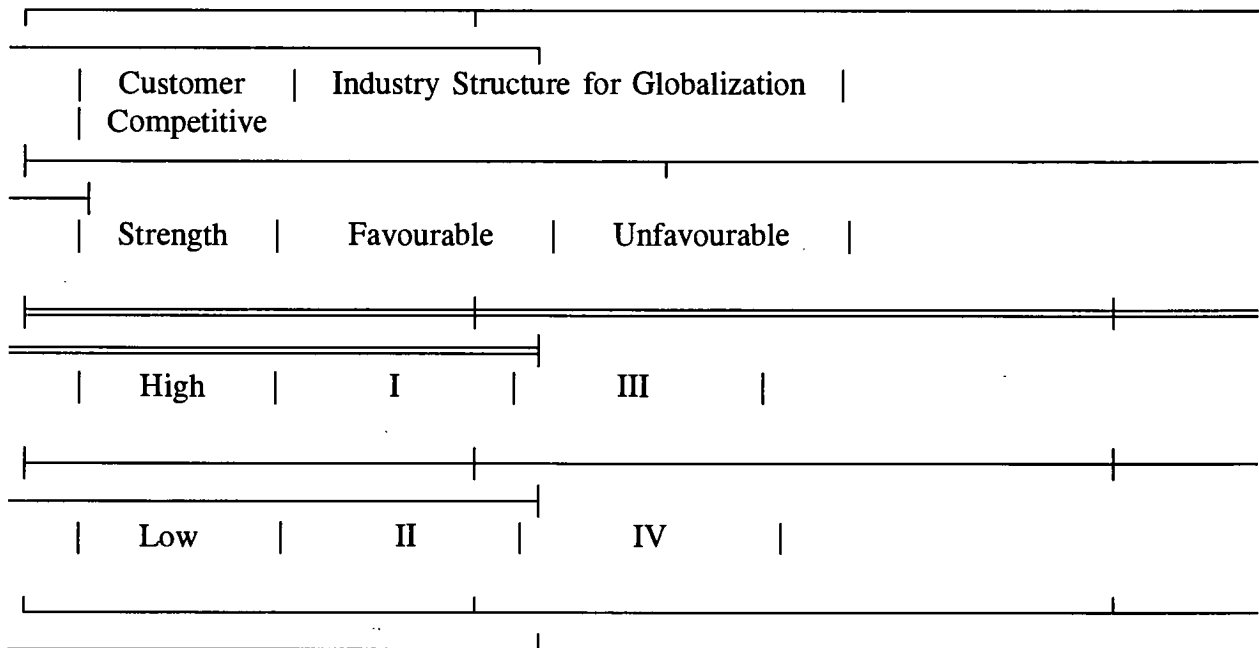


## Identifying SME Opportunities and Threats

Combining industry and firm characteristics creates four basic scenarios in which SMEs' customers could find themselves as a consequence of globalization. These are shown in Figure 3.

Each of these circumstances would present the customer with a different set of strategic priorities and lead to a different set of strategic actions as it responded to the changing competitive conditions.<sup>7</sup> In turn, these responses would create different sets of opportunities and threats for the SME. The extent to which it would be able to take advantage of the opportunities or be exposed to the threats would be a function of its own strength relative to its competitors. Examples of how the SME could be impacted by each of these four circumstances are now discussed.

Figure 3 - Globalization Scenarios



Situation I shown in Figure 3 represents the best case scenario for the customer. The combination of favourable industry conditions and competitive strength would enable it to focus on new opportunities arising because of globalization. Strategic adjustment would be deliberate and smooth. For a SME, this would create a multitude of opportunities. Depending on the particular strategy pursued by the customer, these could include partnering with the customer, extending its product line and /or market scope, increasing the value added to its product/service and even forming horizontal linkages with other SMEs to achieve the scale necessary to meet the customer's demands. The bottom line for the SME in these