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ICT: A MEDIUM FOR SMES ENTRY INTO THE GLOBAL MARKET

by

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ICT: a Medium for SMEs Entry Into the Global Market

By: Nader Ghazal
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ICT: a Medium for SMEs Entry into the Global Market

Characteristics of SMEs

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

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What Are SMEs?

- SMEs are defined as non-subsidary, 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.

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Characteristics of SMEs

- Contribute to inter-regional development.
- Encourage, channel, and mobilize 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

- ✱ 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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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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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 cross-border 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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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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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 demand-oriented strategy.

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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 e-commerce, to respond to the needs of SMEs.

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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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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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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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SMEs & E-Commerce

Impediments to Watch

SMEs Have to Know How To:

- Have timely delivery logistics.
- Facilitate methods of payment.
- Update business database.
- Secure all transactions.

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Successful Case Studies

- BEXLEY www.bexley.fr
- RAFAAT HALLAB & Sons www.hallab.com
- INTERACTION ALL MEDIA www.allmedia.fr/interaction/
- RADIOMETER ANALYTICAL www.radiometer.tn.fr
- SPORA www.spora.fr

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LES ENTREPRENEURS DE L'ANNEE

INTERNET/INTRANEI

NERVE BOTTON (BEXLEY)
VENDRE DES CHAUSSURES SUR LE WEB

**** Développer un site Web n'est pas compliqué. Il suffit d'une journée pour savoir créer des pages HTML avec Word 97 ****

D'après Nerve Botton, directeur général de Bexley, « Développer un site Web n'est pas compliqué. Il suffit d'une journée pour savoir créer des pages HTML avec Word 97 ».

Bexley est une entreprise spécialisée dans la vente de chaussures sur le Web. Elle a développé un site Web qui permet aux clients de commander des chaussures en ligne. Le site est très simple et facile à utiliser, ce qui a permis à Bexley de augmenter ses ventes et de réduire ses coûts.

ENTREPRENEURS

PRÉVÉ BOTTON, DIRECTEUR GÉNÉRAL DE BEXLEY
« J'ai vendu 100 paires de chaussures en Mongolie grâce à Internet »

Il s'agit d'un entrepreneur qui a utilisé Internet pour vendre ses produits à l'étranger. Il a créé un site Web qui permet aux clients de commander des chaussures en ligne. Il a réussi à vendre 100 paires de chaussures en Mongolie grâce à Internet.

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