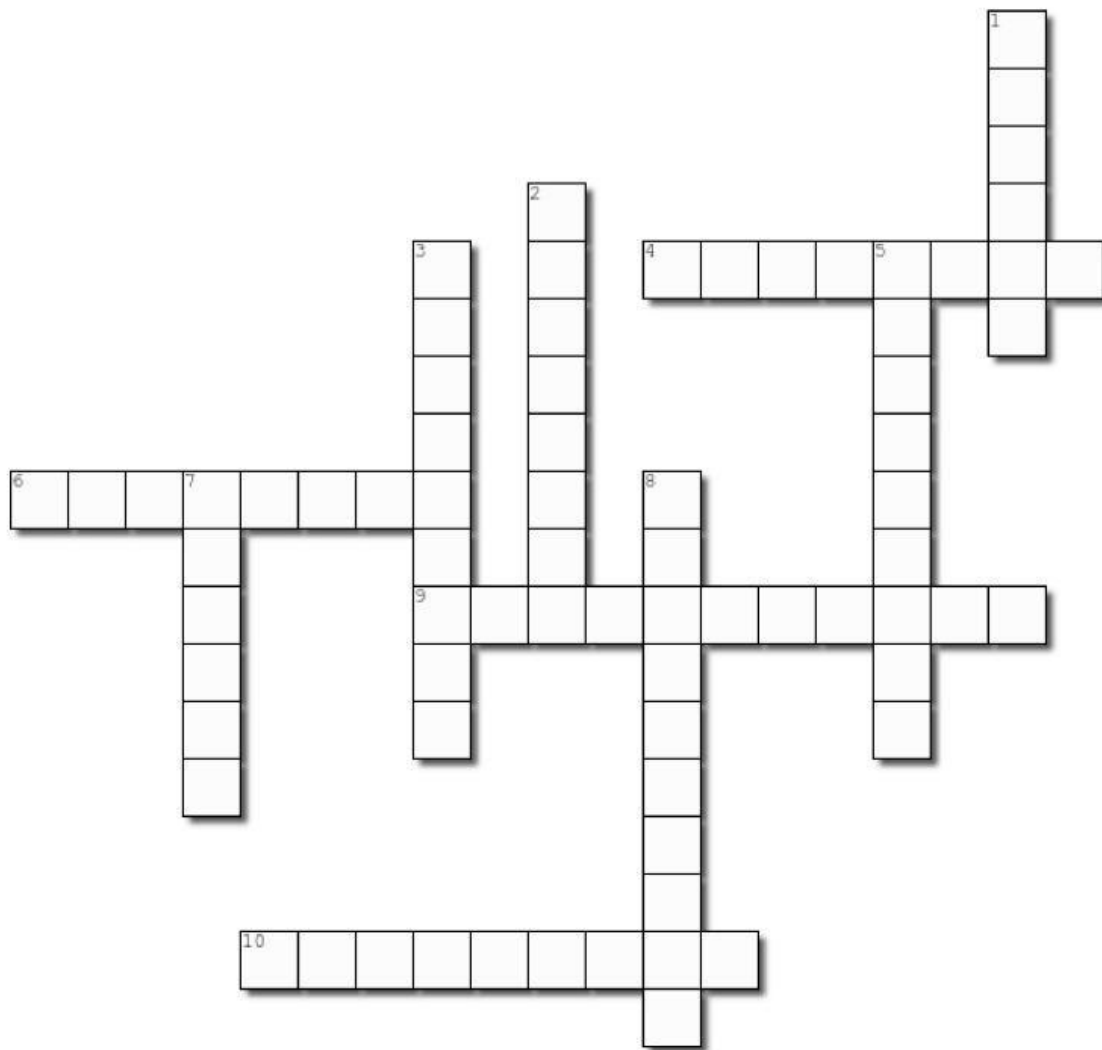


1. Before reading, let's search for the words on the text that could fill this crossword puzzle:



Across

- 4. giving the impression that something harmful or evil is happening or will happen.
- 6. the exclusive possession or control of the supply of or trade in a commodity or service.
- 9. obtain (goods or a service) from an outside or foreign supplier, especially in place of an internal source.
- 10. kill, destroy, or remove a large percentage or part of.

Down

- 1. copied fraudulently; fake.
- 2. offer goods or services at a lower price than (a competitor).
- 3. (of a person) not identified by name; of unknown name.
- 5. spreading out over a large area in an untidy or irregular way.
- 7. a consideration or amount that diminishes or balances the effect of a contrary one.
- 8. say that (a specified thing) will happen in the future.

Impact of Globalization on Small Businesses

by **Leo Sun**

The following is a classic story, often used by socialists to highlight the “evils of a capitalist society” – the small town grocer gets mercilessly taken out by the new Wal-Mart in town. The small town grocer may have an established customer base and friendly relations with the community, but it simply can’t match the low prices offered by Wal-Mart. Being a large national company, Wal-Mart has the sprawling global resources and is willing to sacrifice margins to take out local competitors. In the end, customer loyalty means nothing and the grocer goes bankrupt, decades of hard work decimated overnight. This is a well-known anecdote referring to the impact of globalization on small businesses. Once you start up a new business, you plunge into an ocean populated by a few smaller fish, which compete with you for food, and lots of bigger ones, eager to eat you alive. The big fish in the sea tend to be well-connected, multinational beasts taking full advantage of the perks of globalization – such as outsourcing, uneven exchange rates, and low-margin high-volume sales models – making them nearly impossible to compete against. What are the impacts of globalization on the small business owner, and how can you defend yourself from the blows that will inevitably come your way?

Globalized Brands

In “The Communist Manifesto”, Karl Marx famously warned that small local businesses will inevitably be wiped out by large multinational companies in a form of imperialist capitalism. According to him, the destruction of local businesses leads to the loss of local culture, and the rise of a singular anonymous corporate culture which only varies slightly from country to country. Visiting China today, it’s hard to argue with Marx’s words. The urban landscape is littered with KFCs, Pizza Huts, McDonald’s and Starbucks. A trip to a Chinese department store is virtually identical to one in America, with the same multinational brands – Armani, Coach, Chanel, Gucci – lining the halls like an anonymous duty-free airport shop.

However, at a closer glance, today’s multinational companies are a far cry from the sinister imperialists that Marx prophesied. Brands are highly localized to accommodate local tastes, and companies have forged mutually beneficial relationships with foreign countries to further their sales. Foreign governments are also quick to kick out offenders who don’t play by the rules.

While some small businesses – such as the aforementioned local grocer – have suffered, there are those which have avoided being crushed by a large, globalized company. In China, there are still plenty of successful small restaurants and coffee shops, despite the rise of the American multinational eateries. How did these restaurants survive? By

providing local menu items – such as dumplings, noodles, Peking duck – that those chains lack the expertise to make. The lesson for a small business is simple – don't keep making hamburgers when a McDonald's comes to town. Sell something else.

Exchange Rates and Outsourcing

There was a time, decades ago, that “Made in the U.S.A” meant well-made products that you could be patriotically proud of. Today, “Made in the U.S.A” usually means paying high labor costs, dealing with labor unions and earning hopelessly tiny profits on slim product margins. It was due to this that outsourcing – or shifting your production base to another country – became attractive. Lower material and labor costs in a country with a weaker currency boosts profits considerably.

Small businesses usually don't have the advantage of forging outsourcing partnerships with overseas factories, and are at a severe disadvantage in pricing. Multinational corporations, such as Wal-Mart, tend to exploit this business model to the fullest, creating extremely cheap goods in China, marking them up only slightly and only earning only a slim margin on each product. The goal of this business model is to use high sales volume to offset its low profit per product. A more immediate goal is to undercut any local competitors, who are physically unable to match those low prices due to the lack of an outsourcing infrastructure, and wipe them out with a pricing war. After all these local competitors have been eliminated, Wal-Mart is free to raise prices again, since it has established itself as a local monopoly.

As a small business, it's nearly impossible to protect yourself from this kind of assault. If you want to stand your ground and fight, then the best strategy is to ally yourself with other local businesses and pool your resources. Offer free cross-advertising campaigns and attack the large multinational threat together. While you can't offer discounts on all your products to fight back, offering rotating sales on select products can attract customers. In an all-out war against the big guys, the enemy of your enemy is your best friend.

Stay Defensive

Small businesses often drop like flies when targeted by a multinational corporation with strong globalized ties. However, forging a strong identity and solid alliances with small competitors can increase your chances of survival, so that your small business lives to see the day that it matures into a globalized company.

2. Match the first part of each sentence on the left with the appropriate ending on the right. There are more endings than necessary.

- | | |
|--|--|
| a. The story of the small town grocer getting taken over by the new Wal-Mart in town | i. are willing to sacrifice margins to take out local companies. |
| b. The competitive prices offered by large multinational companies | ii. localize their brands to accommodate local culture. |
| c. Outsourcing is one of the important strategies deployed by | iii. are unbeatable by the small local businesses. |
| d. Karl Marx predicted that | iv. highlights the evils of a capitalist society. |
| e. Today's multinational companies | v. dominate their relationships with foreign countries. |
| | vi. globalized companies to cut costs of productions. |
| | vii. imperialist capitalism would wipe out large multinational companies. |
| | viii. is irrelevant to imperialist capitalism. |
| | ix. the destruction of local businesses would lead to cultural homogenization. |
| | x. small businesses to compete against large companies. |

3. Are the following sentences true or false? Justify your answer by quoting a relevant phrase from the text.

- a. Foreign governments have no say in how multinational companies operate in their country.

- b. Small restaurants in China that serve local menu items survived the rise of the American multinational restaurants.

- c. Multinational corporations compensate their low profit margin per product by high sales volume.

- d. Small businesses are advised to create partnerships with global companies and work together.

- e. Small business would always wish to stay local.
