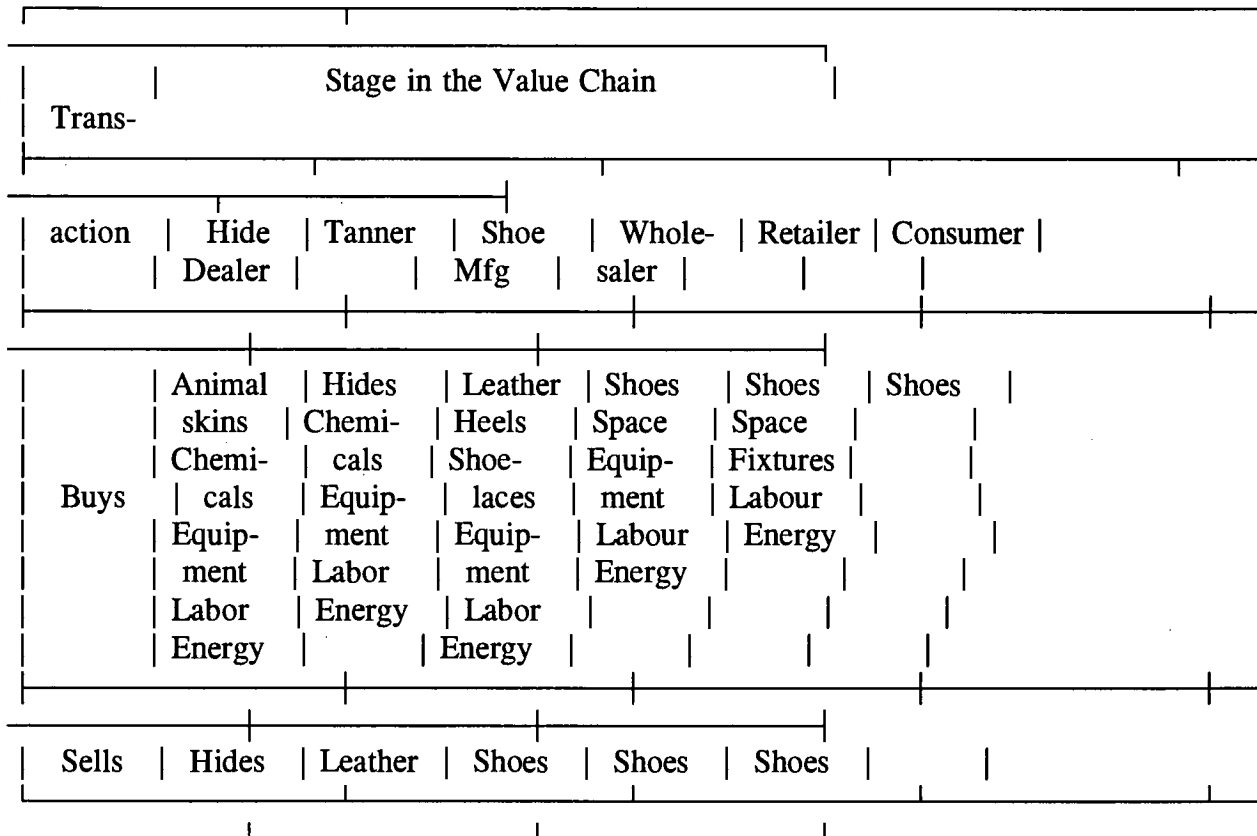


Figure 1 - Shoe Manufacturing Value Chain



On the other hand, the threats and opportunities confronting final product/service providers are primarily a function of how significantly globalization impacts industry conditions at their particular stage of the value chain. Take, for instance, a SME composed of half a dozen stores selling shoes to the ultimate consumer in a particular mid-sized city. As a consequence of the increasing globalization of the mass merchandising industry, the local retailer could be faced with a dramatic changes in its competitive climate, especially if a global retailer opens up a store in its market area. In a worst case scenario, the SME, lacking a protected niche within which to operate safely, would find itself engaged in head to head competition with DMNCs. Unlike the situation with industrial product/service providers, then, the impact that globalization may be having on industry conditions further back in the value chain would be quite secondary to a determination of the threats and opportunities facing the local retailer.

Clearly, a great deal more needs to be learned about how globalization is impacting both types of SMEs. The focus here, however, will be on developing an understanding of the threats and opportunities being created for industrial product/service providers. Furthermore, the primary concern is with SMEs doing business with customers located in Canada. These customers could be serving either the domestic or international market and be either