

# THE INTERNATIONALIZATION OF SMALL AND MEDIUM SIZED ENTERPRISES

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# INDICATORS - Barbados

Indicator	2012	2013
Land Area	166 sq. miles (430 sq. km)	
Population	277,000	277,500
Per Capita Income (Bds \$)	26,500	27,200
Adult Literacy Rate	99.7%	
Life Expectancy	74.5 yrs.	
Gross Domestic Product (Bds\$ M)	7,590.3	7,534.6
Inflation Rate	4.5%	1.8%
Unemployment Rate	11.6%	11.6%
Labour Force	141,700	142,900
*Domestic Exports (Bds\$ M)	592.9	534.6
Major Markets	United States of America, Trinidad and Tobago, United Kingdom, Saint Lucia, Jamaica, Guyana, China, Canada	

# DEFINITION OF SMEs - Barbados

*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;*



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# 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.*



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# 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*



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# 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)



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# 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.



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# 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



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# 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



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# 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.



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# 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



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# Summary

- ❖ 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



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