THE INTERNATIONALIZATION OF SMALL AND MEDIUM SIZED ENTERPRISES

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## INDICATORS - Barbados

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2012</th>
<th>2013</th>
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</thead>
<tbody>
<tr>
<td>Land Area</td>
<td>166 sq. miles (430 sq. km)</td>
<td></td>
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<tr>
<td>Population</td>
<td>277,000</td>
<td>277,500</td>
</tr>
<tr>
<td>Per Capita Income (Bds $)</td>
<td>26,500</td>
<td>27,200</td>
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<tr>
<td>Adult Literacy Rate</td>
<td></td>
<td>99.7%</td>
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<tr>
<td>Life Expectancy</td>
<td></td>
<td>74.5 yrs.</td>
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<tr>
<td>Gross Domestic Product (Bds$ M)</td>
<td>7,590.3</td>
<td>7,534.6</td>
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<tr>
<td>Inflation Rate</td>
<td>4.5%</td>
<td>1.8%</td>
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<tr>
<td>Unemployment Rate</td>
<td>11.6%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Labour Force</td>
<td>141,700</td>
<td>142,900</td>
</tr>
<tr>
<td>*Domestic Exports (Bds$ M)</td>
<td>592.9</td>
<td>534.6</td>
</tr>
<tr>
<td>Major Markets</td>
<td>United States of America, Trinidad and Tobago, United Kingdom, Saint Lucia, Jamaica, Guyana, China, Canada</td>
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</table>
Section 3 (1) of the Small Business Development Act Cap. 318C defines a small business as an enterprise that:

(a) is incorporated under the Companies Act;
(b) satisfies any two of the following criteria:
   (i) not more than Bds$1,000,000 as stated or paid up capital;
   (ii) not more than Bds$2,000,000 in annual sales;
   (iii) not more than 25 employees;
DEFINITION OF SMEs – Barbados (Cont’d)

(c) is not more than 25% owned or controlled by a company whose capital and annual sales exceed that mentioned in paragraphs (b) (i) and (ii) respectively or by a subsidiary of that company or by a subsidiary of a larger group of companies;

(d) is not controlled by a company whose share capital and annual sales exceed that mentioned in paragraphs (b) (i) and (ii) respectively; and

(e) has no agreement for the payment of fees on a continuing basis for managerial or other services to any person where those services do not form part of the normal business operations of the enterprise.
The SME Sector - Barbados

- An estimated 11,275 registered small businesses in Barbados (Barbados Economic and Social Report, 2009).
- Of this amount, 3,551 were owner operated.
- Overall, the majority of these businesses can be categorized as micro with 75% of them employing 3 or less persons.
- Companies employing 25 or less persons account for over 32,000 jobs or 24.8% of the employed labour force. If employers and owner operated workers are included, employment totals 43,640 persons (33.5% of the employed labour force).

Reported in a Study conducted by the Sir Arthur Lewis Institute of Social and Economic Studies (SALISES) of the University of the West Indies, Cave Hill Campus, April 2012
The Public Policy Framework for Enterprise Development in Barbados

- Government provides a number of incentives and benefits to businesses.
- Several benefits in relation to finance, training, technical assistance, legislative / regulatory environment and advocacy.
- Since the mid-1990s the policy framework for enterprise development focused on the development of domestic enterprises.
- Operationalized through the Barbados Investment Development Corporation (BIDC)
The BIDC

- A Statutory Corporation delivering many of Government’s enterprise development policies.
- Provides a comprehensive suite of services to SMEs and larger companies.
- Services delivered through targeted programmes aimed at facilitating the establishment and expansion of enterprises.
- Support activities that drive foreign exchange earnings and savings.
- Assist clients in conceptualizing, planning and implementing new ventures, marketing internationally acceptable goods and services, and penetrating overseas markets.
BIDC’s CORE SERVICES

- Business Counselling & Development Service
- Assist in conceptualizing, planning and implementing new ventures
- Comprehensive small and medium enterprises (SMEs) support
- Development of business plans and financial projections
CORE SERVICES (Cont’d)

- Export marketing and development of export trade
- Export certification
- Provision of factory space on a rent or lease/purchase basis
- A design advisory service
- Access to market and business intelligence
- Assistance in sourcing finance
BIDC’s CORE PROGRAMMES

- Business Development Programme
- The Incubator Programme
- Special Technical Assistance Programme (*Grant Funding*)
- The Innovation Programme
- The Craft Development Programme
- Market Development Programme
- Export Readiness Programme
Exports from the Manufacturing Sector

- Barbados’ exports over the last three years averaged $553.6 million.
- For 2014, a marginal increase of 3.8% recorded; Domestic Exports - $554.6M.
- CARICOM remained the top market accounting for 51.2% of exported goods, with the USA taking 16.6% and the EU 9.1% of shipments.
- Approximately 35% of companies in this sector are SMEs.
Constraints to Internationalization:

- Poor management structures and systems
- Inadequate finance
- Limited production capacity
- High labour and input cost
- Untrained / limited personnel to perform tasks
- Shortage of working capital to finance exports
- Limited information/resources to research target markets and identify contacts
Constraints to Internationalization (Cont’d):

- High production costs - the absence of economies of scale constrains exporters in their bid to be price competitive in many product categories.
- Relatively small bank of exportable products.
- Reluctance by producers to explore non-traditional markets.
- Difficulty in meeting health/safety requirements and international standards.
- High freight costs to export markets.
- Language barriers in non-traditional markets.
Constraints to Internationalization (Cont’d):

- Lack of timely and adequate transportation to some markets.
- High costs of promoting individual brands/products in niche markets.
- Lack of highly effective distribution networks/distribution factor where there is limited control over paths to market.
- Lack of managerial time to deal with internationalization.
- Difficulty in developing products for foreign markets.
Mitigating the Constraints

- Find new roads to market that would reduce high freight costs, shipping time and generally improve access to markets.
- Build capacity of exporters to meet international standards and health and safety requirements.
- Introduce clustering to achieve greater economies of scale and costs reduction.
- Facilitate export consortia of groups of SMEs that are willing to join together in export activities.
- Identify niche products and facilitate niche marketing for SMEs.
- Expanded use of ICT for market development and inter-sectoral linkages.
Mitigating the Constraints (Cont’d)

- Diversify export markets by pursuing market opportunities in multiple markets.
- Build stronger and deeper distribution networks through diaspora associations and individual suppliers.
- Identify opportunities under existing trade agreements and help companies to access benefits for greater market penetration.
- Promote goods and services through collaborative efforts with related promotional agencies.
- Train and Educate sector.
- Invest in Research & Development.
- Identify weakness and engage in Skills training to equip the sector.
New Model for Service Delivery to SMEs

The Barbados Small Business Development Centre Network

*Model of the United States of America*

- Small Business Development Centre Network will be the main source of technical and managerial assistance for MSMEs.
- The SBDC Model offers a better solution at this time for improving the delivery of service to the sector.
- Focus on long-term assistance to high-value MSMEs
- Creation of economic impact
- A results-oriented culture
- Joint investment by key players in service delivery
- Reduced duplication and wastage of resources
Need to grow SMEs sector to realise sustained exports.

Success measured through increased number of exporters.

Expansion into new markets with quality products and services.

Increased job creation.

Extended global footprint beyond traditional markets and established product niches.

Important to realise where the sector potential lies; this could significantly boost export earnings and country’s competitiveness over the short to medium term.
Summary (Cont’d)

- Using our SMEs, the perception of Barbados as a high cost destination will be leveraged to pitch the island as a premium location for high quality in all of its offering of products, services, investment and tourism.
- High quality goods from food, apparel and leather, and health and wellness will be marketed to high networth consumers in selected markets.
Thank you