

Canadian or foreign controlled. In all cases, though, the customers would be major players in industries undergoing significant change due to globalization.

### Distinguishing Among Customer Circumstances

As noted above, the fortunes of industrial product/service SMEs are tied to those of their customers. These, in turn, are a function of how globalization is affecting the nature of rivalry in their industries and of their relative competitive strength.

To gauge how globalization can impact rivalry and thus the fortunes of the customer, the structural characteristics of its industry must be examined for they will influence how orderly and gentlemanly rivals will behave during its transition to global status. Industries can be classified as being generally favourable or generally unfavourable for globalization depending on their basic characteristics. Some of the key structural factors which determine the favourableness of a globalizing industry are shown in Figure 2 below.

Unfavourable structural factors will result in rivals having to compete in ways which drive costs up and profits down simply to stay in business. Until the dust settles, there will be little prospect of sustained profits. Favourable structural factors, however, allow firms to adjust their strategies in ways which are not detrimental to profitability levels in the industry.

Regardless of industry attractiveness, however, profitability levels could still be expected to vary among firms. Not all firms would fare equally well or equally poorly under the two conditions due to variations in relative competitive strength.

The relative competitive strength of the customer would be a function of its strategic and operating health. There are several factors in turn which determine strategic and operating health. These include market position, technology strength, product capabilities, financial resources and proprietary knowledge and skills.

Figure 2 - Industry Favourableness for Globalization

Structural Factors	Favourable		Unfavourable	
Speed of boundary expansion	slow/consistent		rapid and/or erratic	
Price levels	stable		unstable	