

circumstances would be increased sales and/or profits. This scenario would not be without some threats, however. The SME in an attempt to keep up with its customer's demands could lose some strategic control over its direction and become over-extended in the process. On the other hand, the patronage of the customer could be lost altogether if the SME was not able to keep up with the demands being made on it.

Situation II would be a less desirable scenario for the customer although it may not appear as such in the short term. In fact, the big danger here is that a competitively weak customer could be shielded for a time from the impacts of globalization due to the favourable industry conditions. Whatever deterioration in its fortunes which did occur could be attributed to temporary external forces. When the situation was recognized for what it truly was, the customer would in all likelihood have to mount a concerted, if not sudden, effort to attempt to regain its former position. This would create an opportunity for the SME to develop stronger ties with the customer through helping it to adjust to the changed environment. On the other hand, if the SME were to become aware of the situation before the customer, it could begin to forge links with stronger potential customers. This scenario would present the SME with several threats, however. Depending on the strategic adjustment pattern of the customer and the SMEs foresight, these could include stalled or slowing sales growth, increased costs, technological decline and being blind sided by competitors.

Situation III is again less desirable than I but by no means necessarily worse than II. Even though the industry conditions would be unfavourable, the strong competitive position of the customer would enable it to survive far better than many of its rivals. Its strategic agenda would likely have something to do with repositioning itself to safer segments in the industry while diversifying into related or new industries with more promising growth and profitability prospects. Its responses would likely be emergent rather than deliberate, its pacing moderate but somewhat uneven while its shifts in current strategy could be fairly significant. Due to the customer's strength, the SME would be somewhat buffered from the full impact of deteriorating competitive conditions. The opportunities would be few, however, and primarily associated with following the customer into new product/markets. The threats would be many and include a combination of those evident in scenarios I and II. Depending on the strategic action of the customer, these might include over expanding, loss of strategic control, increased costs and stalled or slowing sales growth.

Situation IV would represent the worst case scenario for the customer. A combination of unfavourable industry conditions and poor competitive strength would put its survival at significant risk and require sudden and significant shifts in strategic direction. This would translate into tremendous pressure being felt by the SME to make rapid, significant and likely erratic changes to its own strategy. The only real opportunity here would be to seek new customers among the stronger firms in the industry. Even this, however, would at best provide only temporary relief. Not surprisingly, this scenario would present the SME with a multitude of threats. Depending on the response of the customer, these would include severe sales decline, insolvency, bankruptcy, predatory competition in its own industry and takeover.