorship dynamics and assess its implications on the microenterprise.

Chapter 19: “Engaging transnational corporations in community microenterprise initiatives in subsidiary operations: the case of TNCs in Tanzania” (Aloysius Newenham-Kahindi) – this chapter examines the
role of global transnational corporations (TNCs) on microenterprise initiatives in addressing social problems in local subsidiaries. Reviewing the cases of a global bank and international mining company engaging in community initiatives in Tanzania, the author offers strategies for successful engagement.

**Microenterprise development and sustainability**

Chapter 20: “Achieving economic self-sufficiency through microenterprise training: outcome-based evidence from the Center for Women and Enterprise” (Colette Dumas) – this chapter analyzes an entrepreneurship training program that helps low-income women start their own businesses and evaluates program outcomes in comparison with program goals. From the gathered findings, implications for future practice, research, and microenterprise training are discussed.

Chapter 21: “Microfinance and poverty alleviation: underlying values and assumptions” (Laurence Romani and Lin Lerpold) – this chapter explores the underlying values and assumptions in discourses praising microfinance. Through the review of cases and literature, the authors highlight the need for microfinance practitioners to assess the legitimacy and adequacy of models to its operational environment.

Chapter 22: “Microenterprise sustainability: a Philippine perspective” (Jeanette Angeline Banzon Madamba) – microenterprise sustainability is a challenge in many countries. The author discusses the challenges and opportunities in the Philippine landscape, and underscores the need to consider market vulnerabilities and ecological policies, as well as technology and industry-specific issues.

Chapter 23: “Conclusion” (J. Mark Munoz) – this chapter offers an overview of the lessons learned and implications for microenterprise practice.

A keen understanding of microenterprises would benefit readers in countless ways and over many years. Microenterprises will continue to grow and define the future of many countries. Economic growth will be shaped by microenterprises (*The Futurist*, 2003). The Association for Enterprise Opportunity (AEO) President Connie Evans pointed out that microenterprise growth is a pathway towards economic recovery due to its strong link to business expansion and job creation (*Business Wire*, 2009). It is hoped that the concepts and cases in this book serve as an inspiration to entrepreneurs worldwide and to the global community they are a part of.
REFERENCES


