



USAID
FROM THE AMERICAN PEOPLE

Small Firm Competitiveness in the Era of Globalization Understanding the Changing Context and Emerging Challenges

**Thursday, June 23
Olaf Kula, ACIDI/VOCA**

**Linking Small Firms to Competitive Strategies
Breakfast Seminar Series**



USAID
FROM THE AMERICAN PEOPLE

AMAP BDS Goal

Identify how to promote
economic growth

and

create wealth

by ...

sustainably **integrating**
large numbers of small enterprises
into productive markets.



USAID
FROM THE AMERICAN PEOPLE

What is happening in markets...

- Globalization
- Trends
 - Liberalization of tariff and non-tariff barriers
 - Consolidation of national and global retailers
 - Growth in branding
 - Constant demand for innovation
 - Increasing divisibility of capital
- Structure (industry & firm)
 - Small-medium-large



USAID
FROM THE AMERICAN PEOPLE

Setting the Scene

- A. Growth with Equity?
- B. Industries rather than Firms?
- C. Small Firms?
- D. Can Small Firms Compete?

Why this shift?



USAID
FROM THE AMERICAN PEOPLE

A. Why Growth with Equity?

- Growth is more effective than redistribution policies, China, India---J.N. Bhagwati,
- Markets are the only means to generate sustained growth---M. Wolf

On the other hand...

- Growth alone can create an increasing disenfranchised majority---J. Stiglitz.
- Growth can exacerbate income inequalities--M. Bruno



USAID
FROM THE AMERICAN PEOPLE

A. Why Growth with Equity?

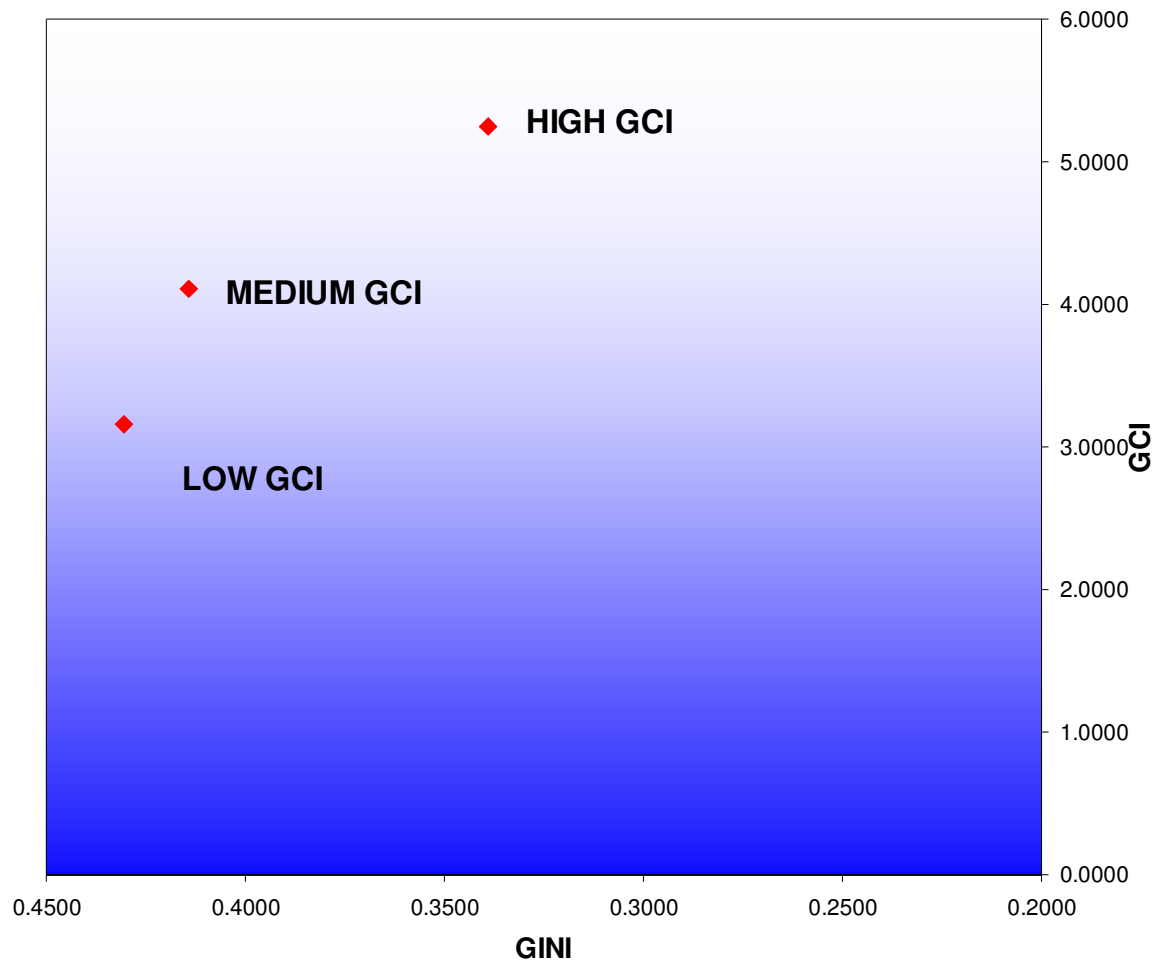
- Supports national competitiveness
- Reduces poverty faster
- Contributes to political and economic stability
- Equity is a growth accelerator



USAID
FROM THE AMERICAN PEOPLE

Competitiveness and income distribution

GINI vs. GCI





USAID
FROM THE AMERICAN PEOPLE

B. Why Industries rather than Firms ?

Globalization changes competitive environment

Globalization=Liberalization



Shifts the Competitiveness Strategy



Firm focus → Industry focus



USAID
FROM THE AMERICAN PEOPLE

C. Why Small Firms?

- Critical to achieving competitiveness
 - Unique advantages in performing certain functions
- ✓ Need to integrate small firms and farms



USAID
FROM THE AMERICAN PEOPLE

Functions that Favor Small Firms

- ✓ **Non-repetitive production processes**
- ✓ **Seasonal activities**
- ✓ **Low capital requirements**
- ✓ **Relative labor intensiveness**
- ✓ **Small production volumes**





USAID
FROM THE AMERICAN PEOPLE

D. Can Small Firms Compete?

- Yes.... By improving their efficiency
- Yes... By improving quality and taking advantage of product differentiation
- Yes... By taking advantage of increases and changes in demand



USAID
FROM THE AMERICAN PEOPLE

Key Lessons

A. Why Equity with Growth?

✓ Need growth with equity to be effective

B. Why Industries rather than Firms?

✓ Firm focus → industry focus

C. Why Small Enterprises?

✓ Need to integrate small firms

D. Can Small Firms Compete?

✓ Yes!





USAID
FROM THE AMERICAN PEOPLE

Thank You!