
Editorial

David Pollard

Reader in Technology Transfer and Enterprise,
Leeds Business School, Leeds Metropolitan University,
Bronte Hall, Headingley Campus, Leeds LS6 3QS, UK
E-mail: D.J.Pollard@Leedsmet.ac.uk

Biographical notes: David Pollard is a Reader in Technology Transfer at Leeds Business School, Leeds Metropolitan University, UK. He was previously a Senior Lecturer at the University of Abertay, Dundee, Scotland. His major research interests are in SME development in the transformation economies of East and Central Europe and China. He is the author of over 100 journal papers, conference papers and book reviews and is a member of the Editorial Boards of several journals concerned with business in east and central Europe and China.

The rapid expansion of entrepreneurial and small business activity in transition and other emerging economies during the last two decades has been influenced, *inter alia*, by economic change and policy interventions by a range of governmental and other institutions. It is generally recognised that entrepreneurship and a vibrant SME sector are crucially important in such economies, in order to generate new industries and to assist with industrial reconstruction. SMEs protect local cultural and social environments through the generation of employment and other forms of stakeholding by owner-managers in sustainable operations (Kerr, 2006) and in local development. Although the contribution of individual SMEs toward economic development may be small, they can have a large impact in a particular region. The contribution of SMEs to sustainability is significant (Welford and Gouldson, 1993). SME development and the sustainable impact of SMEs have received comparatively little attention, yet the relatively high failure rate of SMEs, for instance (Hallberg, 2000), could have a significant impact on the rate of economic and socio-cultural development.

It is recognised that, in order to achieve growth in the number and success rate of small businesses, institutional development is necessary. Economic change has challenged the attitudes of people who manage and work in Small and Medium-sized Enterprises (SMEs) and also the general public perception of the role of SMEs in the economy. The increase in entrepreneurial activities in transition and emerging economies has given rise to an evolving literature with debates on such issues as SME start-up, entrepreneurial knowledge deficiencies and institutional development. However, some aspects of sustainability, such as the relationship between local investment decisions and the sustainability of the local economy, are rather neglected.

Many approaches have been taken to the discussion on sustainable development Keiner (2004). Sustainability has evolved into a complex construct with many definitions and perspectives, among them the maintenance of human living standards and economic growth. While many of the papers in this special edition address issues of economic

sustainability, issues relating to socio-cultural and human capital elements of sustainability are also included. This edition has attracted contributors from a wide range of countries and research backgrounds, providing different insights into the sustainable development of businesses in transition and emerging economies.

The development of a vibrant domestic SME sector requires a wider and long-term perspective. SMEs, especially if situated in a small economy, or in some industries, may be required to become more internationally competitive (Luken and Stares, 2005) and move into international markets. The opening paper by David Pollard and Iveta Simberova explores the internationalisation processes of SMEs in transition economies. The authors discuss various theories which explain the internationalisation process, arguing that many of these existing theories have been developed largely as a result of studies carried out in larger organisations. Understanding of SME internationalisation can be enhanced by taking a resource-based view. Although primarily directed at SMEs in transition economies, the arguments are relevant for other emerging economies. Sandford Moskowitz also discusses SME internationalisation but in a particular industrial context, that of the garment industry, in Lithuania and Moldova. He contrasts the environment for SME growth and internationalisation in the EU with the problems faced by Moldavian businesses which have fewer initiatives in place to foster entrepreneurship and enterprise.

Peter Luke and his co-authors evaluate factors influencing entrepreneurship in Lithuania, and offer an examination of the social context for entrepreneurial growth. The authors subscribe to the argument that the generation of a thriving small business sector is an important indicator of economic health but that certain sectors of the economy would benefit from targeted policy-making to exploit areas of national competitive advantage. Blom et al. assess the development of human capital in the St. Petersburg region of Russia, taking the view that, while deficiencies in managerial practice existed in the early years of transformation, the situation is now improving and that the focus should now be on innovation, for the benefit of the region as a whole.

In Southern Europe, business and economic development has taken place in the aftermath of the recent armed conflict and the emergence of a desire of various former Yugoslav republics to join the European Union. Qerim Qerimi and Bruno Sergi discuss economic development within various non-EU states in the region, linking these with the prospect of entrepreneurial activity. Durim Hoxha, in his paper dealing with SME development in post-conflict Kosovo, utilises a 2004 data-set to provide support for Gilbrat's law and identifies the strategic behaviour of entrepreneurs as a central factor in high-growth SMEs. The paper supports the classic argument that SME growth is explained by assessing specific strategic behaviour on the part of owner-managers, as opposed to the organisational ecology and other industry-based considerations that include external features such as socio-cultural effects (see, for example, O'Gorman, 2001).

The discussion then moves away from Europe, with two papers set in Africa. Abdellah Elamin and Mohamed Branine discuss the impact of politics on strategic decision making within an organisation situated in a developing economy, that of the Sudan. The authors argue that the overt and tactical interference of government discussed in the paper can lead to a greater understanding of strategic decision making processes that are subject to similar circumstances in other developing economies. Oyefuga et al. examine the support mechanisms for SMEs in Nigeria, identifying funding as the key obstacle confronting SMEs, especially in developing and transition

economies. Their study evaluates the impact of a Nigerian financial intervention scheme – the Small and Medium Enterprises Equity Investment Scheme (SMEEIS) – on the growth of Nigerian SMEs. They conclude that, although funding is a key problem for SMEs, owner-managers are not always competent in identifying sources of funding or in preparing applications for funding. Efforts should therefore be made by the operators of the scheme to create further awareness and educate the entrepreneurs.

The next paper by David Pollard is set in Thailand and examines, through a case-study context, the setting up of a strategic alliance between a larger firm based in Scotland and a medium-sized Thai company. The paper contains a discussion on the process of knowledge transfer between the partner organisations and examines how trust and collaborative working within a strategic alliance has led to a shared experience in successfully setting up a new venture in this emerging economy.

The final contribution to this special edition takes the debate back to Europe, with a case study of SME growth in Poland. The author, Darek Klonowski, demonstrates that managerial decision making has a major impact on the rate and nature of growth, supporting the strategic behaviour model of growth. He identifies some key problems facing the company, such as lack of formal organisational structure, difficult access to capital and an over-dependence on western markets. A teaching note for the case study is available from the author.

While the papers in this special edition address the economic, institutional and socio-cultural aspects of sustainability, Shrivastava (1995) and Keiner (2004) would argue that ecological sustainability should be considered; in fact, all four elements should be considered together. Owing to the fact that SMEs make up the majority of firms in many economies, taken as a whole, they can make a substantial impact on the environment. Further research, prompted by another special edition of this journal, might explore the ecological impact of SMEs, at the same time addressing the three streams of sustainability explored in this edition; the interaction of all four aspects being important in future sustainability. Such an approach would be particularly appropriate for transition and emerging economies wherein environmental concerns are attracting the attention of international institutions and national governments. Environmental concerns can be both sources of new entrepreneurial opportunities for small businesses start-up and growth (see, for example, Biondi et al., 2002) and a challenge to existing SMEs in conforming to increasing environmentally-based demands from governments and customers (Friedman et al., 2000).

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