

GLOBALIZATION: THREAT OR OPPORTUNITY FOR SMEs?

Over the last decade, globalization has become an increasingly important issue for business strategists and policy makers alike. Most of the discussion, however, has centred on how it has been impacting large diversified multinational corporations (DMNCs) and the adjustment processes they are having to undergo as a result. A great deal less attention has been paid to the effects globalization is having on SMEs.

Part of the reason for this is the sheer variety of SMEs across such dimensions as mission, technology, size, age, product/service line, and market scope. As such, they do not easily lend themselves to the development of broad generalization regarding the impacts of globalization. Nonetheless, a concerted effort should be made to really understand their particular challenges considering the major and integral role they play in the economies of most countries around the world. Take Canada, for instance. In 1991 over 98% of the approximately 922,000 businesses in the country had 100 or fewer employees. Moreover, they accounted for approximately 53% of the net jobs created in the private sector and produced about 45% of GNP.

The purpose of this paper is to contribute to an understanding of the threats and opportunities globalization poses for SMEs in particular. The first section provides a general overview of globalization. The second section discusses a way of classifying SMEs for the purposes of understanding how this process is impacting them. The third section provides a framework for identifying the types of impacts they are likely to experience in a given set of circumstances.

Globalization

Globalization is essentially a transformation process which results in an ever-widening definition of an industry's boundaries from local to national to regional to worldwide. When an industry has become completely globalized, that is, defined as worldwide, firms everywhere would be confronted with the same competitive conditions regardless of country location. In a fully developed global marketplace, goods, money, information and people would flow easily back and forth across national boundaries.¹

Moreover, as a result of globalization, profound changes are taking place in the competitive conditions of an increasing number of industries around the world. Stimulated by technological advances, improvements in telecommunications and transportation, converging tastes, and changes in government policy, it has created a situation in which mere survival can require firms to pursue global strategies. It has also spawned a whole host of new business practices aimed at achieving a sustainable competitive advantage on a global basis including continuous improvement, benchmarking, total quality management, just-in-time inventory systems, re-engineering, designing for manufacturability and strategic alliances. So significant is this transformation process, in fact, that Peter Drucker has felt it necessary to issue the rather stern warning that "if you don't think globally you deserve to be