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ICT: A MEDIUM FOR SMES ENTRY INTO THE GLOBAL MARKET

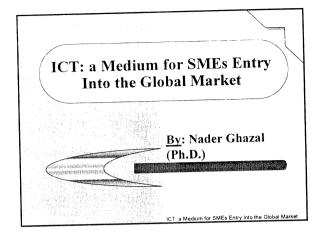
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Characteristics of SMEs

- Flexible in adapting to changes and diversification of demand.
- Can easily adapt to technological innovation.
- Labor-intensive.

ICT: a Medium for SMEs Entry Into the Global Market

What Are SMEs?

- SMEs are defined as non-subsidiary, independent firms which employ fewer than a given number of employees.
- This number varies across international statistical systems.
- Most frequent upper limit is 250 employees - as in the European union.

Characteristics of SMEs

- Contribute to inter-regional development.
- mobilize and channel, * Encourage, individual savings.
- Low capital costs associated with the creation of jobs.
- Complementary to large enterprises.

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What Are SMEs?

- Small firms are generally those with fewer than 50 employees.
- Micro-enterprises have at most ten, or in some cases five, employees.
- Financial assets are also used to define SMEs.
- In the EU, SMEs must have an annual turnover of 40 M EURO and/or balance-sheet valuation not exceeding 27 M EURO.

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Characteristics of SMEs

- * SME's weight is increasing in the national economy, due to outsourcing and downsizing activities.
- * An element of balance and stability for political and social systems.
- One of the main guarantees of democratic society and liberal economy.

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Major Input Constraints Facing Today's SMEs

- Difficulty in access to credits. Their share in bank loans is minimal.
- Lack of access to state incentives.
- Traditionally dominated by low level technologies.
- Globalization & open markets bring great risk to SMEs.

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Major Output Constraints Facing Today's SMEs

International Market

- a Great external competition.
- * Need to expand market share.
- Limited international marketing experience.
- * Little access to international partners.
- * Poor quality control and standardization.

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10

Major Input Constraints Facing Today's SMEs

- Inability to keep up with technical and commercial development at home or abroad.
- > Shortage of skilled personnel.
- Need to enhance their competitiveness within the customs union process.
- Social returns of SME development are higher than the expected private returns which result in under-investment.

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Major Management Constraints Facing Today's SMEs

- * Scarcity of management skills and training available for SMEs
- * Consulting services are equipped to support large firms' managerial issues
- * Insufficient awareness and absence of information to take advantage of existing services

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- 11

Major Output Constraints Facing Today's SMEs

Domestic Market

- * Limited access to public contracts & subcontracts.
- * Inefficient distribution channels & their control by large firms.
- * Many start-ups don't survive for more than five years.

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Major Legal Constraints Facing Today's SMEs

- * Taxation & Tariffs barriers
- * High start-up costs
- Bureaucratic complications for capital movement
- * Indirect labor costs and labor markets
- Lack of associations and collective action committees

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SMEs & the Global Markets

- Smaller firms are becoming increasingly globalised, often on the basis of inter-firm linkages and clusters.
- About 25% of manufacturing SMEs are now internationally competitive and this share is expected to increase.
- About 20% of manufacturing SMEs draw between 10%-40% of their turnover from crossborder activities.

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SMEs & Innovation

- Found mostly in knowledge-intensive sectors.
- High-growth SMEs play a pioneering role in developing new products and markets in sectors such as ICT and biotechnology.

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16

SMEs & the Global Markets

- SMEs contribute between 25%-35% of world exports of manufactures and account for a small share of foreign direct investment.
- These SMEs are generally growing faster than their domestic equivalents.
- Networking allows SMEs to combine advantages of smaller scale and greater flexibility with economies of scale and scope in larger markets, www.cisco.com.

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SMEs & Innovation

- Some SMEs are located in the top 5%-10% of all growing firms. In most countries, their job creation rates exceed those of larger companies.
- These SMEs tend to be technology-based and conduct continuous R&D.

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SMEs & the Global Markets

- SMEs are reaching across borders to form international alliances and ventures composed of globalised small firms.
- Large multinationals are partnering with small firms to economize on R&D, minimize the lead-time for new products, and serve emerging markets.

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Major Government contributions to Improve SMEs

- Regulatory / policy issues.
- Provide Access to financing.
- Enhance the business environment.
- Promote introducing new technologies.
- Help establish linkages amongst the regional actors – governments, agencies, & private sector.

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Major Government contributions to Improve SMEs

- Encourage to interchange lessons learned within and between countries.
- Encourage stronger entrepreneurial activities in the new technology-based economy.
- Raise the quality of local & regional output & enhance competitiveness.

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19

Major Government Contributions to Improve SMEs

- Promote the cooperation between SMEs & S&T institutions.
- Extend support through industry experts especially in the wide field of ICT.
- Forecast the possible trends of the market.

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Major Government Contributions to Improve SMEs

- Give support to improve SME statistics.
- Follow-up on SMEs to measure survival rates & to document patterns of entry & exit across industries and over time.
- Moving the SMEs from protection to competition strategy.
- Train SMEs to develop an ICT-based demandoriented strategy.

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20

Major Government Contributions to Improve SMEs

- Grant access to new markets & business databases.
- Disseminate information on foreign markets and export opportunities.
- Increasingly support SMEs to participate in foreign exhibitions and trade fairs.
- Develop an SME evaluation kit.

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Major Government Contributions to Improve SMEs

- Help prepare marketing tools in foreign languages and circulate advertisements abroad.
- Help gradual liberalization of the telecommunications markets and ensure competitive ICT infrastructure, prices and services.
- Address an effective business environment for ecommerce, to respond to the needs of SMEs.

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21

Contents of the SME Evaluation Kit

- Up-to-date statistics on the market evolution by sector and by geographic location – domestic & international.
- Means to establish and / or check the SME orientation → match national objectives?
- Simple techniques to maintain quality assurance of the processes and products.

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Contents of the SME Evaluation Kit

- Simple techniques to measure results and compare them to objectives.
- Simple techniques to identify findings that were obtained and use them for future innovations / development.

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How Can E-Commerce Improve-SMEs?

- E-commerce builds SMEs capacity to enter distant markets.
- E-commerce helps SMEs to become virtual organizations.
- E-commerce helps SMEs to respond swiftly and flexibly to innovation & market change.

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10

How Can SMEs Benefit From & E-Commerce?

- SMEs can use e-commerce to customize products and services, manage supply processes and inventories, and reduce the time between order and delivery.
- SMEs generally adopt technologies slower than large firms - this also applies to the adoption of internet technologies.

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SMEs & E-Commerce Impediments to Watch

- External constraints, such as infrastructure access and costs.
- Difficulty of building a reputation and establishing consumer trust and confidence in their activities.

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29

How Can E-Commerce Improve-SMEs?

- E-commerce reduces cost of access & use of information.
- E-commerce encourages specialization among SMEs.
- E-commerce helps easy access to job creation work from home.

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SMEs & E-Commerce Impediments to Watch

SMEs Have to Know How To:

- Use & construct the internet site.
- Perpetually update the site.
- Manage all business links in the chain.
- Manage on-line sales.

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