NEW PRODUCT DEVELOPMENT IN INTERNATIONAL MARKETS: THE CASE OF SMES

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ABSTRACT

Although international marketing is both a managerial activity and a subject for academic study which appears to be largely the property of MNEs, there is little doubt that, although SMEs have been largely omitted from the study of this phenomenon, for several years they have participated in the growth of international trade and are therefore competing in the international arena. A cornerstone of the internationalisation of MNEs has been the development of their product offering.

To date much of the literature on product development for international markets has been at the strategic level. Topics such as whether to standardise or adapt products to foreign markets, whether to concentrate or spread resources are issues typical of this strategic bias. Although the implications of these strategic issues for tactical-level operations have been forwarded, there is little in the way of detail at this implementational level. Indeed, with the exceptions of a few anecdotal examples, such as Coke, Cadbury Schweppes and United Distillers, little is known about how new products for international markets are actually developed and implemented.

The focus of this paper is to review current literature on international marketing and explore the implementational, tactical and operational issues associated with developing products for international markets, and the role of networks in international new product development for SMEs.
INTRODUCTION

It is widely recognised that a major strategy for achieving growth is the pursuit of new product development (Davidson and Harrigan 1977, Boot Allen Hamilton 1982). However, much of the NPD literature takes a domestic view, or more accurately a non-international view, thereby ignoring an assessment of many variables which are complicated by rapid technological changes, shortened product life and a globalised competitive environment.

On the other hand, the focus of much of the international literature has been at the strategic level. The question of whether to standardise or adapt products to foreign markets (Levitt 1983, Hamel and Prahalad 1987) and whether to concentrate or spread resources (Ayal and Zif 1979) is usually linked with organisational decisions which determine how technology is sourced and tactics implemented (Tsurumi 1986), and these issues dominate the literature that deals with international NPD. With the exception of a few anecdotal examples, such as Coca Cola, Cadbury Schweppes and United Distillers, little is known about how new products for international markets are actually developed and implemented.

The focus of this literature review is therefore, to assess the current international marketing literature and explore, where possible, the implementational, tactical and operational issues associated with developing products for international markets. This implementational focus leads us to examine the question of networks, which appear to offer greater possibilities for examining the reality of the small business developing products for international customers and markets.

In order to set the context for discussion of implementation, it is, nonetheless important to describe the main strategic arguments influencing theory in international product strategy. Therefore, the first part of this paper will critically examine the principal arguments for and against standardisation, and the related issues such as concentration or spreading of resources, but also the multifarious factors which play an important role in determining the extent to which these strategic options may be implemented. Then, the need to elaborate on the importance of SME’s on the international scene, as much of the previous is based on MNE’s, and therefore not applicable to them. The last part of this paper will discuss the role of networks in international new product development for SME’s.

TO STANDARDISE OR NOT?

Despite the lasting interest in this topic, it is noticeable that sharp differences of opinion occur regarding the desirability or feasibility of standardisation. An analysis of the current debate on global marketing was previously defined and the degree to which multinational firms can standardise marketing practices across national and international boundaries are now examined.

Arguments in Favour of Standardisation

The total standardisation advocated by Leviit (1983) suggests that, as consumer needs become increasingly homogeneous worldwide, global firms will seek, sensibly, to force suitable standardised products and practices on these homogeneous markets and, in contrast with multidomestic firms which adapt to local conditions, will thereby win economies of scale in production and marketing and thus economies of scope in technological frontiers for future innovations.

A number of studies have suggested that the product policy of many successful companies had evolved from offering customised products to offering globally standardised ones (Bartel 1968, Buzzell 1968, Keegan 1969), showing that a certain amount of international product development is necessary.

For example, in their study of how executives rated the degree of standardisation of their marketing programmes, Sorensen and Weichmann (1975) found an extremely high degree of standardisation in brand names, physical characteristics of products and packing and a number of companies were engaged in cross-border standardisation despite strong differences in market conditions.

Advocates of globalisation argue that in many sectors, most notably in industrial packaging, serving diverse customer needs on a global basis is being driven by technological advances, such as flexible manufacturing system, which are creating the era of what Perry (1990) describes as "customised marketing" and "mass customisation" allowing the benefits of individual adaptation without losing those of standardisation.

Hamel and Prahalad (1985) also believe that "variety at low cost" will be the decisive competitive advantage of the future and is already playing a major role in the internationalisation of many global firms. The Japanese car manufacturer Nissan is a good example of this strategy. By using leading models with minor changes in core markets, the number of basic models was halved and yet managed to achieve 80% of global sales of cars designed for specific national markets.

Some of the advantages of standardisation of products will result in a substantial saving in production and research development costs and will allow the company to take full advantage of economies of scale. However, few companies can fully take advantage of standardisation for the markets they serve, except in some cases as some local adaptations may be required to fulfil the needs of the markets. Indeed, standardisation strategy bears a likeness to Henry Ford's philosophy of the "get-out-production, cut the price", that he pioneered in the early 1900s in connection with developing the market for cars.

Arguments Against Standardisation

Despite some notable success stories, such as Coke and McDonalds, many authors have argued that, there is, in fact, little proof of consumers being willing to sacrifice wants for lower price and higher quality. A number of studies have demonstrated how the perceived benefits of standardisation, implicit in global strategy, are often illusory. Indeed, Wind & Douglas (1987) examined this philosophy and proposed that standardisation is only one of many strategies which may be successful in international markets.

For example, given that MNCs standardise for better marketing performance and lower marketing costs, the study conducted by Sorensen and Weichmann (1975)
found that standardisation did not necessarily result in significant economic benefits. In their research, only one of the 27 companies studied was able to provide documented evidence of savings achieved through standardisation. This was explained by the fact that in the sector under analysis, both advertising and production costs were not very high and the economies of scale derived from product uniformity for packaged consumer goods were not perceived to be very great.

Although results may have been determined by the formality of the costing procedures involved, it nevertheless provides a typical example of the many instances in which standardisation does not always yield the highest profits and supports Wind & Douglas (1987) contention that "the design of an effective global strategy does not necessarily entail the marketing of standardised products and global brands worldwide".

From the literature it appears that an undifferentiated strategy is not necessarily a panacea for all companies in all markets. Rather the extent to which standardisation can be profitably implemented and exploited is determined by a number of influencing factors. These factors are now examined.

Influencing factors for standardisation.

This issue of worldwide standardised product- and marketing - programmes needs to be resolved by the firms through a careful examination of the benefits accrued by pursuing such a strategy. A recurrent theme in the literature is that the scope for beneficial standardisation appear to be largely determined by the nature of the market to be addressed. An illustration of this is provided by a study by Kacker (1975) who suggests that in certain cases adaptation is necessitated not only by differing situational needs but also by the environment in which the firm is forced, by circumstances to operate. He looked at the patterns and problems of export-oriented product adaptation in a developing economy (India) with a primary emphasis on the exports of non-traditional engineering goods where adaptation takes the form of minimal, voluntary, major and minor. In this case, Kacker found that adaptation was imperative for a company in a developing country who think of pursuing a policy of product extension to other countries as done my some MNEs. Consequently most producers went into ventures which required little adaptation which was not costly and even, in some cases, suggested lower costs to the domestic product, a benefit often associated with standardisation.

While it may be argued that the political complexities of less developed economies, such as India, can force adaptation, and therefore inefficiency, on the global firm, Fuller and Stopford (1987) have found that the nature of markets is also an important determinant of standardisation in developed markets. They investigated the white goods markets in Europe and found that despite the perceived benefits of a global standardised strategy, globally organised manufacturers such as Phillips, Electrolux and Candy, operating in several high-priced countries, were less profitable than the large nationally-oriented companies of France and the U.K. In this case, as the market for domestic appliances in Europe is neither unified nor homogenous, the international division of labour does not yield great rewards and without the economics and characteristics of the market changing in terms of purchasing patterns, industry concentration and pricing, overall gains from policies of specialisation and global strategy will not prove more profitable in the future.

It has been put forward by several authors that consumer durables, luxury goods and industrial goods are more suitable for standardisation than non durables. But, a study conducted by Bondewyn, Soehl and Picard (1986) found that the standardisation of a sample of industrial goods had in fact dropped from 50% in 1973 to 3% in 1983. In this case, the fall in standardisation was explained by three key obstacles:

1. increased differences in regulations and technical requirements;
2. increased competition from the EC and Japanese firms and
3. the poor economic conditions that have plagued most of Europe since the oil shocks of the 1970s.

The combined effect of these factors resulted in both greater segmentation of existing markets and decreased volume demand overall and therefore enforced a higher degree of adaptation to match market and consumer requirements more precisely in an increasingly competitive environment.

With respect to the competitive nature of markets, Henzler and Hall (1986) and Quelch and Hoff (1986) suggested in their studies that, the greater the degree of similarity in a firm's competitive position in different markets, the higher the degree of standardisation. Similarly, they found that competing against the same adversaries with similar share positions in different countries leads to greater standardisation than competing against purely local companies.

It seems reasonable to assume that some elements of the mix, rather than the products themselves, are easier to standardise, eg. product positioning (strategic) v sales promotion (tactical). For example, a study by Martenson (1987) who looked at IKEA, the Swedish furniture company, found that a standardised marketing (especially pricing) policy would not necessarily result in the highest global profitability of the firm. Similarly, Edwards and Spawton (1987) looked at the pricing of the recently globalised Australian wines, found that prices reflect not only the costs of production, but also, government policy and legislation, the image sought, i.e. positioning, distribution strategy, (pull or push), competitive forces and additional costs associated with serving specialty segments. Further, another element of the marketing mix, advertising has also proved difficult to standardise. Keown (1987) found in a study of 484 advertisers that standardised ads were neither prevalent nor feasible.

The above findings are typical of the overwhelmingly situational nature of standardisation which permeates the literature and leads even proponents of global standardisation, such as Jain (1990) to conclude that the greater the difference in physical, political and legal environments between home and host countries the lower the degree of standardisation. These influencing factors have to be examined by companies developing products for international markets.

However, there is broad agreement in the literature that, to ensure survival and growth business must have an effective new product policy. What is lacking are the
operational problems associated with the process of carrying out the strategy, be it one of standardisation or adaptation.

SPREAD OR CONCENTRATE

Global strategies are rather generalist rather than specialist in nature, and firms shall have to decide whether to concentrate on key markets or diversify into as many markets as possible. This, of course, is not only true for the markets served but also for the acquisition and location of R & D, a critical strategic decision in NPD.

According to Ayal and Zif (1989), whereas diversification generally implies fewer resources per market, less promotion, more agents and a stronger tendency toward a "skimming policy"; concentration involves investment in market share, heavy promotion, stronger control over distribution and a greater likelihood of penetrating pricing. However, this may not be the case for NPD, depending, again, on the homogeneity of the markets. To launch a new product into a number of different markets will not only increase development costs, particularly in relation to information gathering in the early stages of the process, but it will also increase development time for all but the most adept and experienced international players - in certain product categories.

The location of R & D could be determined largely by the degree to which the firm seeks to centralise or decentralise operation on a domestic, regional or global scale. While centralisation offers a number of potential benefits - critical mass and economies of scale, easier communication, better protection of know-how, in choosing to decentralise can result in an equal number of significant benefits for NPD. These include a transfer of technology, good PR, research talent and product skills gains, potential cost savings, new idea generation and greater sensitivity to market needs.

Despite the potential benefits of decentralisation, Terpstra (1977) found that around 90% of US R & D was still done in the USA. This domestic orientation has important implications for the implemention of NPD as another study (Davidson and Harrigan 1977) found that firms with international diversifications introduce products abroad more quickly than firms which do not have international divisions - 40% in 2 years or less as against 6% for firms with no international divisions.

A similar case for decentralised R & D was put by Mansfield and Romeo (1984) who found that overseas subsidiaries are not merely recipients of US technology but are, in fact, increasingly important sources of new technology which is being used by their US parents. They conclude that reduced outflows of US technology which do much to determine the effectiveness of a firm's total worldwide R & D efforts and will restrict new innovations from being implemented simultaneously at home and abroad, which are vital if the firm is to overcome ever decreasing PLCs and amortise development cost.

The greatly increased use of technological acquisition (particularly of US firms) as a means of securing new technology which characterised the 1990s has clearly assisted the process of decentralising international NPD and over time the situation should improve as, in general, the longer the firm has been engaged in international business, the more decentralised is the firm's R & D (Capon & Glazer 1987).

Further, Hayes and Abernathy (1980) charge that excessive emphasis on marketing's research and short-term financial control measures has led to the decline of U.S. firms in world markets. They argue that American businesses are losing more and more of their markets to European and Japanese firms because of a failure to remain technologically competitive. They believe that American firms are reluctant to take the higher risk, longer term investment in new technology necessary for effective competition in world markets. They feel that the willingness of foreign firms to make such investments can be attributed to their need to look beyond their relatively small domestic markets for success. This has encouraged a reliance on technically superior products and a longer pay off perspective.

Hassel (1990) promotes a view of international product development which integrates the technological and market drivers of NPD. This so-called combination "market needs/technological thrust" may be a model of how to create a product targeted at European market. The only difference with today's situation is that all ideas should be originating from all European markets, and not only from the characteristics of the French market. (Hassel, 1990). (See Figure 1).

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**Figure 1:**

- **External Factors:** Knowledge Capital "Guts"
- **Market needs**
- **Competition**

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It is important to emphasise how an assessment of these strategic options is unlikely to produce identical results for all firms in all major markets. Company size, product strategy and stages of internationalisation continue to impose physical and psychological constraints on the expansion of the firm.

A further limitation is that while strategic options are reviewed, virtually no attention is given to how these are to be implemented, and how implementation might vary in firms of different resource levels. Implicit in much of this literature is the presence of the MNE, leaving a gap in knowledge regarding how the SME organises and responds in order to pursue growth based on successful NPD.

In addition, all these options reviewed thus far assume a manufacturer-active paradigm with passive, reactive customers (von Hippel 1976). In contrast, international operations are more and more characterised by cooperative, interactive markets, where many SMEs form a strong contingent of international operators. The next section therefore concentrates on implementational issues that are crucial to the development and growth of SMEs in an international, industrial context.

INTERNATIONAL PRODUCT POLICY AND THE SMALL FIRM AND NETWORK IMPLICATIONS

Much of the literature above has a global content, and is therefore without much direct reliance for companies other than large multinational or global enterprises. However “the importance of small and medium business is not to be underestimated”. (Dudley 1989). He gathers evidence of this in the US, which showed that smaller companies not only survive quite well in North America, they have propensity to compete with large companies.

International Marketing is not solely the property of Multinational Enterprises, and it must be noted that in all industrialised countries, SMEs play a very important role in international trade. But, this apparent domination disappears when a classification is achieved by examining the performance of exporting firms in relation with their turnover. What emerges then, is that small and medium enterprises (SMEs) are very often in the top ranking of performing enterprises. (Catin and Djongang 1992).

Small Business Management & NPD

Small business management literature is dominated by ‘how to do it’ books advocating a management philosophy derived from that of large businesses. Authors regard small businesses as smaller versions of large businesses with the same goal, behaviour and organisation. However, each small business is unique, as management is heavily involved in all functional and managerial areas and therefore management strategy will be guided by his personal characteristics. (Stanworth and Curran 1973 & 1976). So it appears that evidently varied and individual strategies will emerge; their nature depending on what works for the management in question.

Active planning is rarely found in small businesses. Where planning is undertaken it is likely to be on an ad hoc, informal and subjective basis. Small business managers dislike the precision and objectivity demanded by formal written plans. Similarly, and for the same reasons, any control procedures are ad hoc and informal (Golde 1984). More recently Gibb and Scott (1983) found that planning was desirable and associated with success and more particularly, companies, which pursue different lines of product and market development.

Similarly, referring to a study by Churchill and Lewis (1983) who identified five stages in the growth of a small business, Scott and Bruce (1987) also identified five stages: inception, survival, growth, expansion, maturity. For a company to move from one stage to another, the authors believe that each stage of a business was preceded by a crisis which requires to be solved before business enters the next phase or exits. Of course, the analysis of each stage is a firm’s present situation and therefore can only be used as a diagnostic tool and would only give some indication of what strategies appear to be suitable. With reference to NPD they found that this starts to occur in the growth stage and suggest that at this stage, depending on the nature of the product, firms may embark on R & D to expand the product range and that expansion may be derived from new markets or new products. In the expansion stage, maintenance of competitive advantage may be attained through differential products which will require great focus on customer needs and adaptation of product offerings to meet those needs. Finally, in the maturity stage, the firm will have to find ‘growth opportunities’ and at this stage a major innovative thrust is fundamental and thus the growing importance of NPD.

Oakley, Rotherwell and Cooper (1988) investigated the role of small high technology firms in the development of new products and processes. They found that one fifth of the firms surveyed had no internal R & D and the study found no relationship between the existence of such facilities and failure. Another conclusion of the study is that “most high-tech small firms management is introspective and reactive in nature”. With reference to product development, the statement can be adequate; the archetypal profile of a small business being one which is founded by an entrepreneur with some expertise, being technical or scientific, and who has developed or is developing a new product. The greater strength lies in his positive attitude to the development of new products.

As Perry (1986) found that small firms grow fastest from a start-up point of zero until ‘a compact stage’ is reached. At that stage, he found that companies had sufficient sales to ensure survival, provided a required standard of living and return on investment. Because of risk and because small business is limited to the managerial and technical skills of its management, he suggested that market development and product development should at this stage happen incrementally from the familiar towards the unfamiliar. Moreover, market development should be preferred to product development because developing new customers is less risky than developing new products. However, further growth also occurred after the “comfort stage”. He suggested four strategies open to SMEs:

1. penetrate the existing market with existing products
2. develop new markets for existing products
3. develop new products for existing markets
4. diversify into new markets and new products.
Alternatively, a firm can be its own supplier and become its own distributor. Kuller (1984) also argues that a market penetration strategy is appropriate for firms with small market share, but is referring to a large firm with a small market share for one of its many products, rather than to a small firm with one product. Strategies open to a small firm are not market penetration or diversification, they are market development and new product development.

A British Overseas Trade Board report (1986) states that small firms which utilise exporting as a means to develop and penetrate markets abroad, have in comparison with large firm, a number of advantages such as that it can react quickly to export opportunities, and with close knowledge of customers may come the incentive to deal efficiently with them, something larger companies may not be noted for. Young, Hamill, Wheeler, Davies (1989) point out that to be successful a firm "has to be committed to exporting and has to be reasonably organised and prepared in its approach to foreign markets".

Without NPD, business cannot maintain a balance between growth and profitability in the long term. New products will fulfil an essential role in the product portfolio contributing to future profits. As small businesses develop and expand markets successfully at an international level, product development for international markets should also be explored as an alternative strategy. Bearing in mind that small businesses are not a smaller version of big businesses, but that they deal with a different set of issues it would therefore appear to be a gap in extent knowledge on product development for international market as a strategic option for SMEs.

As the literature addressing marketing and the small business is rather sparse, indeed, David et al (1985) found that there was not a single article in the Journal of Marketing addressing this theme. It may be useful to explore how SMEs can successfully embark on NPD for international markets. An examination of management and its characteristics and the use of networking may influence NPD and internationalisation of the SME.

Characteristics of Small Companies

Marketing, in its traditional form, as it is described by American textbooks is largely absent within the small business sector. The findings of a study by Scase and Goffee (1987) was that while larger firms amongst their respondents developed a "coherent marketing plan", smaller businesses relied on regular customers and found the development of a marketing plan unnecessary.

More revealing are Kinsey's findings. She studied small manufacturing firms in Scotland and found marketing research, segmentation and product positioning were rarely used by the respondents. (Kinsey 1987).

The profile of management with its characteristics offers a means of understanding the managerial function of SMEs.

Traditionally, the owner of a small firm is normally also the manager. Thus, the qualitative definition of a small business given by the Bolton Committee (1971) requires it to be "managed by its owner or part-time owner in a personalised way". Therefore the individual business owner-manager is now considered.

Characteristics of the Owner-Manager

The owner-manager has been synonymous with the entrepreneur. The Collins dictionary definition of an entrepreneur is "the owner or manager of a business enterprise who, by risk and initiative, attempts to make profits".

At the centre of this definition are the concepts of risk and initiative implying that they are characteristics of an entrepreneur. Reid and Jacobsen (1988) have, in a summary of three texts, identified three entrepreneurial characteristics:

1. a risk taker
2. able to coordinate the firm's resources efficiently
3. able to use time effectively.

Thus, the assumption is that the entrepreneur has the natural ability to be an effective business owner. Some researchers attribute this to a particular psychological state: "the need to achieve" (McLelland 1961) while others set the individuals past experiences as the impetus for entrepreneurship (Kets and Vries 1977).

Are all business owners entrepreneurs? Curran (1986) restricted entrepreneurial activities to those which involved novelty either in the product or service offering, the means of production, the marketing and distribution of all three.

As previously mentioned, marketing appears to be absent in the small business. Most marketing texts, even those aimed at small businesses, have assumed the concept and theories of marketing can be applied unilaterally, regardless of the size or nature of the firm. The marketing concept is embodied in the "exchange relationship" between the firm and the consumer and so the firm should go to the market, research the needs and fulfill the needs with products.

As a result, small businesses should develop relations with the customers. By creating groups of regular customers the small business can "guarantee" a steady flow of business and neutralise market fluctuations (Scase and Goffee 1987). Patten (1985) refers to this as "cultivating the customer". Since the small business is in close contact with its customers it can be aware of their characteristics and of any emerging trends (Gaedeke and Tootelian 1985).

This development of customer relations is known as the "bottom up" strategy (Mancuso 1973) where negotiations rather than analysis skills are more important. Contacts with strategic persons are also crucial for the small business manager. He must manage these contacts. The SMEs manager should, at different times fulfilling the role of "patron" and "broker" within the source or communications network of which he and his businesses are a part.

Information is manipulated by "a broker" in return for a "tariff" paid by the receiver of the information "the patron". The "tariff" can be information, services, status or goodwill and it will be paid at some later time. Boissevain (1974) recognised these
roles from his observations within his own social network and research carried out in Malta, Sicily and Montreal between 1960 and 1969.

From the above it appears that the nature of sales dictates a 'matching' rather than an 'exchange' relationship with its markets; i.e. customers whose needs meet what the company can supply should be sought and maintained. The key for success within the market is the 'cultivating' of relationships with customers and contact within the market. To facilitate these relationships Boekeje and Tootelian (1985) identified a number of benefits which a small business holds:

- being closely aware of customer's characteristics
- awareness of needs and emerging trends
- awareness of the peculiarity if its local community
- having close contacts and good communications with employers
- and, flexible management allowing for quick decisions.

This brief review of some of the key issues that are dealt with by the small business literature throws up two issues which do not easily fit with the extant theory on international product development. Firstly, the small business manager is often a technologically minded entrepreneur who is used to assessing and taking risk. Second, small businesses rely on relationships with both customers and suppliers as a means of gleaning, interpreting and acting on information. Both of these have a profound impact on development of new products and must be taken into account.

The above characteristics imply a close proximity to the different environment of SME's, being internal or external and will provide access to information required to develop international NPD.

NETWORKS: An appropriate framework for International NPD

Although networking has received substantial attention, most of the studies refer to industrial marketing and large companies (Ford 1990). Once again, it appears that SME's have been neglected.

Most of the following is based on a compilation of articles edited by Catin and Djondang (1992). It refers to French companies and their experience of International trade. One section covers exclusively SME's and exporting, and specifically the effects that networks have on their management for internationalisation.

Catin and Djondang (1992) in the introduction put forward that international trade is heavy in capital and manpower for SME's and often these are restricting operational activities. Traditionally SME's operate at a local level, with little distance between themselves and their customers. However, they feel that the distance created by trading internationally could also be an obstacle to business. This distance could be eliminated by other factors such as similarities in needs, which will make the task of internationalisation easier for the firm, and probably give assistance to the choice of target market. In addition, the enterprise's environment is not abstract, as other "networks" such as transport services, information system, etc. exist. Further they view that the firm's competitiveness will depend upon the quality of these networks.

Already stated above is the notion of the small business as a 'patron' or 'broker'. These concepts are intrinsic to the management of networks and are also linked to the role of information in risk reduction and optimising opportunities. The small business is likely to need information to assess both opportunities and risks, and mobilisation of a network may well prove more effective than attempting to gather information in a more traditionally accepted model.

The notion of networks and their interactions as relationships can be a useful tool to gain access to information. It was mentioned previously that SME's had access to networks both at the internal and external level. Because of their relative size, and location, the structure of the networks of SME's were primarily based locally or regionally; and that the relationships may have been 'cultivated' over a period of time, offering information leading to reduced transaction costs, economies of scale etc... (Thorelli 1986). The role of information is pivotal in the development of new products.

Renard and Richer (1992) identified that SME's wanting to explore foreign markets needed to use existing networks or create new ones. These networks were to facilitate access to these markets, by identifying needs and wants of the customers, distribution and so on, and, further, to help them to be competitive. Depending on the information received, products may require to be of high quality, high tech rather than price being important. As a result, in terms of strategy for product policy, it may be necessary for SME's to have a more complex organisation for R&D, that what is required for the home market. Such an organisation may be provided by mobilisation of the network.

Technological innovation and better quality products are often a heavy burden for SME's and this has led them into the search for partners to reduce cost and risk. Co-operation is likely also to happen by becoming a sub-contractor to a large firm thereby providing access to new technologies and therefore limiting risks when developing new products.

Belonging to one or more of these networks is an important factor for SME's as it will facilitate the speed of adaptation to changes. These changes being for example, in the field of product adaptation, innovation or use of new technology, or simply to better the quality of their products, through this rapid access to information that is provided be belonging to one or more networks. Renard and Richer (1992) feel that these networks have always existed, but that recently because of the turbulence of markets and the rapidity of change in products, they have become of greater importance.

Most of the above findings are exploring the use of networks from a managerial point of view of how to improve competitiveness on the international scene. The use of networks will provide information and help to provide answers to problems encountered and to reduce the risks taken. Most of these networks examined are related to the environment of the firm but omit one very important one at the core of any business existence: the customer.
SUMMARY

For achieving growth and competing in the international arena, the success of MNEs has been the development of their product offering. The level of NPD for international markets being a function of the strategies offered, standardisation or adaptation of product, concentration or spreading of resources. The trend in international trade reinforce the growth of the importance of SMEs in this field. To respond to this change SMEs need to achieve growth and be able to compete through developing new products for international markets. Belonging to networks is a tool which can be used at tactical level, as it will facilitate the speed of NPD for international markets through information.

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