

Very Small Businesses and Economic Development: from Support of Entrepreneurship to Long Lasting Structures

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Abstract

At the start of the 1990's, the Work Statistics Office stated that 50% of newly created jobs in the USA came from businesses of less than 100 employees. Three years earlier, a fuller study carried out across the USA during the 1980's showed that small businesses were the economic units which were the most dynamic in the area of employment creation (Birch, 1987). This phenomenon has been confirmed during the last decade, clearly showing the influence of new businesses on American economic development and job creation (Sage, 1993). The identification of the link between business creation and employment levels has led to an increase in programmes supporting entrepreneurs. Sage (1993) notes that the majority of studies in developed countries highlight six main factors which have a positive influence on new business entities and their development: support offered by the community, project incubation, managerial ability, level of training, financial resources and the social capital of the entrepreneur.

But if the importance of small business in Europe and the USA seems now to be widely accepted, the position of these structures in developing countries is still not clearly appreciated. However, their number has considerably increased over the last two decades, both in the official and informal sectors (Woodworth, 2000).

Three categories of small business are generally accepted: businesses with no employees; very small businesses with less than 10 employees; small businesses with less than 50. The studies on which we will make reference concentrate mostly on micro- businesses and very small businesses and so for sake of clarity these two categories will be referred to forthwith as "VSB".

The constant increase in the number of VSB has led first to international organisations and then governments taking an interest in them. This has resulted in a re-orientation of funding and of the putting in place of policies more favourable to VSB. However, the increasing significance given by these organisations to VSB is not seen by all observers as positive. Biggs, Grindle and Snodgrass (1988) conclude in the following terms: "As agents for

economic development VSB are to talk bluntly, of little interest. Few will grow, the majority having been set up as a survival plan for the poor. Despite the widespread rhetoric efforts to assist them comes more from humanitarian than economic policy.” On the same theme Weeks (2002) shows by studying the link between the size of an economic unit and its efficiency that VSB create less employment and are not more responsive to market conditions than medium and large scale structures.

These opinions are not however, shared by the majority of the academic community. Some highlight the importance of VSB in the process toward Sustainable Development. The impetus given by these units to the growth of developed countries encourages the thought that VSB are not just survival mechanisms but are one of the foundations of development of a region (Pyke & Sengenburger, 1992).

Our analysis is not concerned with which of these two visions of development is closer to reality. It can be seen that there exist in every country enterprises that generate revenue barely sufficient to offer a subsistence living to its business man or woman. Others, in contrast have the characteristics necessary for a development of greater or lesser significance (Daniels & Mead, 1998).

In the following paragraphs, the principal characteristics needed for a VSB in a developing country to experience a growth in activity will be examined. Then a critical analysis of support of creation and development of VSB will be undertaken.

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