Issues For SME Managers

- Note that while larger companies will offer more subcontracts; they will also be able to shop around the EC for better prices.
- Use information processing and transfer to quickly identify and exploit product niches in the market.
- If you ignore your sphere of excellence, market niche, or the region where you have a special interest or aptitude or if you overstretch your financial capabilities, you may lose your competitive advantage.
- Use your regional advantage by organizing to meet specific customer needs better than Community-wide companies.
- Make high quality after-sales service an integral part of your planning.
- Use cooperation to enter the market and grow.

SME Assistance

- Canadian SME subsidiaries in the EC are eligible to participate in a system of value-added tax exemptions.
- Strategic Programme for Innovation and Technology Transfer (SPRINT) provides SMEs a way of sharing technical design or marketing expertise with other companies.

For information on these programs, see the *Euro-Info Bulletin*, a free semi-monthly SME Task Force newsletter.

Ninety-five percent of EC companies have fewer than 500 employees. These small and medium-sized enterprises (SMEs) employ two-thirds of the total EC workforce. As in Canada, it is the SMEs that provide, not only employment, but also the innovation and dynamism that is essential to a vibrant economy.

The definition of SMEs differs from one jurisdiction to another. Quebec defines SMEs as firms with less than 200 employees. However, Ontario and the rest of Canada define SMEs as those firms with less than 500 employees. In many European countries, older, well-established firms, which would be considered large in Canada, are thought of as medium-sized firms.

The elimination of protected national markets in the EC will significantly disrupt the activities of SMEs; but it will also create new opportunities. The flexible and innovative companies that can identify and exploit a well-defined niche will be well-positioned to prosper in the new Single Market.

The lowering of barriers will have both positive and negative effects on SMEs. On the positive side, the reduction of administrative hassles and delays at frontiers will be especially beneficial to SMEs. With fewer administrative resources, they are more dependent on flexibility and responsiveness to changing markets than are large companies. The establishment of national technical standards will also assist SMEs, enabling them to reach new markets without investing in the expensive product development required to meet different technical standards in each national market.

The increased competition that all companies will face may be seen as a negative impact by some SMEs. The economies of scale in a unified EC market will give large companies a tremendous advantage over smaller companies competing with them in mass markets. Even now, the operating costs per unit of production average 30% to 45% more for SMEs than for large companies. Rationalization and concentration of production can also be expected to have a negative affect on some SMEs. In tractor sales, for example, both the U.S. and the EC account for 200,000 units annually, yet the U.S. has four manufacturers, while the EC has fifty.

Larger companies will play an important role in changing the strategies of SMEs. The restructuring of industry will itself create new markets for SMEs.