



Sistema Económico
Latinoamericano y del Caribe

Latin American and Caribbean
Economic System

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Latino-Americano e do Caribe

Système Economique
Latinoaméricain et Caribéen

Entrepreneurial Integration. Support mechanisms to promote SMEs networks, benefits and stages, SMEs Network characteristics and internal regulation

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Intra-Regional Relations

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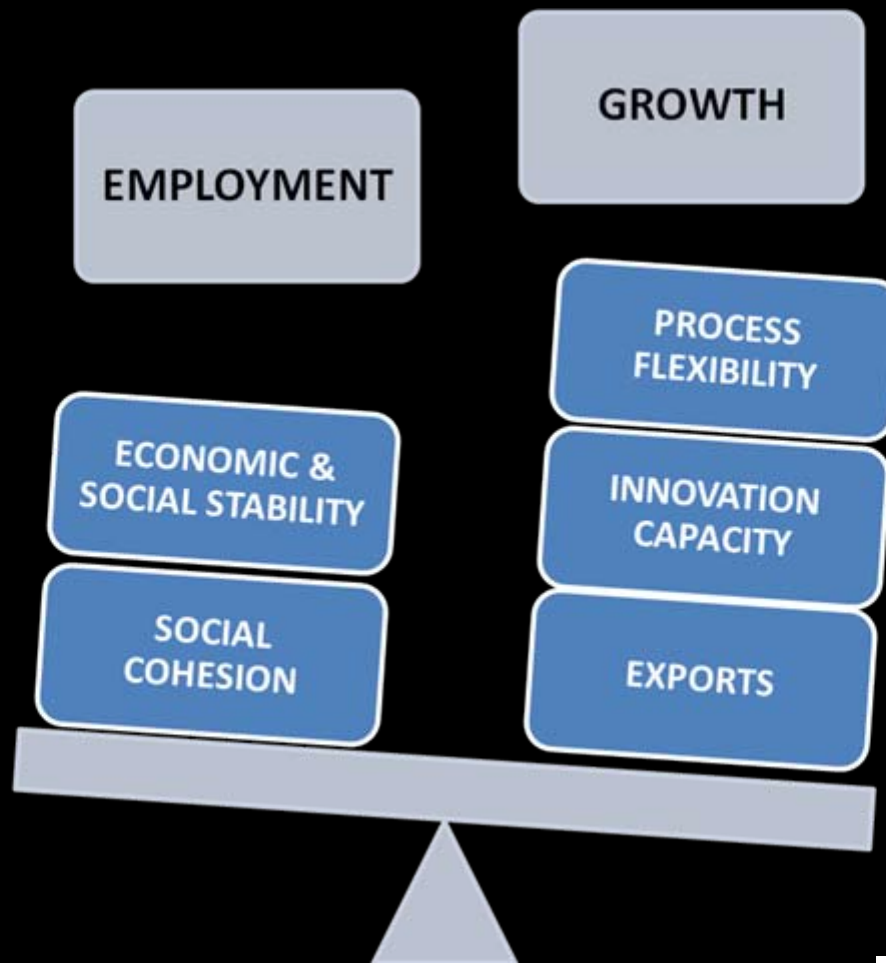
Internationalization and Promotion of Caribbean SME Consortiums

Entrepreneurial Integration. Support
mechanisms to promote SMES networks.
benefits and stages. SMES Network
characteristics and internal regulation

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SMES ARE VITAL TO ECONOMIES BECAUSE OF THEIR POTENTIAL TO CREATE VALUE



MOST COMPANIES IN THE CARIBBEAN AND THE WORLD ARE SMES

- **Latin America & Caribbean:** 95% of the approximately 17 million businesses , over 50% of total employment (IDB, 2006)
- **High-income countries:** SMEs contribute to over 55% of GDP and over 65% of total employment (OECD, 2004)



SME INTERNATIONALIZATION CHALLENGES

MARKET READINESS

- standards & certification, maintaining social responsibility
- appropriate technology & scale
- reliability & efficiency
- competitiveness & productivity
- innovation & learning
- acceptable product and transaction costs

UNDERSTANDING THE MARKET

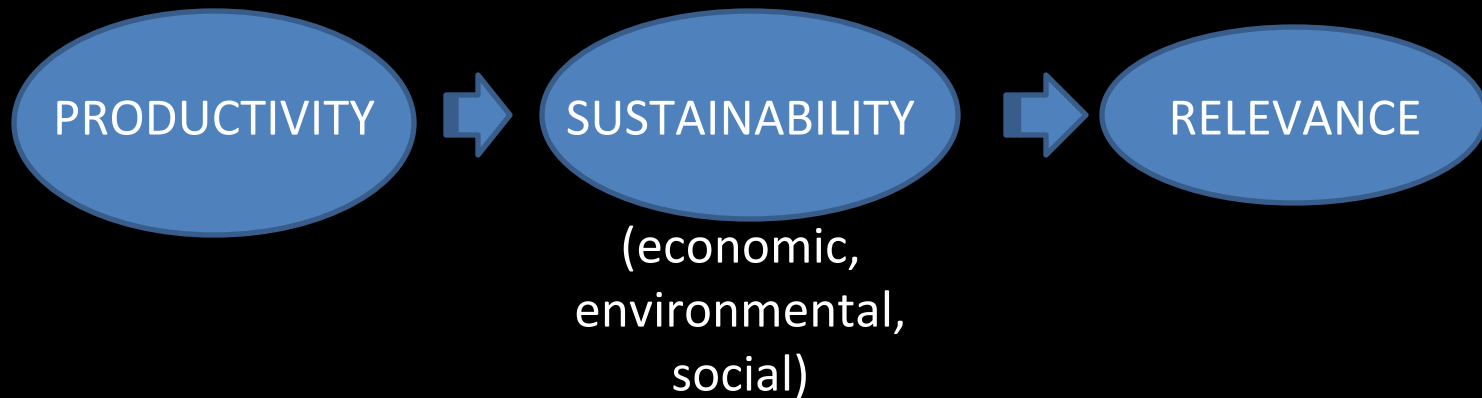
- Technical barriers to trade
- Market requirements: 4Ps
- Appropriate market entry modes
- Local and global supply chains
- Cultural aspects



**SMES ARE INCREASINGLY EXPOSED
TO GLOBAL COMPETITION IN BOTH
LOCAL AND INTERNATIONAL
MARKETS**



THE KEY CHALLENGE OF COMPETITIVENESS= PRODUCTIVITY



SME CONSORTIA AS A POSSIBLE SOLUTION

- Enhance SME productivity by inter-enterprise linkages and collaborative relations with support institutions
- Joint efforts in relation to market opportunities and common problems
- Provide technical know-how, expertise and advice plus knowledge accumulation
- Risk reduction
- Support improved profitability and efficiency gains
- Lower transaction costs
- Research and training
- Advocacy and lobby

COLLABORATION IS KEY

MAIN CONSIDERATION= ADDITION
OF VALUE

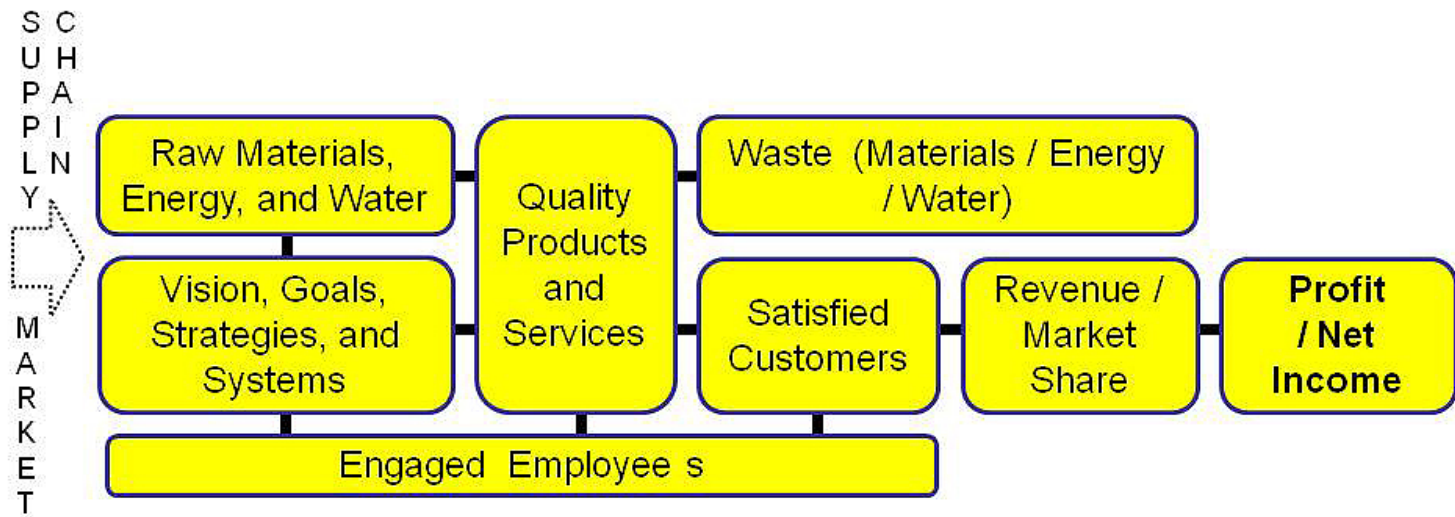
What is a value chain?

A value chain is a string of companies or players working together to satisfy market demands for a particular product.



<http://inclusive.com/accessibility-value-chain-page-1/>

The Standard Value Chain



Based on HBR, "Putting the Service-Profit Chain to Work," July-Aug 2008; EABIS Research Project, "Sustainable Value," September 2009; MIT Sloan, *Business of Sustainability Report*, 2009;



FDI and EXPORTS

- The entrance of MNEs is generally seen as a factor increasing competition in domestic markets.
- However, where the value chain sufficiently developed and linkages can be created, FDI can contribute to expanding the production capacities of the local export sector.

FDI and EXPORTS (example)

- India's US\$ 1.5 billion outsourcing business illustrates how foreign investment and trade have benefitted the country.
- In 2002, it attracted 15% of total FDI and accounted for 10% of all exports. By 2008, it was expected to attract one-third of all FDI and to generate US\$ 60 billion a year in exports, creating nearly 1 million new jobs in the process.

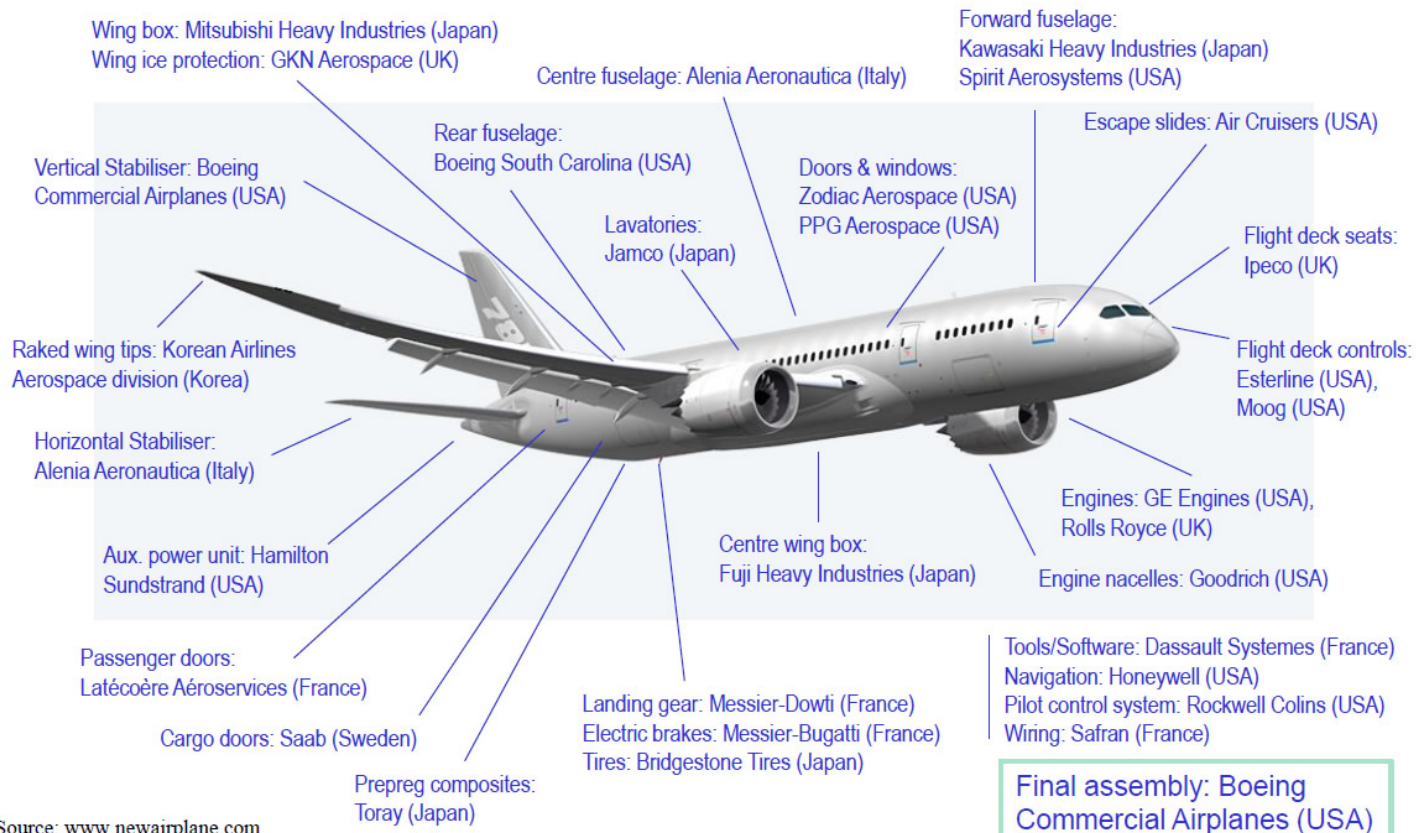
Source: OECD, International Investment Perspectives, pp. 69, Paris, OECD, 2005.

PRODUCTIVE INTEGRATION

- Globalization results in new opportunities for developing economies to enter international trade through production sharing and outsourcing
- Productive integration involves the formation of globally integrated forms of productive networks, such as linkages between transnational corporations (TNCs) and small and medium-sized enterprises (SMEs), clusters and global value chains
- Productive integration refers to cross-border vertical production sharing processes.

Production fragmentation

Fragmentation of production: the example of the Boeing 787 Dreamliner



Source: www.newairplane.com



The Case of Asia

- Since 1990's, pursuit of production networking and division of labour has resulted in a massive vertical intra-industry trade in parts and components
- Growth in intra-regional trade (specialization)
- Incremental decreases in cost resulted in increases in competitiveness for the entire region, in part due to technology transfers and technological upgrading.
- However service link, transportation and transaction costs must not be too large.



The Case of the EU27

- Operating as a single market, the EU is a major world trading power (estimated GDP €12,268,387 million in 2010).
- With just 7% of the world's population, the EU's trade with the rest of the world accounts for around 20% of global exports and imports.
- The EU is the world's biggest exporter and the second-biggest importer. Approximately two thirds of EU countries' total trade is done with other EU countries.
- The United States is the EU's most important trading partner, followed by China.

BEST PRACTICE STRATEGIES TO IMPROVE INTEGRATION

- Develop clusters and networks based on the requirements of GVCs
- Provide technical assistance and capacity building for the establishment of business linkages
- Identify demand and target quality FDI
- Pursue business matching activities with potential partners

BEST PRACTICE STRATEGIES TO PROMOTE SME NETWORKS

- Create linkages between exports and foreign investment
- Promote access to efficient infrastructure services
- Enable access to global supply chains
- Enable access to technology and know-how
- Support regional trade and economic integration initiatives

SUMMARY OF KEY MESSAGES

- Integration- both productive and economic are necessary to compete globally
- Strategies and policies to support SMEs are essential
- Mechanisms to promote SME networks must add value by extending or deepening the value chain
- Facilitating relationships and linkages within local firms and between local and international firms should be an essential component of internationalization policies
- Exposure to technology and technology transfer are critical success factors.

THANK YOU FOR YOUR
ATTENTION!!

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