

Danger within our borders

It is vital for small tech firms in the province to think big and go abroad

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It's time for New Brunswick's small- and medium-sized information and communications technology companies to take some chances and grow, says an organizer on an upcoming business conference in Fredericton.

Staying competitive in a global business requires small organizations to be better, faster or cheaper than other businesses, he said - or else they had better find a niche market.

Unfortunately, with cheap labour markets making their presence felt from Asia, Peter Lindfield said western companies have little chance on competing on a cost basis - and those who do have a "tenuous" hold on any advantages they may have. To make matters worse, he noted that only on very rare occasions will smaller, more expensive ICT companies produce any kind of better or faster products and services.

"Small companies can develop specialized capabilities," said Lindfield, CEO of Comprehendex Corp., a workflow software and knowledge application firm headquartered in Saint John with offices in Fredericton and Boston, Mass. "But the notion that small firms are more nimble than large ones is a fallacy that has been built up over the years."

"Critical mass is an absolute requirement for achieving anything in IT."

The concept that smaller companies can adapt more easily to market changes was originally conceived for manufacturing companies, he said, and many small firms that think they are on their way to becoming competitive by staying small are actually not, as clients gravitate to larger, cheaper companies that are becoming just as innovative.

"While firms may look at their operations within a specific geography, their customers tend not to," he said. "We need to take an approach to learning and collaboration much more seriously than we did in the past."

Lindfield is also co-chair of the Balanced Viewpoint 2006 Summit on Multisourcing, which will be held Wednesday in Fredericton. The conference will address strategies allowing firms to develop internal capabilities, share services with other organizations, and outsource capabilities, all within a global economy.

Daniel Coleman, dean of the Faculty of Business Administration at the University of New Brunswick Fredericton, will be moderating a panel on the changing competitive landscape on outsourcing, and said the stigma against larger ICT firms may have originated from tech giant IBM, which used to be seen as a big, stodgy company.

"[But] being fast, being nimble is even the mantra of the largest corporations now," he noted, adding that companies with huge assets are now concerned with "moving quickly, being innovative [and] staying ahead."

Coleman added that ICT companies cannot assume that countries with low-labour costs will only compete on a cost level.

"We may have some unjustified stereotypes as to what happens offshore," he said. "We know that the labour rates are lower. We know that the level of education is up-and-coming. We know that, in certain instances, the level of English-language fluency is already quite high. The unknown is the quality of the service provided."

"It would be dangerous to assume that it's low quality, just because it's in a developing country."

There is no stable ground for New Brunswick ICT companies, he said - they can only hope to compete with strong value propositions, finding niches and growing market awareness.

Where smaller companies have an advantage, however, is service. Coleman said larger companies with greater resources may snap up larger contracts, but in an age of increasing globalization, smaller businesses will be looking to outsource to similar-sized companies, looking for individual attention that global behemoths may not be able to offer.

Kevin Wennekes, vice president of research at the Canadian Advanced Technology Alliance in Ottawa will also be at the conference. He suggested that small- to medium-sized companies can look beyond only finding partners of a similar size.

"Small businesses can seek to align with multinationals to form part of supply chain," Wennekes said. "There is a need for small- to medium-sized enterprises to take advantage of that global supply chain."

Governments, he said, need to put mechanisms in place that will reward large companies for working with smaller ones. As for the threat of small companies being gradually eaten by larger ones - and along with them, all their innovation - Wennekes said it's all a part of the natural evolution of industries.

"It's just the nature of business," he said. "But what you also see are serial entrepreneurs...that will go and develop a new product or service to meet another need."

Lindfield pointed out that smaller companies working with larger ones can potentially take greater risks with deeper resources behind them, and thus reap potentially larger gains in the world market. But whatever the method, he said, getting familiar with the global economy is crucial for smaller companies.

"There's always the danger that we look too much to our own borders and not beyond," he said. "We compete with niche resources...Canada has a very small footprint, and Atlantic Canada and New Brunswick has an even smaller footprint as a consequence."

"We have to market ourselves virtually every day to ensure that people understand who we are."