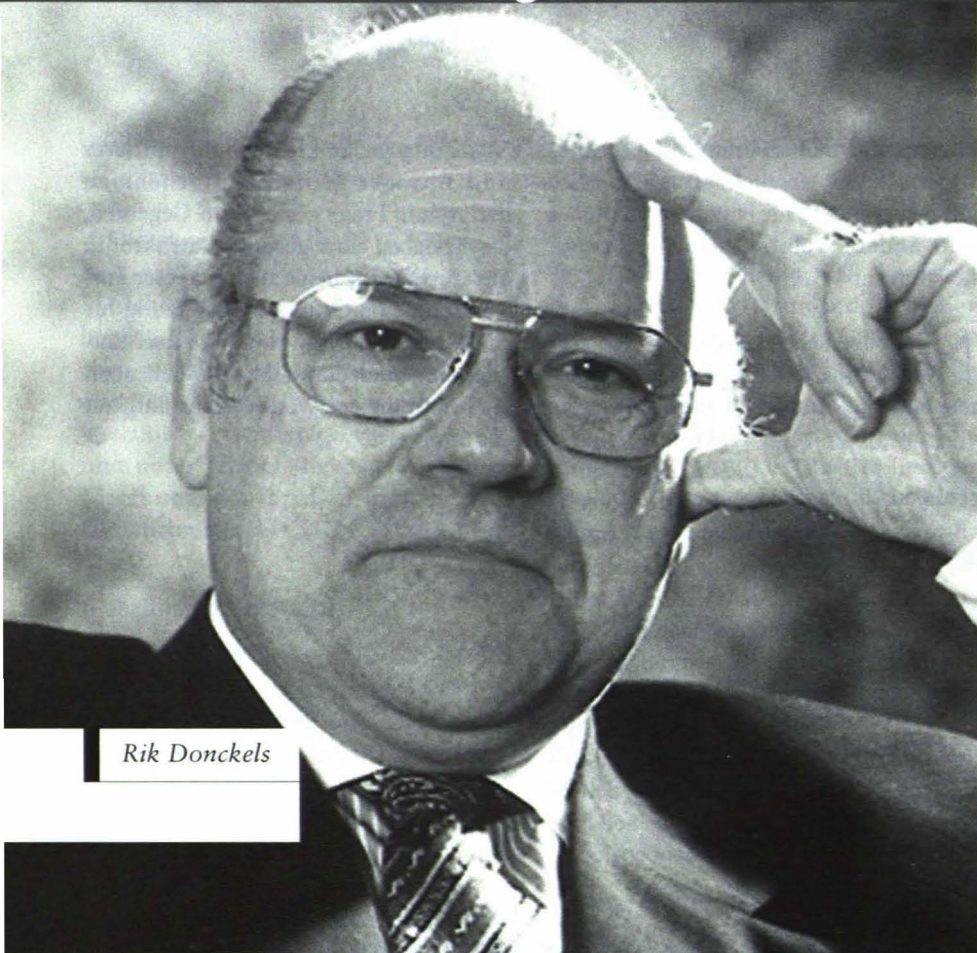


## SMEs in a globalizing economy:



Rik Donckels

### Globalizing: a dangerous concept, certainly for SMEs!

SMEs are in. This segment of the economy is, however, all too often talked about in catch phrases. This can be extremely dangerous. For instance, if one suggests that virtually all SMEs should follow the globalizing path. In other words, if you are not working on world level, then – practically per definition – you are not worthwhile.

**L**et us be very careful and let us stay with both SME feet on the proverbial ground.

What does the reality teach us? In the whole of the industrialized world one

**Let us be very careful and let us stay with both SME feet on the proverbial ground.**

can note that the greater majority of the SMEs are active on a local or on a regional market. This leads us towards a very fundamental point: the SME-population is so heterogeneous that we can't very well make general statements about the

latter. The European Observatory for SMEs, drawn up by order of the Directorate General XXIII of the European Commission shows us that there are important differences whereas the international activity of SMEs is concerned. Determining factors are, amongst others, the sector of the activity, the size of the enterprise, the age of the enterprise, the attitudes of the entrepreneur, and so on.<sup>1</sup> The same research gives

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some insight in the reasons why SMEs are internationally involved or not and more in particular why SMEs are seeking transnational co-operation or not.

Reasons to do so are:

- Access to new markets
- Minimizing the overall costs related to searching, identifying and marke-

1.) ENSR (European Network for SME Research), 1997, The European Observatory for SMEs. Fifth Annual Report, EIM Small Business Research and Consultancy, Zoetermeer



# from challenge to opportunity?

ting existing products on foreign markets

- Broader supply of products
- Access to new technologies and competences
- Stronger positioning in relation to customers and/or suppliers
- Reduced costs
- Access to production capacity
- Access to capital

The following reasons for excluding transnational co-operation are mentioned:

- Not necessary or unusual
- Impossible to increase competition
- Co-operation influences the favourite work
- Fear to be judged as an inadequate partner

Moreover, we need to mention here that by far the most frequent form of international co-operation to be found consists of commercial relations.

## Conditions for successful globalization: the star-model

The figure you find hereunder enables us in the first place to specify the most important stakeholders. Furthermore, we point out a few axes representing a number of key subjects.

Let's concentrate on the three stakeholders, i.e. entrepreneur, enterprise and external environment.

More in particular, we wonder which conditions they have to fulfill in order to contribute to the successful globalizing of a SME.

- Entrepreneur-related conditions for success are:
  - openness to the international scene,
  - general attitude towards co-operation, know-how, involvement, readiness to delegate, etc.
- Enterprise-related conditions are:

strategic options, financial possibilities, organizational structure, product-market combinations, enterprise culture, etc.

- Where the external environment-related conditions are concerned, we wish to make the following distinction:
  - On the one hand, there is the supporting infrastructure, such as chambers of commerce or branch organizations. This infrastructure is of vital importance as provider of information and for the elaboration of effective networks.
  - On the other hand, we wish to stress the role of the public authorities on the several hierarchical levels. Regional, national and European authorities take all kinds of initiatives in order to stimulate the globalizing of the SME-activities. Yet, in this framework, one should ask oneself at least three questions:

- What is the level of awareness of these programmes among SMEs?

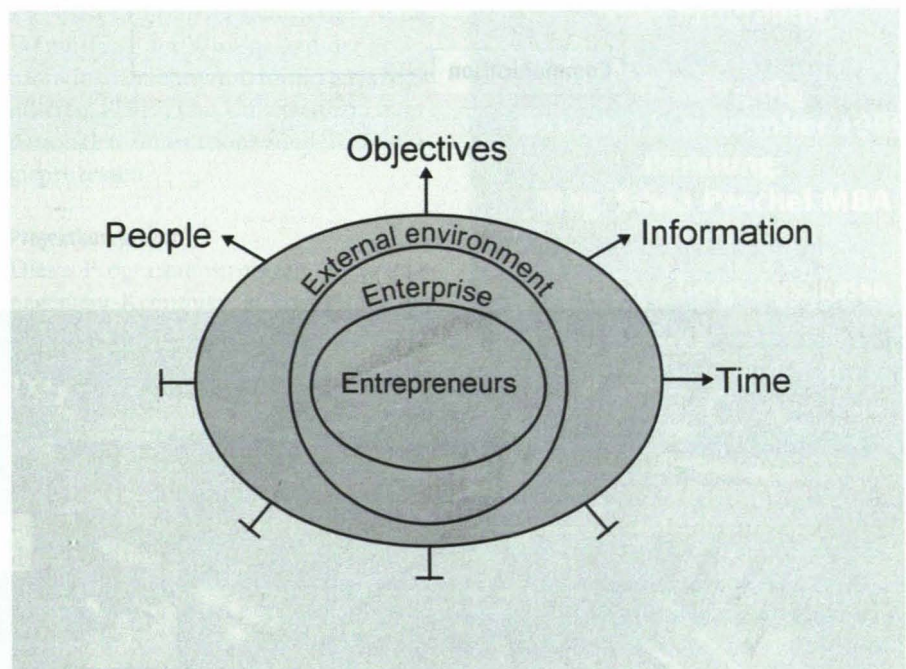
- Which programmes are most effective?
- What factors influence the effectiveness of these programmes?

Consequently, permanent evaluation is necessary. The answers to these questions can lead to adjustments where necessary.

## Which axes are still to be taken into account?

We detect at least four axes:

- 1 The time axis.** We herewith refer to the dynamics in the whole of the system. Entrepreneur, enterprise as well as external environment are permanently subject to changes. Also the interaction between the three components evolves. In short, almost continually new situations come about which one has to respond to in a creative way.
- 2 The axis of the objectives.** What exactly is the enterprise's goal? Here, we have to





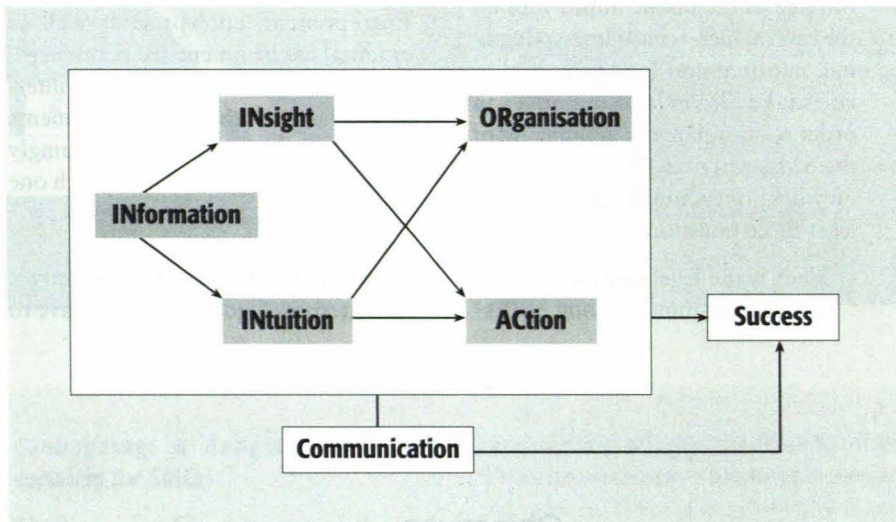
stress the fact that the larger majority of the SMEs are family businesses. This means that both property and management are mainly in the hands of the family members. No matter how, globalizing requires new means, a.o. on the financial level. This can clash with the intention of keeping everything within the family.

**3 The axis of the people.** The international SME-literature distinctly shows that managerial resource constraints can considerably slow down the development of a SME, and even more so its

internationalization. Additional know-how has to be brought in, either by recruiting new personnel or by upgrading the existing personnel. Furthermore, the organization of the enterprise will also have to be adapted according to the broader range of action.

**4 The axis of information.** In this framework, you will find hereunder a magic formula:

$$S = [(IN)^3 + OR + AC] \cdot C$$



The following figure explains the above-mentioned formula:

- Information is the real basis of success also within the context of globalization of SMEs. The information should deal with what happens in the firm and in the external environment.
- On the basis of this information the entrepreneur and the other stakeholders can come to the necessary insight and take actions or adapt organizations. It is evident that the role of intuition and personal feeling cannot be neglected at all.
- Also in the field of globalizing SMEs, communication between the stakeholders and different players, remains the cornerstone for success.

#### Lesson from pythagoras

The story is quite simple. A royal prince came to the mathematician and said: „I'm fascinated by what you are doing: mathematics is fantastic but after all not that easy. Can you give me a hint to make it easier?“

Pythagoras' answer was very clear: „There is no royal road!“

This is not only true for mathematics, it even holds for globalizing SMEs.

