

length trade. At the very least marketing organizations and demonstration facilities will likely need to be established within the EC. In some cases EC production facilities will also be necessary. Firms without a well-known name may find that a production presence is as useful in establishing a reputation as an imaginative marketing strategy and a well-trained and knowledgeable sales force. Evidence that a foreign firm is "involved" in Europe and can provide engineering support to clients may be vital parts of its marketing effort.

It follows, then, that firms wishing to make sales in the EC will almost certainly have to have a presence in Europe. In many cases this will be most easily accomplished by teaming up with European-based firms. Small- and medium-sized firms in particular will find it more economical to link up with a European partner than to establish a wholly-owned subsidiary. The possibilities are numerous: they include acquisition, merger, joint venture, consortia, or some other form of alliance or contractual agreement with European firms, or with Canadian firms with an established EC presence.

Large, well-established firms are more likely to establish production-oriented subsidiaries. There are numerous reported examples. The *Financial Times* (of London) is filled with articles about U.S. and Japanese firms with plans to purchase or locate plants in Europe. These include U.S. chip manufacturers, INTEL and AMD, and Japanese electronics manufacturers Seiko-Epson and Matsushita Electric.<sup>17</sup> Whether their decision to invest in Europe is a defensive reaction to the intra-EC trade orientation of Europe 1992 or a sizing up of the new opportunities that a Single European Market creates, (or both), is hard to discern.

#### 4.5 Danger of a "Wait and See" Attitude

The second implication of the distinction between "scientific" and "time and place specific" knowledge relates to a firm's leadership-followership strategy -- that is, whether a firm will attempt to be an innovator or an imitator. Where scientific knowledge is concerned, a firm may have the luxury of choosing between being the leader or a follower.<sup>18</sup> In some cases, however, smaller firms will be forced to follow an imitation-adaptation strategy. Where development costs are huge, as is the case with many new telecommunications technologies, small- and medium-sized firms are in no position to play a leadership role, unless they are members of a consortia. The AT&Ts, Northern Telecoms and Siemens of this world will take the lead.

"Reverse engineering" is a good example of the potential gains that may accrue to a firm that seeks to imitate or build on what others have achieved. Those gains arise because the imitator avoids the expenditure and risk associated with undertaking basic R&D, although it must also forego the extra profits that usually accompany being first in a given field. While a shortened product cycle and learning curve economies often weight the advantage in favor of an innovator, imitation complemented by adaptation may well be an appropriate strategy for a firm. But where "time and place specific" knowledge is concerned, being first is usually essential. Waiting for others to lead means, almost by definition, giving the market to others. The implication here is that Canadian firms, with a bona fide product to sell, and who are considering whether to get into an enlarged European market, would probably make a mistake to adopt a "wait and see" attitude. It makes sense to forge contacts and build the necessary organization earlier rather than later.

The restructuring of major EC firms in the sector that has already occurred, is