

Others see things quite differently. For them, the news is mostly bad. While plenty of opportunities may be opening up abroad, a necessary condition for SMEs to capture them is thinking about the entire world as their marketplace. If mastering this rather profound shift in mindset were not enough for firms involved in a daily scramble to obtain orders, get the product out the door and meet the payroll, there's more. The cost of overseas marketing is often relatively more expensive. As well, unique country differences in politics, culture, language, and economics must be observed, most of which SMEs will know nothing about.

SMEs also share several well-documented weaknesses which make it difficult for them to adjust their operations to the impacts of globalization. Their progress tends to be hampered by such things as management deficiencies in the area of marketing and financial control particularly in owner managed firms, lack of detailed strategic planning and inadequate resources or so-called resource poverty. They are also disadvantaged by directing most of their energies to satisfying the customers' immediate needs as opposed to monitoring potential threatening moves by competitors.<sup>4</sup>

### **Distinguishing Among SMEs**

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The fact is that the news is necessarily neither good nor bad. It all depends on the circumstances in which the SME finds itself. To better understand these conditions and the sorts of threats and opportunities they create for the SME an analytical framework is developed below.

At the outset, however, a distinction must be made between SMEs which are industrial product/service providers and those which are final product/service providers. Industrial product/service providers are those firms supplying parts, components, capital goods or service to product/service providers further down the value chain. Final product/service providers are those dealing directly with the ultimate consumer.<sup>5</sup>

The distinction is important because the threats and opportunities faced by industrial product/service providers are a function of how globalization is impacting both its own and its customers competitive arenas. Indeed, a full accounting of the potential impacts would include an assessment of the impact of globalization on each industry represented in the value chain.

For instance, consider the value chain depicted below.<sup>6</sup> Each of the major activities involved in producing and distributing a pair of shoes represents a separate industry. In determining the threats and opportunities globalization is creating for a tanner, say, the firm would not only have to examine its own industry but also the shoe manufacturing industry, at the very least. Changes could also be taking place further downstream (ie., in the retailing industry) as a result of globalization which could eventually work their way back to the tanner as well.