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ENTREPRENEURSHIP AND MICRO ENTERPRISES

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ABSTRACT

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The purpose of this study was to examine the connection between entrepreneurship and the establishment and development of micro enterprises. The research methodology includes current theories on the subject of entrepreneur and operation of smaller companies. The result of the research is obtained from four cases studies of micro firms. The empirical data was gathered via online interviews and questionnaires. The findings show that the current theory of entrepreneurship is not sufficient to accurately determine the connection between start-ups and entrepreneurs in micro scale. However, the survivability of a micro firm is affected by the owner’s background, education, experiences, and some identified entrepreneur traits. A prominent reason for the failure or stagnation of micro firms is inadequate market research and business decisions. Given the vast diversity of entrepreneurial and start-up’s nature, this research studied only a small sample in Vaasa and the surrounding area. Thus, it is recommended that further large-scale studies be conducted on the subject with micro enterprises as their context.

Keywords: entrepreneurship, micro enterprise
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1 INTRODUCTION

Throughout the years there has been an increasing interest in entrepreneurship and smaller firms. Not only is entrepreneurship believed to provide considerable benefits to the economy it dwells, it is also said to be the engine of growth and innovation (Reed, Sarassvathy, Dew, Wiltbank, & Ohlsson, 2011). Hence, enterprise and entrepreneurship, as well as their studies, have been experiencing support from government, institutions, agencies and social communities (Bridge, O'Neill, & Martin, 2009). However, despite the growing body of research, there still exist the lack of a universal concept of entrepreneurs and their relation to smaller business. Recent studies have started to distinguish between entrepreneurs and owner-managers in general, as both can be found operating smaller enterprises. However, entrepreneurs are tied to innovation and business expansion (Burns P., 2007).

Micro enterprise is another focal point of this paper, being the dominant business size globally (Burns P., 2007). In Finland, micro enterprises account for 93.3% of the total number of Finnish enterprises and 17.2% of total business turnovers in the country (Yrittäjät, 2018). In spite of the large number and high start-up rate, only very few businesses grow, as most face closure or stagnate (Burns P., 2007).

1.1 Research Objectives and Questions

This paper, therefore, seeks to verify and analyze the connection between entrepreneurship and micro enterprises, from idea to growth and/or decline. To accomplish such task, the following research questions are formed:

- What is entrepreneur and entrepreneurship?
- What are the characteristics of micro enterprises that set them apart from large corporations?
- What is included in the start-up process? What role entrepreneurs play in such process?
- What is entrepreneur’s relation to micro-firms’ failure or success?
- Are the contemporary theories on this subject correspond with the current operation of micro enterprises?
The research questions aim to provide a structure upon which the research problem can be methodologically tackled. Based on the aforementioned questions, the research objectives are proposed below:

- **Objective 1:** To review the current body of research on the subject.
- **Objective 2:** To develop method for the empirical study based on valid theories and research instruments, as well as executing it ethically.
- **Objective 3:** To analyze, discuss, and document results in comparison with the reviewed theories and provide suggestions for further study if applicable.

1.2 **Structure of the Study**

This paper is divided into four sections: the introduction which provides a general understanding of the research background and purpose, the literature review of contemporary theories on entrepreneurship and micro enterprise, the research method that illustrates how the research was conducted, and the empirical study that examine and analyze start-up cases in accordance with the theories, with follow up discussion and suggestions for future studies.

1.3 **Limitations of the Study**

The research studied a small sample whereas the nature of entrepreneurship and micro enterprise are remarkably complex and diverse. The participants background and demography greatly varied. Furthermore, the interview follow-up questions might have accidentally led the subject to predictable answers. On the contrary, the lack of interaction with the researcher encountered in the questionnaire might result in the overlooking of participant’s misinterpretation of the questions. Lastly, this research was conducted in Vaasa. Hence, the international environment of the location might prove to be unique for entrepreneurship and start-ups.
2 LITERATURE REVIEW

This section of the thesis aims to introduce the current theories concerning entrepreneurship and micro enterprise. It is divided into two main parts: general concepts and statistics, and start-up process.

2.1 General Concepts and Statistics

The objective of this section is to introduce available definitions concerning entrepreneurship and micro firms. It also attempts to construct a profile of the entrepreneur based on summaries of previous studies into the topic.

2.1.1 Entrepreneurship and Entrepreneur

While there exists a lack of a holistic view on entrepreneurship, there are various definitions of the subject that we can refer to and discuss based on. Universally, entrepreneurship is thought to consist of establishment and management of small new business (Gibb, 1996). However, whether or not all owner-managers or all small firms can be regarded as part of an entrepreneurial phenomena remains a controversial topic. Together with the birth of new entrepreneurs and the variety of their ventures, the concept of entrepreneurship has been redefined in more elaborated ways. Carland et al. (1984) drew a clear line between entrepreneurs and managers as he suggested entrepreneurs create ventures innovatively and strategically to gain profit and grow, whereas small business managers aim to fulfill personal needs and wants with his or her ventures, which are neither dominant or innovative in the field. However, the drawback of this concept is that the aim of profit and growth and the aim of personal desires are not mutually exclusive, if not co-existing in founders of micro enterprises. There is also no precise indicator or benchmark of how much strategic and innovative power a firm has to possess to be considered entrepreneurial, and whether that alone would define one as such, as there are innovative and strategic firms that are branches of larger enterprises.

A more generalized definition of entrepreneur was proposed by Paul Burns as he combined the concepts of several different schools such as economics, anthropology, and sociology. It emphasizes entrepreneurship’s deep connection to risk
taking, innovation, and effective use of resources to gain profits (Burns, 2007). This thesis will also utilize a similar approach to entrepreneurship, which is explained to be a process adopted by entrepreneurs to generate wealth via creating new services or products while accepting both risks and rewards (Hisrich & Peter, 2002).

2.1.2 Micro Enterprise

Micro enterprise falls under the scope of Small-Medium Enterprises (SMEs). The latter consists of three different segments: medium enterprise, small enterprise, and micro enterprise (Burns, 2007). According to the European Commission, micro enterprises are companies with fewer than ten personnel and under two million euro in annual turnover (European Union, 2016).

Micro enterprises play a notable role in the Finnish job market and economy as a whole. A report by the Federation of Finnish Enterprises - Yrittäjät shows that micro firms account for 93,3% of total number of Finnish enterprises. From 2001 to 2016, they created 24047 jobs in the market. Particularly, in 2016, micro businesses were responsible for 17,2% (68 billion euros) of total business turnover nation-wise (Yrittäjät, 2018).

There are distinctive characteristics that set smaller enterprises, in general, and micro enterprises, in particular, apart from larger businesses. One of the most noticeable trait of small firms is the personal influence factor. It is undeniable that, as a firm’s personnel is small, the manager tend to impose a larger individualistic influence on the overall business, as well as having a closer relationship with his or her workers (Down, 2010). Furthermore, it is important to note that smaller companies often find themselves lacking in finance, as it is harder for them to acquire large amount of capital compared to larger enterprises. Thus, their business strategies emphasize on short-term, quick return on investment. Another distinction involves the target market of small enterprises, which are usually small and limited. Therefore, it is unlikely that the firm adopts an extended product portfolio, and their business strategies are not as complex and multilayered as their larger counterparts. Lastly, economy of scale is much less effective in case of smaller firms, as increasing any level of production, such as personnel, materials, transport and so on, will
cause a notable increase in their operational overhead. Together, all the aforementioned characteristics have explained why smaller firms tend to rely on a small but vital pool of familiar customers, which they target via means of personal relationship (Wagar, Bjork, Ravald, & West, 2007).

The nature of the firm can also help to distinguish between an entrepreneur and an owner-manager. An owner-manager can be found operating life-style companies which serve as a source of comfort and enjoyment, and moderate income for the owner. Growth and strategy are not the main objectives of such enterprises. Entrepreneur, on their part, will be running companies that emphasis on growth and pursue that goal with strategic decisions. It is, however, important to note that an owner-manager can become entrepreneur given the right circumstance. (Burns, 2007)

2.1.3 The Entrepreneur’s Profile

To answer the question of how an entrepreneur is like, there have been various academic approaches, from economic role to trait. Thus, this part of the thesis seeks to review such theories and provide a method to identify and analyze the portrait of an entrepreneur.

2.1.3.1 Summary of Previous Research Approaches

There have been numerous studies on entrepreneurial enterprises and entrepreneurs which centralize over the following factors: Agents of economics, and born or made (Morrison, Rimmington, & Williams, 1999). However, there are numerous complications in each of those approach that lead to the current controversy over the topic. Economists have been debating whether the growth in entrepreneurial venture signify an economic equilibrium or disruption. To date, even though there has been acknowledgement of entrepreneurs concerning economic growth, the answer has not been cleared. Arguably, to evaluate entrepreneurs’ importance solely an economic agent is quite limited. Firstly, because entrepreneurial firms are a part of a larger and interdependent economic system, it is difficult to directly measure their economic outputs. Secondly, such approach would leave out much of the effect of entrepreneur process and the behaviors that lead to entrepreneurial ventures (Down,
Thus, other levels of analysis have been adopted. Most of them belong to the psychological approach to determine if entrepreneurs are “born or made”, which raises the question of whether entrepreneurs possess innate traits that lead them towards entrepreneurial endeavors, or entrepreneurs are made via social influences and personal experiences. Opponents of this approach have pointed out that measuring the prevalence of a person’s traits, which are subjected to change over the course of his or her lifetime, is a hard and unreliable process. Additionally, advocates of the inborn characteristics approach would have overlooked the importance of background, social context, and other demographic factors such as ethnicity, education, class, etc., on the entrepreneur; whereas their counterpart would partly ignore humans’ ability to be independent of their environment (Morrison, Rimmerington, & Williams, 1999). Hence, this paper shall propose a more comprehensive framework from Cooper that categorizes elements attributed to entrepreneurial behavior. The elements are divided into three segments: Antecedent, Incubator organization, and Environment factors.

**Table 1.** Cooper’s elements that affect entrepreneurial behavior

<table>
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<th>Category</th>
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<tr>
<td>Antecedent</td>
<td>- Genetic&lt;br&gt;- Family influences&lt;br&gt;- Educational choices&lt;br&gt;- Previous career experience</td>
</tr>
<tr>
<td>Incubator organization</td>
<td>- Geographic location&lt;br&gt;- Nature of skills and knowledge acquired&lt;br&gt;- Contact with possible fellow founders&lt;br&gt;- Experience within a ‘small business’ setting</td>
</tr>
<tr>
<td>Environment factors</td>
<td>- Economic conditions&lt;br&gt;- Accessibility and availability venture capital&lt;br&gt;- Examples of entrepreneurial action&lt;br&gt;- Opportunities for interim consulting&lt;br&gt;- Availability of personnel, supporting services, and accessibility of customers.</td>
</tr>
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Source: (Cooper, 1966)

The table shows, to some extent, how various factors are incorporated to produce an entrepreneur. It introduces a more holistic approach on a multi-level analysis basic on the nature of entrepreneurs and their ventures.
2.1.3.2 Entrepreneur’s Characteristics

As has been previously mentioned, trying to link entrepreneurs to a set of personal characteristics has proven to be difficult and unreliable. However, as it cannot be wholly denied that an entrepreneur’s personality influences his or her business on many levels, this thesis will briefly illustrate the set of traits associated with entrepreneurship.

Older studies of Timmons have identified the following characteristics that were considered desirable for an entrepreneur: Determination and commitment, leadership, opportunism, risk tolerance, creativity, independency, adaptability, and the need to excel (Timmons, 1994). However, such traits can be ascribed to a wide range of successful persons who may not necessarily be entrepreneurs, such as athletes, political leaders, large business owners, etc. A later literature review of Kirby had modified the list to accommodate more characteristics particular to an entrepreneur. Apart from the need to excel, risk tolerance, independency, opportunism, and creativity, Kirby included non-conformism, internal locus of control (which means entrepreneurs tend to believe in themselves as the source of success, instead of favorable external factors), and intuition (Kirby, 2003). However, the subject is now furthered defined as a distinction between owner manager and entrepreneur is emphasized in more novel researches. According to Burns, entrepreneurs, in addition to possessing owner-managers’ traits (which are independent, need to excel, internal locus of control, and risk tolerant), also demonstrate entrepreneurial traits such as opportunistic, creative, self-confident, self-driven, proactive, and having vision (Burns, 2007). By and large, there are certain reoccurring traits in results of entrepreneur studies that follow this approach. However, there is insufficient evidence to directly link such traits exclusively to entrepreneurs and their success.

2.1.3.3 Other Antecedent Factors

Researches in other antecedent elements have been largely inconclusive. Nevertheless, there are some dominant factors that may prove relevant to the study. Firstly, there is supportive evidence of entrepreneurs with higher education being associated with growing ventures. Secondly, entrepreneurs who have been previously employed have higher rate of success than those who were unemployed. (Storey, 1994)
Some studies advocate that displacement and difficulties contribute to entrepreneurship and growth, hence being immigrant has impact on entrepreneurs’ start-up decision. Immigrants are also shown to be more willing to work longer hours, as they have less to lose and more to gain compared to nationals due to their unique circumstance (Burns, 2007). In the United States, statistics have showed that immigrants are 2.2 time more likely to start a new business venture than the nationals (Scarborough, 2014). It cannot be guaranteed, however, that the same pattern would apply for countries other than the U.S. It is also worth noting that there exist opportunities of niche markets among immigrant communities due to their niche needs. Nevertheless, the long-term success of an immigrant firm also depends on other varieties such as resources, management, and a receiving social environment (Morrison, Rimmington, & Williams, 1999).

On another note, while there has been a global increase in female entrepreneurship, overall, men are more likely to become entrepreneurs. Despite that trend, Finland remains high in female entrepreneurship rate. In 2015, 66.4% of entrepreneur in Finland were female (The Global Entrepreneurship and Development Institute, 2015). Their business domains are, however, retail, catering, health, and education service industry, which have lower entry barriers, requires low amount of capital, and provide enough flexibility for work-life balance. The downsides are small turnover, little opportunity for growth, and strong competition (McAdam, 2013).

2.1.3.4 External Environment Influences

Various factors occurring in the political, economic, and social environment of the entrepreneur play a role in his or her entrepreneurial experience. Political interventions in the form of legislations such as interest rates, taxation, economic policies, trade policies, competitive law, employment law, education and training, and so on, can encourage or discourage entrepreneurial activities.

Finland ranks 9th in regional and 12th in Global Entrepreneurship and Development Index (GEDI) (Global Entrepreneurship Development Institute, 2018), which evaluate the domestic “entrepreneurship ecosystem”. Constructed by the Global
Entrepreneurship Monitor (2016), Figure 1 below demonstrates Finnish conditions for entrepreneurship, with 1 being highly inefficient, and 5 being highly efficient.

Figure 1. Entrepreneurial Framework Conditions

Finland generally scored higher than the regional and world averages in most aspects. From 2015 to 2016, most conditions remain the same, except for the decrease in Internal Market Dynamics, and the increase in Physical Infrastructure, Entrepreneurial Finance, Entrepreneur Education at Post School Stage, and Internal Market Burdens or Entry Regulations. Physical Infrastructure is Finland’s most efficient condition (4.58), while the rest hover around the average point (3).

Another factor that affects entrepreneurs is employment pattern. Lower rate of employment with decreasing job stability would present entrepreneurship as a viable alternative. Entrepreneurial activities are also prevalent in the service sector, which is a dynamic market with a lower entry barrier but higher competition.

Technological advances that promote development in the supply chain can also motivate entrepreneurship, as more resources can be accessed efficiently. Consumerism is another relevant element as the changes in social trends and demand of customers give opportunities for new markets. Furthermore, an organizational
restructure can initiate an entrepreneurial process via buy-outs, new firms’ establishment, and so on. (Morrison, Rimmington, & Williams, 1999).

Lastly, the culture the entrepreneur comes from, and the one that he or she currently lives in may affect the entrepreneurial experience. The cultural dimensions developed by Hofstede, a widely used framework in cross-culture communication and management studies, will be utilized to analyze this factor in this paper.

![Figure 2. Hofstede's Culture Dimensions](image)

Power distance refers to how people perceive the distribution of power in a society. High level of powder distance corresponds to a strongly established and implemented hierarchy and vice versa. High level of individualism indicate that members of that culture are independent while the opposite shows a society closely connected, and individuals put high importance on the benefit of the group they belong to. A feminine society tends to focus on collaboration and quality of life, whereas masculine society praises heroism, competition, and achievement. Societies that score high in uncertainty avoidance often implement clear rules and regulation, codes of behaviour, and shy away from risks and insecurities. Their counterparts are more tolerant towards uncertainty, less strict on rules and generally more easy-going. Short-term oriented cultures value traditions and history, while long-term
oriented cultures are more adaptive to changes, and generally more pragmatic. Lastly, a society that scores high on indulgence regards enjoyment, relaxation, and entertainment as essential, while its opposite restricts such activities via social norms. (Hofstede, 2011)

The United States is currently the country with highest global entrepreneurship index (GEI) (Global Entrepreneurship Development Institute, 2018), a measuring instrument developed to gauge the health of a country’s entrepreneurial environment. According to Hofstede, the United States is an individualistic, masculine, indulgence society, with relatively low emphasis on power distance, uncertainty avoidance, and long-term orientation (Hofstede Insights, 2018). This may prove to be a useful reference for the profile of a highly entrepreneurial culture. However, there has been little evidence that strongly link culture dimensions to entrepreneurship rate (Burns P., 2007).

2.2 Start-up Process

This section of the paper aims to illustrate the life cycle of a micro firm, from idea to decline. The first section illustrates how start-ups happen and gives details to the formation of their marketing strategy, as well as barriers and risks they may encounter. The second section involves management, growth, and the crises or risks experienced after the kickstart has taken place successfully. Lastly, the final section will attempt to explain how small business ventures fail, and the manners in which they exit the market.

2.2.1 Start-up Idea

Every entrepreneurial venture starts with a business idea. It can be hypothesized that a rise in establishment of new firms is expected in industries that seeing growth and quick return on investment (Burns, 2007). However, studies have showed that this theory is more applicable in case of large corporations than smaller companies (Acs & Audretsch, 1989). To study start-up ideas of entrepreneurs, it is recommended to also take into account other antecedent and environmental factors that may affect the entrepreneurial experience. A more detailed explanation of Cooper’s
framework on elements that influence entrepreneurial decisions, as well as a more in-depth look into the elements, is demonstrated on the previous section – “The Entrepreneur” in this paper. The next sections will be focusing more on how customer, competitiveness, and resources affect the start-up and its strategy as a whole.

2.2.1.1 Customer

Businesses are, to a degree, all governed by market supply and demand. For a start-up to be successful, it is essential for the entrepreneur to possess understanding of his or her customers. The basics include what the target customers are, their needs and wants, and the main channel of distribution utilized to reach them (Burns, 2007). Contrary to popular belief, an entrepreneurial business does not have to be solely visionary and innovative. Bringing new inventions into the market is certainly qualified as an entrepreneurial venture. However, firms can identify customer needs and create their own market shares via innovating old idea, product or service, or finding ways to provide those product and service at lower price and/or faster speed. Nevertheless, there exists a certain amount of risk all entrepreneurs have to shoulder, thus only by implementing the idea and observing the results, usually with low level of investment, can an entrepreneur decide if their venture is profitable and viable or not (Reed, Sarassvathy, Dew, Wiltbank, & Ohlsson, 2011).

2.2.1.2 Competitiveness

According to Michael Porter (1998), a business should focus on at least one of the following competitive edges: cost leadership, differentiation, and focus. Cost leadership involves firms providing the most affordable product or service with acceptable quality in the market. Differentiation means the company in question offers unique product/service, thus it cannot be easily substituted. Finally, focus means the firm understands their targeted segment well, and is usually obtained via cost leadership or differentiation. Possessing such competitive advantage will enhance a firm’s survivability and growth in the long-run. However, to acquire such advantages, not only must a business research its customers, but it has to maintain knowledge of its competitors as well, as there exists a correlation between slow growth and lack of understanding in competitors (Storey, Keasey, Watson, & Wynarczyk, 1987). How exactly competition affect a firm varies from industry to
industry, and from market to market. While it commonly the case that having more competitors will inhibit growth, the same is also applied for concentrated markets with fewer, but large and well-established competitors. Porter has also developed a framework on competitiveness among firms in any given industry, which is demonstrated in the following figure (Porter, 1998).

Figure 3. Porter's Five Forces of Competitiveness

Firstly, the power of buyers is decided by buyers’ size, density, and the number of purchases. It also includes the extent of their knowledge of alternatives, the cost that incurs when they change to an alternative (or switch cost), the cost of producing such product/service internally (or backward integration), and how the product or service they are offered differentiate in the market.

The same criteria can be applied for power of suppliers, which consists of supplier’s size, sales volume, industry concentration, knowledge of substitutes, switch cost, differentiation in their products/services, and their ability to cut down on intermediaries (or forward integration).
“Barriers to entry” refers to how hard it is to enter the industry in question. It is determined by various external factors such as legislation (patent right, copyright, competitive law, and so on), economies of scale, the required capital, existing firms in the field, and many other elements.

The threat of substitutes comes from the ability of client to change to another alternative. Various elements can add to it, from a change in the market trend or technology, to the entrance of new competitors.

All of the four forces above are interrelated and add to the last force “Competitive rivalry”. It also depends on the number of companies within the industry, as well as their size and density, and the industry’s growth and profits.

2.2.1.3 Finance and Other Resources

By and large, it is challenging to accurately estimate the amount of resources needed before starting a venture as it varies from company to company, industry to industry. Entrepreneurs should consider how certain assets can be borrowed or rented instead of direct purchases, which, in turn, will increase their adaptability, ability for liquidity, and decrease capital risks (Burns, 2007). Similarly, another method of reducing expenses is to transfer fixed costs (costs that do not change over time) to variable costs (costs that change over time) (Reed, Sarassvathy, Dew, Wiltbank, & Ohlsson, 2011). This strategy outsources part of the production process to other firms. For example, instead of acquiring machine to produce a material, start-ups can purchase it from a supplier. This approach, however, also bears certain risks, as it makes the firm vulnerable to external changes in the market environment, such as an increase in price from the providers.

For financial resources, micro business can seek help from various sources, from finance institutions to their own networks, and personal funds. Financial aid from institutions is not always accessible. Frequently, loans are provided under strict contract terms, which may vary according to industry. The entrepreneur may be required to demonstrate personal commitment or clear exit plan in case of failure (Wickham, 2006). Examples of relevant point for track record includes education, precious field of profession or experience, achievement and so on. Together, they
add to the credibility of the entrepreneur. It is also important to emphasize that the higher the amount of borrowed capital, the higher the risk from raise in interests, premiums, and negotiation terms from lenders when the venture starts to growth (Reed, Sarassvathy, Dew, Wiltbank, & Ohlsson, 2011)

2.2.1.4 Marketing Strategy

The personal background of the entrepreneur, the business idea, the customer, the competition, and the resources available together shape the marketing strategy of a start-up. To first uncover a firm’s strategy, this thesis will attempt to clarify the importance of positioning. Positioning here refers to which market a company is targeting. Its framework, developed by Porter (1998), can be summarized in Figure 4 below.

Figure 4. Porter's Market Position.

Commodity suppliers aim to serve a large market with affordable products that are similar to each other. The core advantage of this type of company is cost leadership. This is arguably a difficult starting point for smaller firms as cost leadership depends largely on economy of scale, technology, and/or privileged access to raw materials and so on, that help reducing overheads (Porter, 1985). Such elements require large investment that smaller firms are unlikely to possess. Firms that are commodity suppliers often face fierce competition and need to achieve quick growth to retain competitive edge. Growth is expected mostly in the beginning if
the market were new and unexplored. The risk is high as customers can switch to similar alternatives with relative ease.

Small firms can, however, still be seen competing with large, well established corporation in a focus market, while offering products or services with low differentiation. This can be explained that in certain industries, such as consultancy, where economy of scale is of lower importance or inapplicable due to limited customer base, a small enough overhead can be achieved for adequate output volumes of product or service that enable the firm to be sustained. The drawback of such firms is that they are unlikely to see growth pass a certain point (Burns, 2007). After that point, the firm needs to quickly integrate economy of scale to increase output while keeping cost low as a competitive advantage. Such radical change also require capital and, thus, is very difficult to accomplished.

Niche players are firms that acquire competitive advantage via focus and differentiation. A firm that belongs to this category possess either unique expertise and capacity that allow them to be pioneer in the market, or achieve thorough understanding of the customers, the originalities of their product/service, the strengths of the company and its special selling position (Drucker, 1985). The targeted markets of niche players are often relatively small, and can be found even in between larger markets of large firms. Since the product or service offered is unique, and frequently customized to customers’ needs, the risk of being substituted is relatively low, and firm can charge highly for their low output volume. The company can, in later stages, develop by adding in variety in their portfolio to cater to other niche markets. Researches have suggested that entrepreneurial companies that see the most growth are commonly founded operating in niche markets (Burns & Whitehouse, 1994). The risks involved are changes in the market (such as change in trend, migrating customers, more competitors against small number of customers, and so on) which is more profound when the market size is limited. (Burns P., 2007)

Cases of outstanding success refer to companies with highly differentiated portfolio being able to get hold of a broader market. It is unlikely for any firm to position itself here from the start. However, instances of firms belonging to this category are commodity suppliers gaining brand identity, thus able to gain differentiation
advantage, or niche players acquiring the attention of a large number of clients (Burns P., 2007). Even though firms belong to the “outstanding success” category experience faster growth and less risk from substitutes, they still have to look out for new entries to their market, especially smaller niche firms, who may provide effective alternatives and chip away their customer base.

The positioning of a start-up affects how a firm applies its marketing mix into their business operations. Marketing mix is a series of elements which a firm can integrate into its marketing strategy. Promoted by Kotler, the marketing mix includes the 4Ps: product, promotion, price, place, and three more elements for service sector, which are physical evidence, people, and process (Kotler, 2012). Product refers to the characteristic of the product the firm provides, such as appearance, quality, package, and so on. Promotion consist of various promotional contents such as advertising, public relation, and other direct marketing methods. Place emphasizes on the location where the product or service is provided and channel of distribution. Price includes a company’s pricing strategy, payment terms and other discounts that can be applied. For service industry, physical evidence encompasses the surroundings where the service occurs, and any tangible evidence of such transaction happened, for example, the interior design of the store or some souvenir the firm gives away. Process shows the procedures through which the service reaches the customers. Lastly, the people factor caters to the relationship among firm’s personnel and customer, as well as among customers themselves. It is important to stress that as a company focuses on developing other elements, it will be able to charge higher price and vice versa. In other word, price has a reverse correlation with other elements in the mix, as smaller firms which focused on price had been showed to perform worse than those that focused in differentiation (Storey, Watson, & Wynarczyk, 1987). For advertisement, a study in marketing approaches of microfirms in Helsinki has found that, as such firms are often lack in finance, promotion is executed through utilizing available resources and personal networks, which have been developed gradually and sustainably, to establish brand identity (Wagar, Bjork, Ravald, & West, 2007).
2.2.2 Growth

If the start-up manages to get off the ground, it will be entering a growing period, where the entrepreneur will be experiencing various stages and managerial crises. If the crises are not successfully resolved, the business may eventually decline and die out. The details of such stages are well illustrated in the following model of Greiner (1972).

![Figure 5. Greiner's Model of Growth](image)

As Figure 3 clearly demonstrated, when a firm first starts out, growth is attained via the founder’s creativity. After sustaining some survivability, good direction, created by vision and leadership, will be of paramount importance. As the firm get larger, its personnel and output volumes increase. From phase 3 to 5, there is a strong emphasis on teamwork, which is divided into delegation, coordination, and collaboration. In order to achieve the transition for each new stage, the firm has to overcome a unique crisis. From stage one to stage two, it’s the lack of clear direction as the firm’s leader ventures on several new ideas and fails to identify the focus of his or her business. As growth progress, entrepreneurs then face the problem of delegating...
the works to an effective management team. From state 3 to stage 4, as the start-up firm slowly becomes a corporation, it is essential to develop a solid organizational structure so that all departments of the company can evolve and coordinate professionally. Lastly, before the transition to stage 5, the company will have to attain proactive collaboration under a unified vision. Micro companies are, however, unlikely to experience stage 5 (Burns P., 2007).

Corresponding with the growth of the firms, Churchill and Lewis have suggested a series of different management styles that firms have been adopting to cope with the inevitable changes in their organizations as showed in Figure 6 (1983).

Figure 6. Churchill and Lewis’s Management Styles

In the beginning, management depends largely upon direct supervision and one-on-one relationship. The entrepreneur commits his or herself in every aspect of the business. Minimal planning is applied. As the organization develops, the style generally changed into supervised supervision with more business planning, though it tends to be short-term. When the company has established its position in the market, it starts to be able to afford other managers to oversee everyday operational procedures. Lastly, for mature businesses that have taken form of corporation, the management styles will become more structural and professional, with different divisions and staff.

Apart from the management style, each firm can possess different leadership styles. Leadership styles are formed via the relationship between the entrepreneur and his/her employees. There are four basic leadership styles (Burns P., 2007), demonstrated in Figure 7.

Leader’s Authority

<table>
<thead>
<tr>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct supervision</td>
<td>Supervised supervision</td>
</tr>
<tr>
<td>Functional</td>
<td>Divisional</td>
</tr>
<tr>
<td>Line and staff</td>
<td>Line and staff</td>
</tr>
</tbody>
</table>
**Group Autonomy in Decision Making**

<table>
<thead>
<tr>
<th>High</th>
<th>Participative</th>
<th>Consultative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Paternalistic</td>
<td>Autocratic</td>
</tr>
</tbody>
</table>

**Figure 7. Leadership Style**

Studies have showed that various firms that experienced growth started with autocratic style, where leaders have authority over every decision, and transformed into consultative where the employees started taking a more proactive part in the business (Ray & Hutchinson, 1983). However, the results are not completely applicable to all countries. Thus, leadership style may be influenced by culture of the entrepreneur.

### 2.2.3 The Exit

Failure is always a large part of the start-ups picture. In 2015, Finland had the same rate for both enterprise birth and death, which was 6.7 times the number of currently active companies (OECD, 2015). There are various reasons for closure, which can be classified as Figure 8 demonstrates bellow.

**Figure 8. Factors That Lead to Business Failure**
Part of a firm’s success is determined by luck, which is an uncontrollable and unpredictable element of business venture. However, there are other factors involved in a firm’s failure that can be analysed and predicted to a certain extent. Firstly, as has been explained in the previous part of the paper, if the entrepreneur fails to change his or her management style to adapt to the growth of the company, the business is likely to fail due to poor management. Another factor that leads to failure is disadvantageous business decisions, which is often linked to a company’s weaknesses. According to a study of Watkins (1982), prominent threats that smaller firms encounter mainly relate to marketing and finance. Problems like failing to identify customer’s need, failing to develop competitive edges, poor pricing, poor financial plan, failing to follow up on market trend and competitors, and so on can lead to the company being in a disadvantageous position against suppliers and/or buyers, such as being dependent on them or being easily substituted by alternatives. Finally, micro-firm are extremely vulnerable to external changes in macro-scale. For example, economic crisis, fluctuations in consumption, change in interest rates, inflation, etc. pose a major threat to smaller firm as they have less resources to withstand and adjust to such radical shifts in the market (Burns P., 2007).

While it is difficult to accurately predict failure, according to Storey’s observations, there are indicators that can be utilized to foresee business closure (1998). Firstly, the chance of survival is higher in firms that have been operating for longer time and of larger size. Secondly, firms that have seen growth in a short period of time are more likely to avoid closure than firms that experiencing slow growth or stagnate. Lastly, the industry that the firm is currently operating in can affect failure rate, which is highest in the construction and retail sectors.

Regardless of failure or success, smaller firms exit their market in a few manners listed as follow. Apart from cessation of trade, or at worst, declaring of bankruptcy and liquifying firm’s asset, smaller enterprises can go through a process of buy-in or buy-out. A buy-out refers to how the company is bought by a larger corporation, or an experienced management group, whereas a buy-in indicates the firm being bought from the founder by its employee(s), which are, for example, other managers in the firm.
Together, start-up and exit form a perpetual circle of the micro-business landscape, which demonstrates the responsiveness of this sector towards changes in the market.
3 RESEARCH METHOD

This thesis utilizes a combination of qualitative and quantitative methods. As showed in previous sections, the objective of this study is to re-examine the relationship between entrepreneurship and micro start-up. Secondary data was collected via various sources such as books, data base, research papers, article, and so on; whereas primary data was obtained via semi-structured interviews and questionnaires. The theories are then applied to analyse four different cases from information collected from the interviews and questionnaires in accordance with the context of the external environment each case was in. The questions included in the interviews and questionnaires can be accessed in the Appendix.

3.1 Secondary data

The secondary data makes up the theoretical section of this thesis. Secondary data are collected and reviewed to establish a frame work for the study’s result analysis, and play an important role in the construction of the interview guidelines and the questionnaire. As stated by Denscombe (2010), the sources for secondary data must meet the four following criteria: authenticity, representativeness, clarity, and credibility.

3.2 Primary data

The primary data are collected via two different method. A series of semi-structured interviews was executed with the cooperation of four different micro firms’ founders to gain in-depth knowledge of the owners’ backgrounds and their business. The interviews’ topic and questions closely follow the structure of the previous theoretical section, with exception of the part concerning entrepreneurial traits, which was later covered in the employee’s questionnaires to provide more clarity and objectivity to the subject. Interview was chosen as the medium due to its flexible ability to allow a natural flow of conversation and follow-up questions on the subject (Roller & Lavrakas, 2015). The interviews were conducted and recorded online through electronic software due to the difficulties in arranging suitable time, as
micro business owners are involved in most, if not every part of their business, and thus, are rather occupied.

On the other hand, a questionnaire was distributed to employees of the aforementioned owner-managers to identify any observable owner-manager and entrepreneurial traits they may have manifested during their working time. The questions were developed based on the survey question of a prior study of similar nature by Darren Lee-Ross (2014), and the literature review of Burns (2007) on owner-manager and entrepreneur traits, which includes internal locus of control, need for achievement, risk tolerant, opportunistic, creativity and innovation, self-confidence, and proactiveness. A scale of 1 to 5 was applied to indicate the intensity of the traits’ presence in the founders, which is hard to be measured by qualitative means. The purpose of utilizing qualitative method is mainly to discover possible similarities among the subjects (Newman & Benz, 1998). The employees were also questioned about the leadership style that they have experienced during their time collaborating with the founders to provide a comparison with the answers of the interviewees towards the same subject. The questionnaires were distributed online to make the process more convenient for the participants.

3.3 Limitations

This is a small-scale study with a small sample size. The participants in the field of entrepreneurship frequently differ in various demographic factors, such as age, industry, social background, education, and so on. Thus, the results only aim to establish a general pattern concerning entrepreneurship and the life cycle of micro enterprises across multiple business categories. The theories regarding entrepreneurship are relatively new and controversial compared to other well-established disciplines. The topic is broad and ambitious, especially in the field of personality traits. Therefore, more specific studies into each section of the topic should be conducted in the future. For research method, while interview questions may prime the subjects, leading them to predictable answers, the lack of interaction in the questionnaire may give way to misinterpretation of the questions to pass by unnoticed. Lastly, this research took place in Vaasa, where there exist a heterogeneous body of culture. Hence, the nature of the location may also affect the results.
4 EMPIRICAL STUDY

The empirical section of this thesis contains summaries and analysis of four semi-structured interviews and five online questionnaire responses. The overall details of the interview shall be illustrated, and an overall analysis is presented in the “analysis and conclusion” part of the research. To provide confidentiality for the participants, the interviewees are assigned identifiers from A to D, and case numbers from 1 to 4. The backgrounds of the interviewees corresponding to their case numbers and identifiers are briefly demonstrated in Table 2 below.

Table 2. Summary of Interviewee's Backgrounds

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Age</td>
<td>57</td>
<td>29</td>
<td>Late 20s</td>
<td>28</td>
</tr>
<tr>
<td>Gender</td>
<td>Female</td>
<td>Female</td>
<td>Female</td>
<td>Female</td>
</tr>
<tr>
<td>Nationality</td>
<td>Finnish</td>
<td>Vietnamese</td>
<td>Vietnamese</td>
<td>Finnish/Vietnamese</td>
</tr>
<tr>
<td>Main Occupation</td>
<td>Construction Worker</td>
<td>Chef</td>
<td>Student</td>
<td>Student</td>
</tr>
<tr>
<td>Education</td>
<td>Bachelor degree of Russian Translation</td>
<td>Bachelor Degree of International Business</td>
<td>Bachelor Degree of Business Administration</td>
<td>Bachelor Degree of Hospitality Management Study Master Degree of Service Management</td>
</tr>
<tr>
<td>Company Background</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year in Operation</td>
<td>8</td>
<td>Half a year</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Status</td>
<td>Operating</td>
<td>Ceased trading</td>
<td>Ceased trading</td>
<td>Operating</td>
</tr>
<tr>
<td>Industry</td>
<td>Construction</td>
<td>Food and Catering Services</td>
<td>Food and Catering Services</td>
<td>Food and Catering Services</td>
</tr>
<tr>
<td>Personnel Size</td>
<td>2 to 8</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>
4.1 Summary of Interviews’ Results

The four companies that participated in this study all operate in Vaasa. Their personnel sizes are in accordance with the definition of micro business. Most cases involved none to 1 employee apart from the owner, with the exception of case 1. In the first case, the owners are both the interviewee and her husband, and their employees include up to 6 other seasonal workers, who are either professionals in accounting and invoicing, or construction workers. Furthermore, in case 2, while no employee was presented, interviewee B had cooperated with two other business partners. All interviewees mentioned previous professional experiences in the field they are currently engaging in. Especially the owners in case 1, who possesses a considerable amount of knowledge not only restricted to the know-how of construction industry, but also in sales, management, and general day-to-day business operation, which are obtained from their working time at various enterprises in the past, including, for example, travel agency, bank, IT company, and other private firms. Similarly, three out of four participants mentioned some connection between their childhood or family background and their current business. However, the relation was not emphasized by the interviewees, implying that family did not play a determining role in the start of their ventures. Only interviewee D stated that her education contributed largely to her business sustainability. Interviewee B, while having admitted the help of her education with her business operation, added that, as the teaching she received was in macro-scale, the effect was almost negligible when applied to micro business. In the last 3 cases, the participants’ business ideas also originated from observing their surroundings, which was peppered with examples of other start-ups.

For motivation, all four participants mentioned gaining a source of income as their main reason for the venture. Interviewer B notably stated that employment elsewhere was hard to obtained for foreigners who did not know the Finnish language. While in case 1 and 3, passion for the job itself was an important factor, in case 2 and 4, the owners’ confidence in their ability to manage a business served more remarkably as driver for the start-up decisions. Interviewee A, in particular,
emphasized the need of being independent and having her own way of living, as well as creating jobs for others.

Financial-wise, all four cases utilized personal funds for business operations. Only in case 1, the firm occasionally borrowed money from financial institutions for larger projects.

Concerning marketing strategy, the main target segmentations for all four cases consist of individuals. The model of their business is business-to-consumer. Their segmentations were, and still are, somewhat broad and non-focus. Furthermore, there existed fierce competition in the market across all four cases. To counter the aforementioned situation, the main competitive advantages the participants had developed appeared to be focus and differentiation. Each of the four cases focused on different factors of the marketing mix. None of them have, however, succeeded with an emphasis on price. All participants attempted to create additional values for their product/service to set them apart from competitors. Interviewee A said that it was how the firm focused strongly on the customer needs and its extra after-care service that increased customer’s satisfaction and had them return later. She added that by trying to attain transparency with the customer via clear contract terms, the firm might gain customers’ favor and trust. Both interviewee B and C applied a “cultural uniqueness” to their menu, as interviewee B’s company sold Dutch food, while a mixture of Thai and Vietnamese food was offered by interviewee C. In the last case, the owner focuses on maintaining strict quality control of her products via careful daily cleaning, temperature control, and attention to the presentation of the product. Nevertheless, as interviewee D distributes product of an already well-established brand, her company’s competitiveness lies more in other elements of the marketing mix. For promotional method, interviewee A and B utilized advertisement via local newspapers. Word-of Mouth is another crucial factor for companies in case 1 and 4, as interviewee A stated that various customers had come due to the reference of previous clients, while interviewee D mentioned many customers had become loyal to the company throughout the years as the result of her special training of her staff, which included the initiation of small talk in the customers’ languages as a form of relationship-marketing. Except from case 1, the companies
employed physical evidence as a part of their marketing strategy, with the owners in case 2 and 3 proactively decorated the outward appearances of their stores to attract customers. Lastly, only interviewer C mentioned Place as a vital part of the business survival.

Management-wise, all four firms utilized a direct supervision style. However, in case 2, The management style was severely inadequate as the three partners hardly communicated and decided matters separately and immediately. Additionally, interviewee 1 employed a mix style of not only direct supervision, but also functional. Jobs were delegated with high trust to the professional employees, while other construction workers were trained, directed and supervised personally.

Three out of four cases witnessed autocratic leadership style with occasional consultative approach as the owner gathered opinions of her employees to seek improvement for the firm. In case 2, the style was participative according to the interview. The partners held discussion and move forwards with the consensus.

The difficulties were reported to be gaining customers and increasing profits in all four cases. All companies in the catering industry mentioned their specific dependence on the weather. Additionally, interviewee A has occasionally encountered problematic clients that refused to follow the agreed contracts, while interviewee D is still seeking solution for employee motivation. As the nature of the job is repetitive and uninspiring for the most part, and she is afraid that a discouraged employee will reflect badly on the quality of her products and service.

In case 2 and 3, the enterprises eventually ceased to trade due to personal reasons, such as lacking time for family or inability to overcome differences in working style. However, both firm saw a lack in understanding of what would attract customer’s attention, and the products were homogeneous and did not appeal to a broad enough market. The business in case 1 and 4 are currently experiencing slow growth. Nevertheless, in case 1, interviewee A has been adding variety to her service, for example, by offering rent for their vehicle and other assets. Last but not least, both interviewee A and D stated that they had future plans for their business.
4.2 Analysis and Discussion

The purpose of this section is to provide a comparison of the theoretical study and empirical data, and to verify the connection between entrepreneurship and micro business across all four cases. The section is divided into two parts: “Entrepreneur Profile” and “Micro Business”.

4.2.1 Entrepreneur Profile

As entrepreneurs differ from owner-manager via their focus on growth, profit, and innovation, only interviewees A and D demonstrated entrepreneurship, or at least, strong potential for it. Both interviewee A and D mentioned plans for future growth and were arguably dedicated to finding new opportunities, as well as enhancing the variety and quality of their products/services to better adapt to the market.

Across all four cases, the factors that influence entrepreneurial decisions in three Cooper’s categories vary considerably. For antecedent factors, the owners of the two surviving businesses emphasized more on how their previous profession or education had aided them in managing the business, whereas the two founders that faced closure stated that they had not been able to efficiently utilize their education or there was a lack in experiences that hindered their performance. None of the participant have strong family background of entrepreneurship, even though there exists a weak connection between the childhood of all four interviewee and their start-up decision. Even though in all cases, obtaining a source of income was cited as the first reason for start-up, the three foreign participants mentioned their difficulties in finding employment elsewhere as an immigrant, whereas the native interviewee emphasized more on her need of independency and freedom. In term of gender, the majority of female owners interviewed worked in the food and catering industry, which is in accordance with the results of previous studies (McAdam, 2013).

For incubator organization factors, all four subjects have had exposure to a micro-business setting prior to their start-ups. Furthermore, the majority of them came in contact with other founders of their business via personal and intimate networks.
The skills and knowledge required in all four cases were easy to pick up and thus achieved naturally during the course of their childhood, study, and work. The environment factors play a more visible role in cases 2 to 4 than in case 1, where the participants got their ideas via observing example of other entrepreneurial activities in the same industry.

On another note, comparing the scores in Hofstede’s cultural dimensions of the participants’ home countries, Finland and Vietnam, with the United States has showed no strong relation among the three cultures across all categories. The details of the comparison (Hofstede Insights, 2018) can be observed in Figure 9.

![Figure 9. Comparison of Finland, Vietnam, and U.S across Six Cultural Dimension](image_url)

Regarding entrepreneur’s traits, the results from employee’s questionnaire were extremely scattered. It may reflect the complexity of human personality and the diversity in entrepreneur nature that cannot be thoroughly covered in small-scale study. It is also important to emphasize that the body of research in this discipline has not been conclusive and only recently the distinction between owner-managers and entrepreneurs was applied. However, it is not to say that entrepreneurial traits cannot be observed in owner-managers, and vice versa. Out of the four traits of owner-manager, the only trait that was relatively evidential from the results was
internal locus of control. Opportunistic and Creativity/Innovation, on the other hand, received relatively high score from the employees, regardless of the owner in question.

4.2.2 Micro Business

In this section the four companies in this research will be analyzed from a marketing, financial, and managerial perspective in compliance with the theoretical part of the study. Firstly, all four firms experience stagnation, if not closure. The reason for this phenomenon can be attributed to the difficult market position adopted in all four cases. The firms provide for a broad market a product/service with little difference from alternatives. The entry barrier to the industries of construction and catering are low, proven in the interview where the participants noted on how it was easy to begin their start-ups. Hence, the firms that faced with closure emphasize the hardship in gaining more customers in an already limited market, whereas the firms that managed to survive strived to move on to a broader market, high differentiation position to gain competitive advantage over their substitutes. It can be observed that the second and third companies, while established in different time frame, had employed similar tactics which were ineffective. The main marketing strategies were based on added value and relationship marketing. From the 7Ps of the marketing mix, price was not of any substantial priority across all four cases, as micro firms are not well equipped to compete in price in such market position where economy of scale can be efficiently utilized (Burns P., 2007). The method of promotion with the most noticeable results was advertising in the local newspapers. In the long run, surviving companies stated that word of mouth and customer relationship marketing play a dominant role in keeping customers coming back and attracting new ones, as it can be observed in case 1 and case 4. The owners of the catering service put high priority in place and physical evidence. They attempted to secure good locations for their businesses and paid great attention to the appearance of their food truck/kiosk. The same cannot be applied for the construction industry. In cases 1 to 3, the interviewees all mentioned adding more value to their products. However, only case 1 succeeded by providing after care service. Only the participants in case
4 emphasized process in the business operation, as she integrates training and quality control in her firm.

For management style, the interviews showed that direct supervision is the most dominant type. It is in accordance to the theory, as in most case the number of personnel is not large enough for delegation (only 2-3 workers), and the companies fall into the first or second phase of growth where the founders are involved in every part of the business. According to the interview, all cases demonstrate a leadership style of mainly autocratic, with an occasional mix of consultative style. However, from the questionnaire, the employee perceived the style slightly differently. The dominant style was observed from the questionnaire to be consultative. It might imply that the owners are flexible and/or their leadership style has evolved over the year to adapt with the changes in their companies without their awareness.

The financial area of micro-firm is simple and straightforward. In all cases, the start-up was founded based on personal funds. No professional in the field of accounting and finance is currently employed to manage the firms’ finances. The most common difficulties cited were mainly marketing-related. They involved dealing with difficult customers, gaining more clients, dealing with bad weather that affected the business, as well as obtaining differentiation from competitors. In case 4, the owner mentioned a management problem of encouraging her employee. Firms that faced closure was not bankrupted, but simply ceased to trade within three years.

4.3 Conclusion

Both entrepreneurship and micro enterprise are recognized as the young and novel subjects of social study. While as young disciplines, they are interesting and promising, there are various problems that would not be encountered in well-established body of research. For entrepreneurship, the factors included depend heavily on their definitions, which are currently still under development. Furthermore, both entrepreneurs and micro firms vary greatly in natures from case to case, which adds to the complexity of these subjects. It can be concluded that entrepreneurship and micro enterprise researches should encompass not only demographic and economic
factors, but also the specific context, business decisions and operation related to each case.

Following this principle, this study shows that there is a strong connection between the theory of micro-firm establishment and decline, and the empirical findings. However, the same cannot be said for entrepreneurship and micro start-ups. As previously mentioned, it is difficult to determine whether the founders of micro business are owner-managers or entrepreneurs, as the current theories on the topic draw the distinction from results, such as growth and profits, and not the potential. Thus, the theory is not applicable due to the majority of micro-firms hardly growing to any size for researchers to be able to reliably determine if the founders are indeed entrepreneurs. Moreover, the data concerning entrepreneurial traits in this study have been mainly inconclusive.

On another note, the thesis has demonstrated that the operation of micro enterprise is unique and different in comparison with large corporation and their related business theories. Micro start-up happened mainly due the need of income and pressure of unemployment. Nevertheless, possessing entrepreneur traits such as opportunistic and creative/innovative can arguably contribute to the whole survivability of the firm. The entrepreneur’s prior education, profession, and experiences play a substantial role in formulating the firm’s idea, strategy, and viability. Despite previous statements, the success of micro firms does not rest entirely on the owner being an entrepreneur, but notably more on acquiring understanding of the market, especially the knowledge of customers and competitors, in order to establish an appropriate market position and develop suitable strategies for sustainable growth. Furthermore, it is crucial for micro businesses to notice that the most efficient marketing strategy is to focus on, not the price, but every other element of the marketing mix in order to give added values to the business as a whole. This is due to the fact that micro enterprises generally lack the financial resources to compete on price with larger firms. In conclusion, failing to develop a suitable marketing strategy is the common reason that leads to stagnation or closure.

In spite of the limitations, this thesis has arguably been providing sufficient evidence to call attention to the inadequacy of contemporary knowledge on the subject
and the need for more in-depth future research. In accordance with the findings, it can also be suggested that the study of business strategy and overall operation should be further emphasized in educational institutions, as it is directly linked to the success of a new venture, be it entrepreneurial or not, especially in micro scale, where traditional business teaching, which was developed on research of larger corporations, is alarmingly inappropriate.
REFERENCES


APPENDICES

GUIDELINES FOR INTERVIEW QUESTIONS

1. Overview of the business
   - What is the business, its core product, service, the industry it operates in?
   - When was it created?
   - How long has it been in operation?
   - How many employees does the business have?

2. Background of the owner
   - Age, gender, main occupation, nationality, etc.

3. Micro-firm life cycle
   - What is your reason/motivation to open the business?
   - How did you come up with the idea (relevant education, experiences from previous jobs, family, connection, economic condition, access to personnel, resources, etc.)?
   - How much was the investment, where it was obtained?
   - Who are your customers?
   - Who are your competitors?
   - How do you think you differ from your competitors?
     - Competitive edges: focus, differentiation, cost leadership
     - The marketing mix 7Ps: price, place, promotion, product, people, physical evidence, process
   - How do you attract new customer?
   - How do you manage employee? (Delegation, decision making process)
   - Do the business see growth, or is it stabilizing, or declining?
   - What difficulties your business often face?
   - If you face closure before, why do you think it failed?
Questionnaire of Micro-business Owners' Characteristics and Leadership Style

*Note: Your answers and identity will be kept confidential.

1. Please choose from a scale of 1 to 5 whether the following sentences apply to your employer

   1 = Not like him/her at all, 3 = Neutral, 5 = It's very much like him/her

Do you think your employer:

- Wants to be his or her own boss.
- Wants to be his/himself and dislike following other’s opinions.
- Is a very independent person.
- Always puts work first.
- Thinks of success as very important in life.
- Thinks of getting more profits as a priority in life.
- Likes to take risk.
- Likes stability.
- Is a traditional person.
- Is an adventurous person.
- Is always looking for new opportunities in the market.
- Is a creative/innovative person.
- Thinks that creativity and imagination are very important for work.
- Is confident in their business decisions.
- Is a decisive person at work.
- Is a proactive person.
- Has clear vision and direction for the company in the future.

2. Which one of the following leadership style is the one you experience the most at work.

   - Autocratic: The owner decides everything, or almost everything.
   - Consultative: The owner actively seeks out opinions, and gives his/her own advice to reach a decision. They still mostly the one who decide.
   - Participative: There are group discussion for most business decision. The decision is something the whole group agree to.
Paternalistic: The owner convinces the employee to work and do what the owner’s intended by offering favour and benefits.