

Teaching note

Growth Challenges in Small Manufacturing Ventures from Emerging Economies: The Evidence from Moldova

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Case synopsis

VM-Plumcom Ltd. is a family-owned business. It was founded in the spring of 2000 by Tamara Popa and her husband, with their two daughters being the other two founding members. VM-Plumcom Ltd. is in the business of processing fruit and vegetables. From the date of its inception, VM-Plumcom Ltd. grew rapidly both in size and scope. It started selling its first products in 2001, generating just over 31% of revenue from international sales. Before the crisis in 2008, the average growth rate of employees per year was about 30%, while the annual total revenue grew on average by 45%.

After the onset of the crisis in 2008, the revenue of the company dropped by 12% in 2009, with export sales dropping by 14% as compared to 2007. As the number of orders decreased during this period, VM-Plumcom Ltd. even stopped the production process in 2010 since the stock had piled up during the previous year. On top of the global economic crisis, Moldova also experienced severe drought that heavily affected the yield of fruit and vegetables, which are the company's raw materials.

Despite all of this, Tamara strongly believes in a positive outlook for her business. Sales picked up in 2010 and reached the 2007 level. New international market opportunities have been identified but key strategic decisions need to be made: to enter or not an international joint venture; to diversify or not its product portfolio; how much further to integrate backward or horizontally; and whether redefinition of company mission is needed?

Intended audience

The case is suitable for use in both undergraduate and graduate courses in entrepreneurship, international business, international entrepreneurship, international management, and international strategy.

Teaching objectives

The case focuses on issues and challenges of starting up a small, family-owned, manufacturing company from an emerging economy and of internationalizing such new

venture right from its inception. As events unfold, the students will recognize and appreciate the importance of identifying and pursuing an international market opportunity immediately after the launch of a new venture; macro-economic, political and social environment and institutional voids within which the venture operates; understanding the industry regional/global value chain; defining and pursuing its own niche and route to international markets; product innovation and product portfolio development; and vertical and horizontal integration, to name a few.

Overall objectives:

1. To explore the nature of international entrepreneurship in a fast-growing manufacturing international new venture
2. To explore organizational, management and strategic issues within the venture and the external – national and international - environment it operates in
3. To explore tensions and interrelationships between internationalization, market entry and market development, product portfolio development, growth strategies decisions

Discussion

This case is considered to be an introductory case to start a discussion concerning international entrepreneurship in the context of emerging economies. The discussion may start by defining international new ventures or born-globals and their advantages compared to traditional SMEs. Students may further discuss the nature of international market opportunities and respective venture ideas as well as explore the pressures that fuel or stifle internationalization or globalization. Key issues and challenges facing international new ventures would be further addressed. Here, at least three periods critical to the venture could be singled out: at inception, during and after the financial crisis; more time could be spent discussing these. For example, at inception of the venture, the students may debate considerations about: internationalization - which markets, which modes of entry, what to internationalize; business model design; resource and capability acquisition. The case suggests that the sector in the home country is new and emerging. The students may further address issues and challenges of starting up an international new venture in a sector that is also emerging and that is located in an emerging economy. The students may conclude by debating pros and cons of diversification, vertical and/or horizontal integration, getting investors or trading partners and advise the CEO on the course of action.