unemployed, and you will be".[2]

Certainly, there is no question that thinking globally is important today. At the same time, however, it is worth noting that not all industries are being impacted by globalization to the same degree or at the same speed. Moreover, for industries which are globalizing significantly, some have been more negatively impacted by globalization than others.

To understand why, it is necessary to consider the effect industry conditions have on the process. Some industries are simply better structured for the transition to global status than others. A favourable industry structure for globalization would allow for the maintenance of profitability levels as adjustments took place. An unfavourable structure would result in a marked deterioration of profitability levels during the adjustment period, if not for many years thereafter.

Thus, to truly appreciate the extent to which globalization will impact the fortunes of firms, industry-specific factors such as tariff and non-tariff barriers, the potential to achieve economies of scale in key activities, the capital intensity of operations, and the heterogeneity of demand have to be examined.

Globalization and SMEs

When an industry begins to globalize, it is typically the large diversified multinational corporations (DMNCs) which are first to feel the effects and adjust their strategies. A broad range of responses have been adopted such as outsourcing, global production rationalization, product standardization, mergers and acquisitions, reorganizing into federations of autonomous business units and forming strategic alliances of various kinds. Only as DMNCs make the necessary changes do SMEs begin to experience directly the impacts of the evolving competitive imperatives of a globalizing world.

Even though little is really known about the nature of these second order impacts, globalization is viewed by some as being mainly a positive development for SMEs whereas others see it as mostly a negative development. On the positive side, it has been argued that globalization has actually given the advantage to SMEs at the expense of corporate giants. The opening of markets is removing many of the barriers which only DMNCs were able to surmount in the past making it easier for SMEs to sell their products all over the world. The use of computers is narrowing economies of scale in manufacturing and distribution. Factory automation is making it possible to produce goods cheaply in much smaller volumes. Drastic reductions in the price of computers is enabling SMEs to employ the same logistical techniques, sophisticated financial models, and automated payrolls and other administrative tasks that were available only to big firms in the past. The growing efficiency and internationalization of capital markets is allowing SMEs to raise money in much the same way as the global corporate giants. SMEs also now have access to the same quality control techniques as larger firms, eliminating the variation in quality between them that used to be common.[3]