

# Entrepreneurial Competitiveness and SMEs:

## Dominican Republic

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**Claudio U. Adams**

**Director del Centro de Apoyo a la Micro, Pequeña y Mediana Empresa - CAMPE  
De La Universidad INTEC – Rep. Dominicana**

<http://www.intec.edu.do/campe/>

# WHAT IS COMPETITIVENESS?

## Enterprise level

It's the ability of a company of being a leader in costs, offer differentiated products or to have the ability to serve specialized market segments

- New paradigm of enterprise management
  - Reduce transactional costs
  - Reforms of market factors

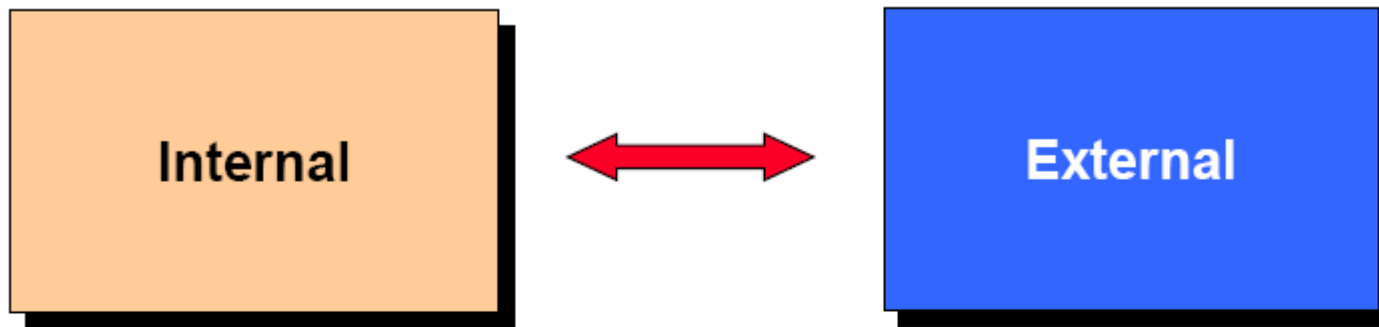
# WHAT IS COMPETITIVENESS?

## Country Level

It's the quality of the factors of national production relative to the structure of costs of making business in the country

- Increase quality factors of national production
  - Apply greater knowledge to production
    - Increase productive efficiency

# WHAT IS COMPETITIVENESS?

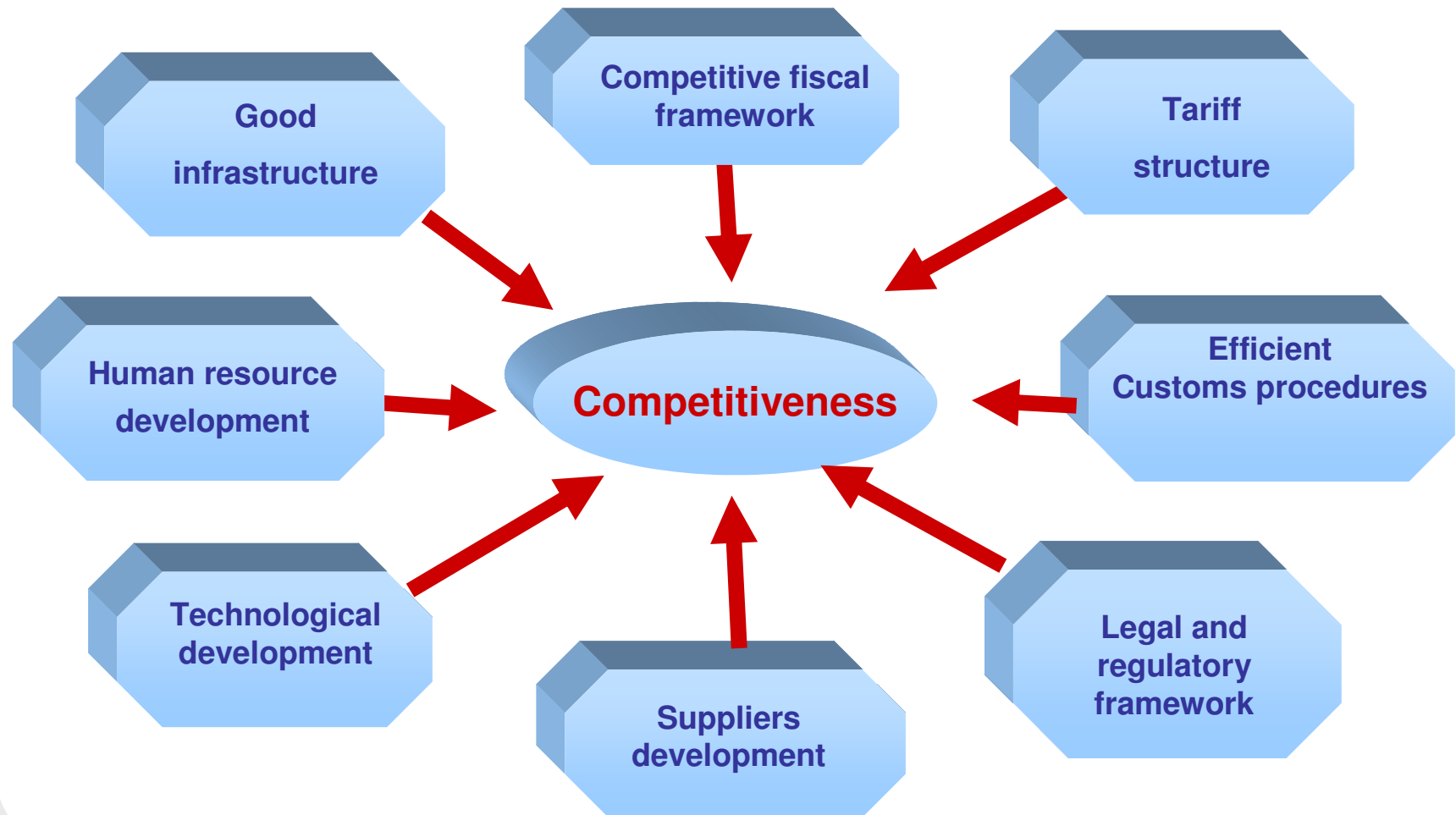


- Competitive advantage resides **inside a company or in its industry**
- Competitive success depends primarily on **company choices**

- Competitive advantage resides partly in the **locations** at which a company's business units are based
- **Cluster participation** is an important contributor to company success

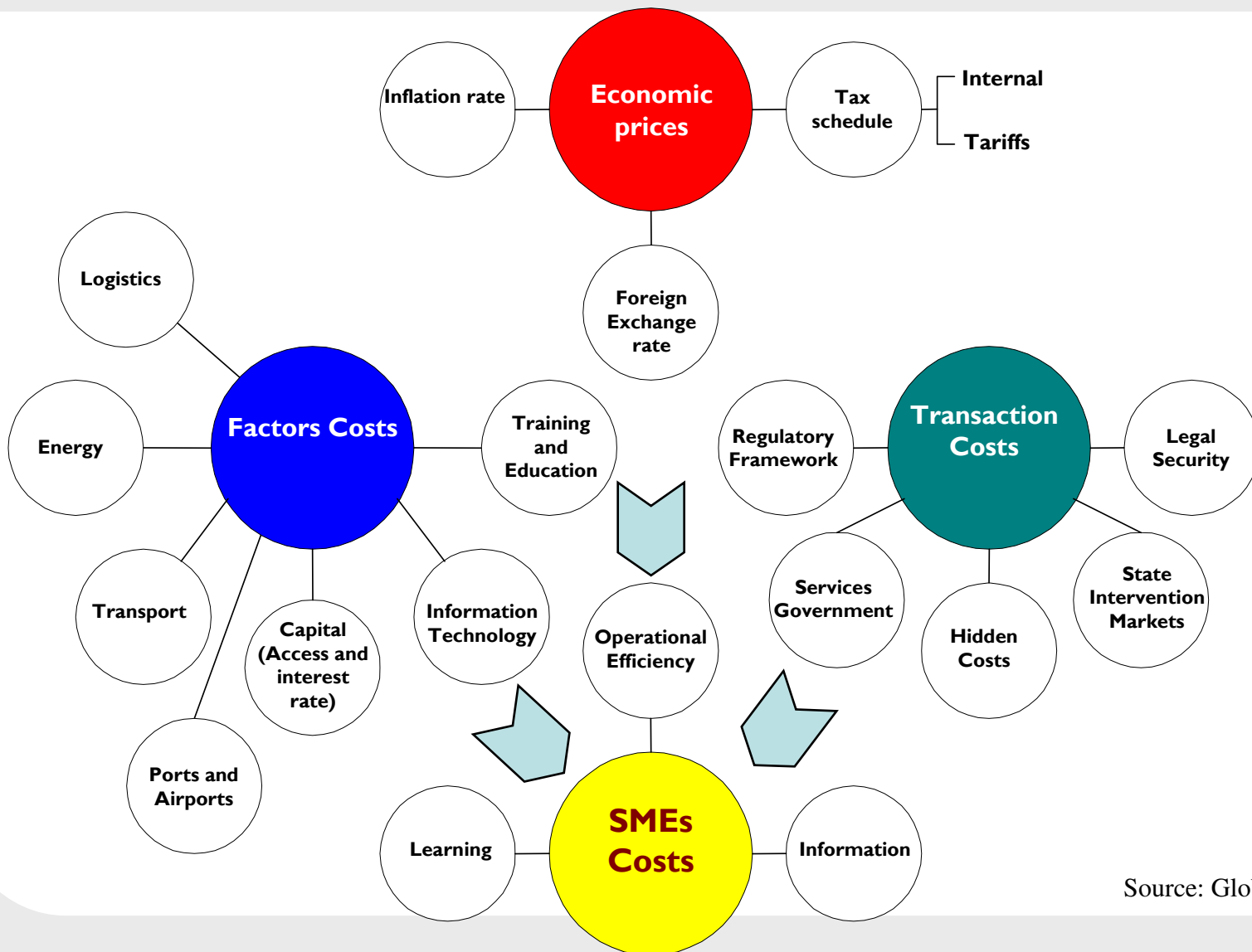
Michael Porter

# WHAT IS COMPETITIVENESS?



Source: Competitiveness Strategy 2005. Dom Rep National Council of Competitiveness

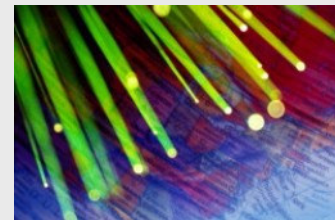
# COUNTRY COSTS



Source: Global Consulting

# GLOBAL PARADIGMS

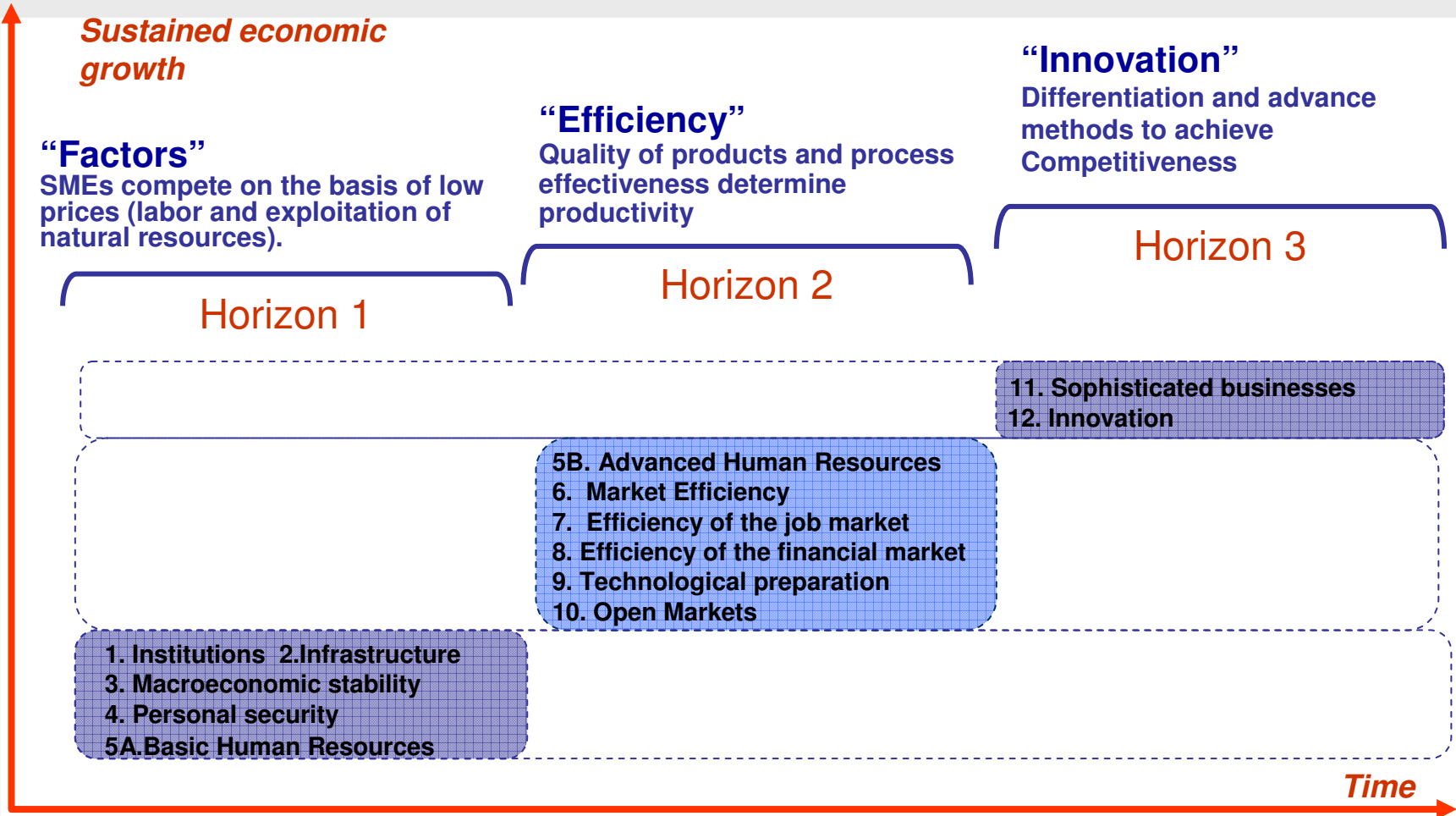
Affecting competitiveness of countries and enterprises



# Global paradigms that affect competitiveness of SMEs

- High market segmentation
- Global consumption.
- Velocity of technological change.
- Closeness of economic distances.
- Presence of a new type of work force, professional, technical and global oriented.
- Fragmentation and increasing bounds and links of productive chains and national economies.
- High degree of mobility of goods and services.
- Global population is getting older, mainly in the developed countries.
- The sustained development as mechanism for generation and preservation of wealth.

# WORLD ECONOMIC FORUM: Competitiveness fundamentals



# Dominican Republic: National Plan of Competitiveness

## Background



# Dominican Republic

## History of NPC and CNC

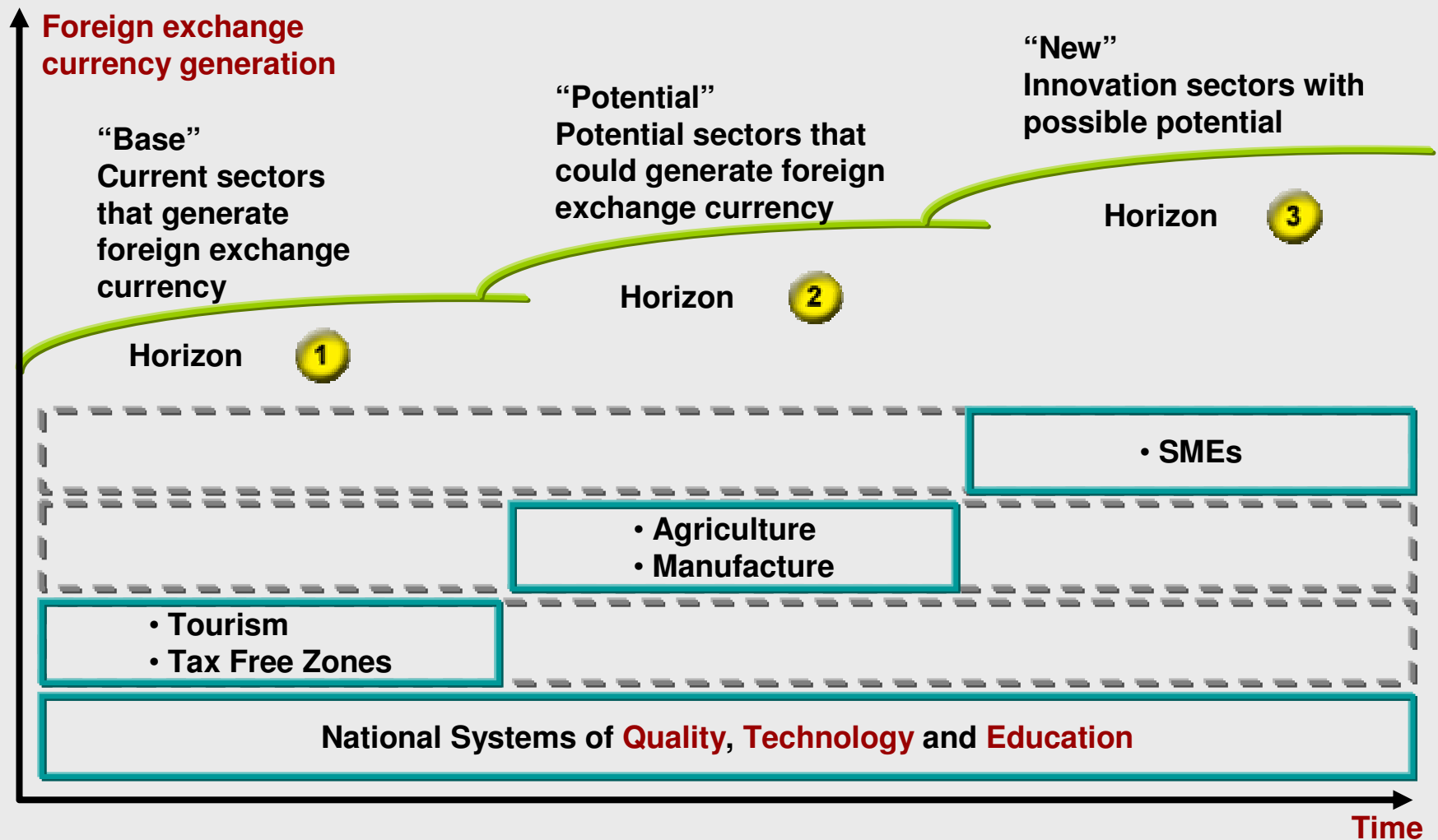
- 1995. The Asociación de Industria (Manufacturers Association) of the Dominican Republic (AIRD) is preparing the document *Manufactura 2005*
- 1998. The Secretaria de Estado de Industria y Comercio (SEIC) (Ministry of Industry and Trade) makes the *Plan Nacional de Competitividad (PNC) (National Plan of Competitiveness)*
- 2000. With help of USAID, is developed *Estrategia Competitiva Nacional (ECN) (National Competitive Strategy)*
- 2001. By means of a presidential decree is created the Consejo Nacional de Competitividad (CNC) (National Council of Competitiveness)
- 2002. The CNC initiates the process of reviewing, redesigning and concertation of the ECN and the PNC
  - Creation of an Executive Direction
  - McKinsey Report about the National Plan of Competitiveness
  - Generation of the Comites de Acción Sectorial (CAS) (Sector Action Committees)
- 2003 Paralell Initiatives
  - *República Dominicana: Estrategias Nacionales para el Desarrollo y la Competitividad.*(National Strategies for Development and Competitiveness) FUNGLODE- HARVARD
  - *Zonas Francas Siglo XXI (Free Tax Zones, Century XXI).* FUNGLODE
- **2004 The President by means of a decree, restructured the National Council of Competitiveness (CNC); assumed leadership and declares Competitiveness as a national priority and a state policy.**

## With the creation of the **CNC**

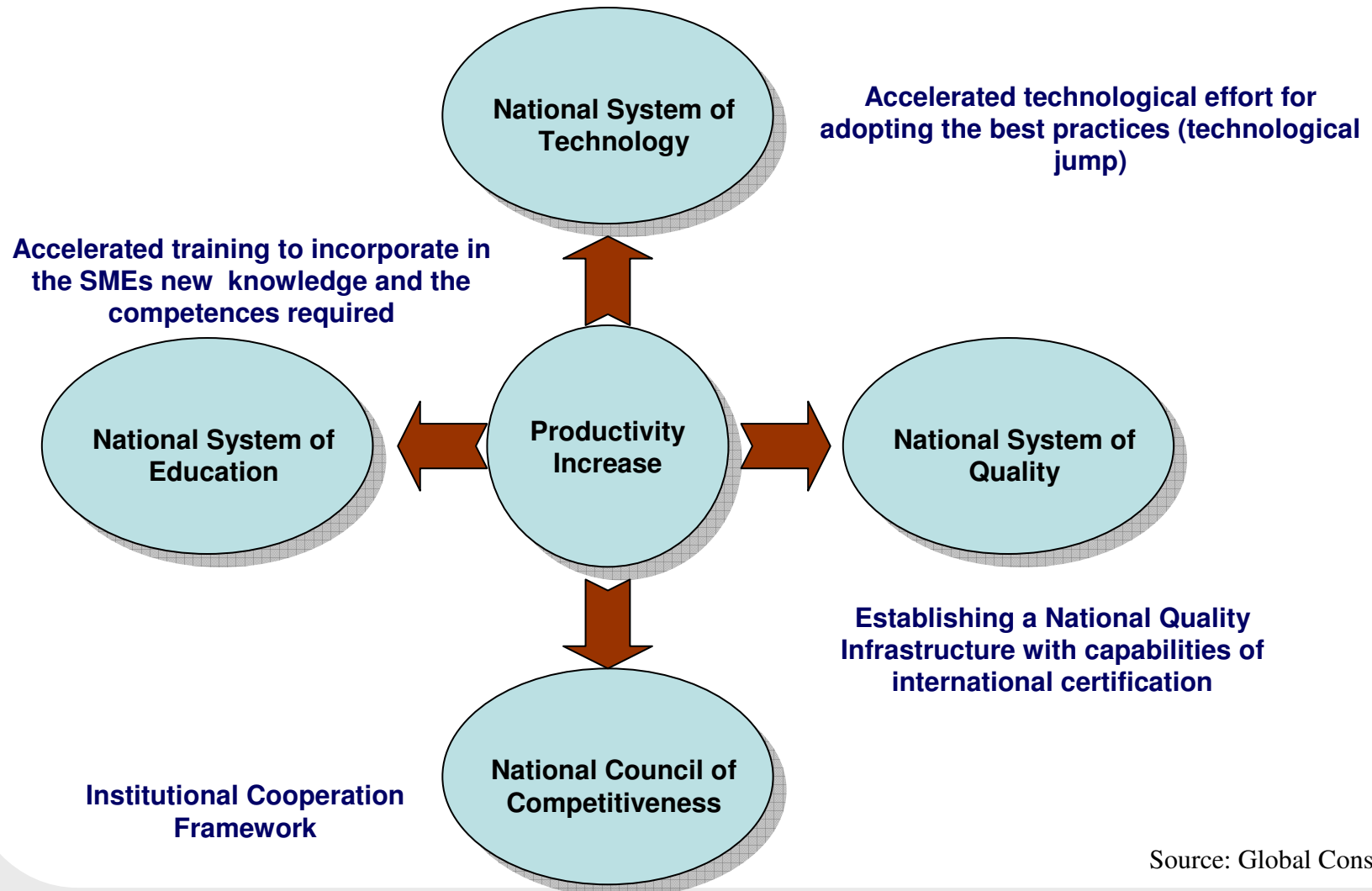
It is established a **high priority state policy** for the development of the national productivity and the sustainable economic growth of the Dominican Republic, the adoption and beginning of a **National Plan of Competitiveness**, destined to develop the competitive capacity of the country, by means of the improvement of the **climate of businesses**, the support to the **associative processes between companies**, the promotion and development of the **SMEs**, and the implementation of policies of promotion to **increase the traditional and nontraditional exports** and the foreign direct investment.

# Competitive strategy of the CNC

## To be strengthen during 2005



# Productivity Increase



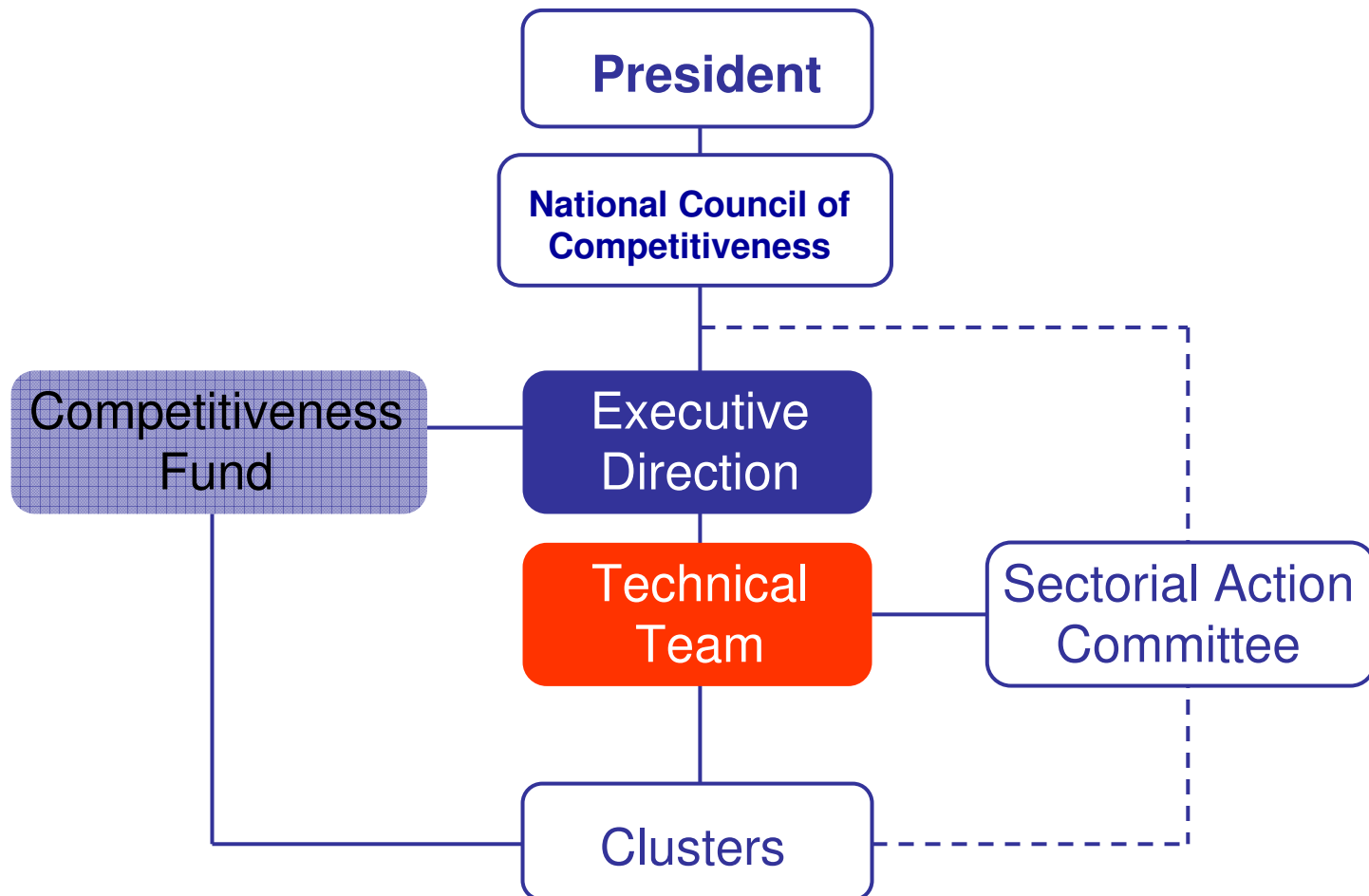
# Members of CNC

**President of the Dominican Republic, *presiding it***

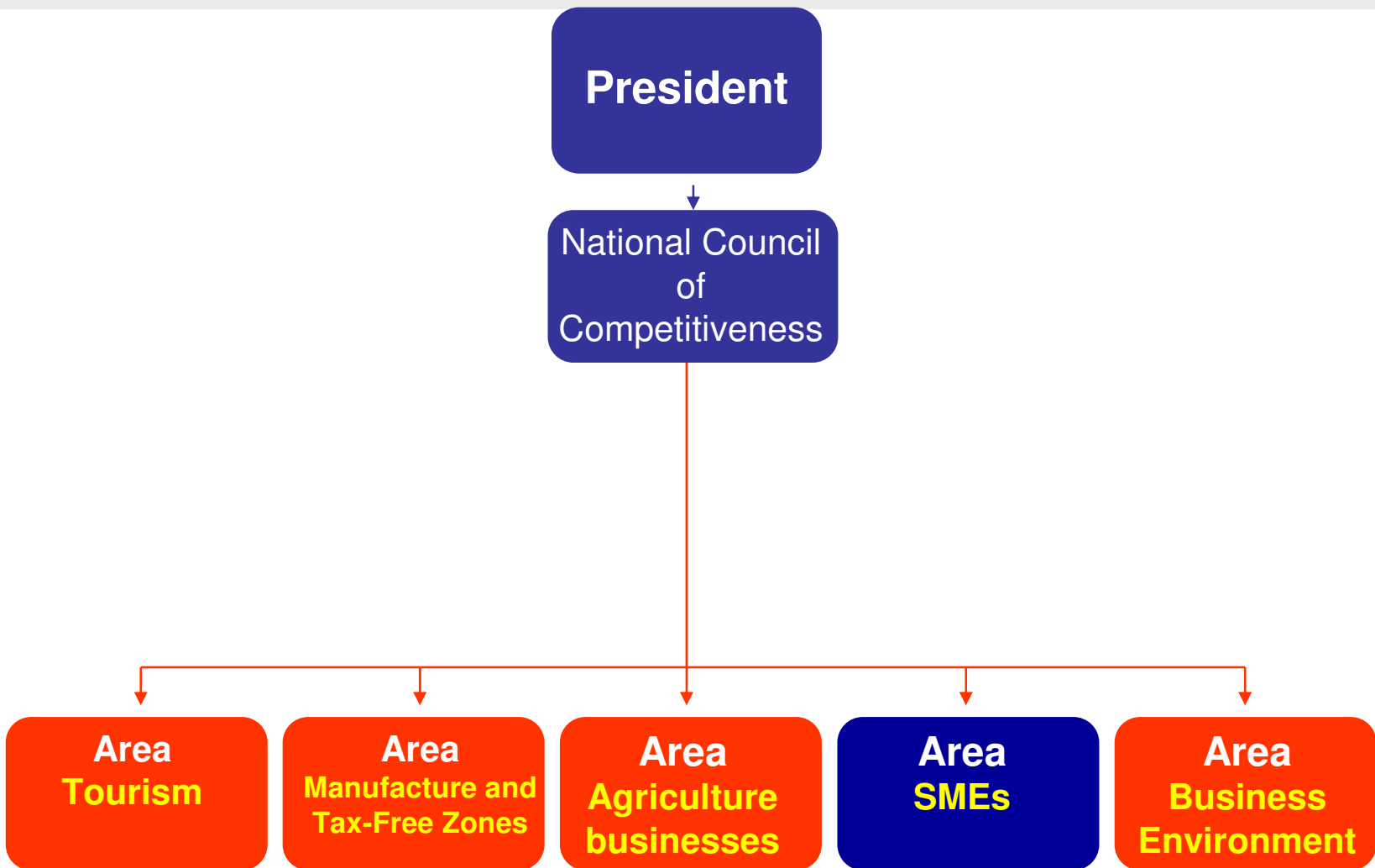
**Technical Secretary of the Presidency, *Executive Vice President***

- 6 State Secretaries (Ministers)
- Executive Director (with voice without vote)
- 11 Representatives of the Private Sector

# STRUCTURE of THE CNC

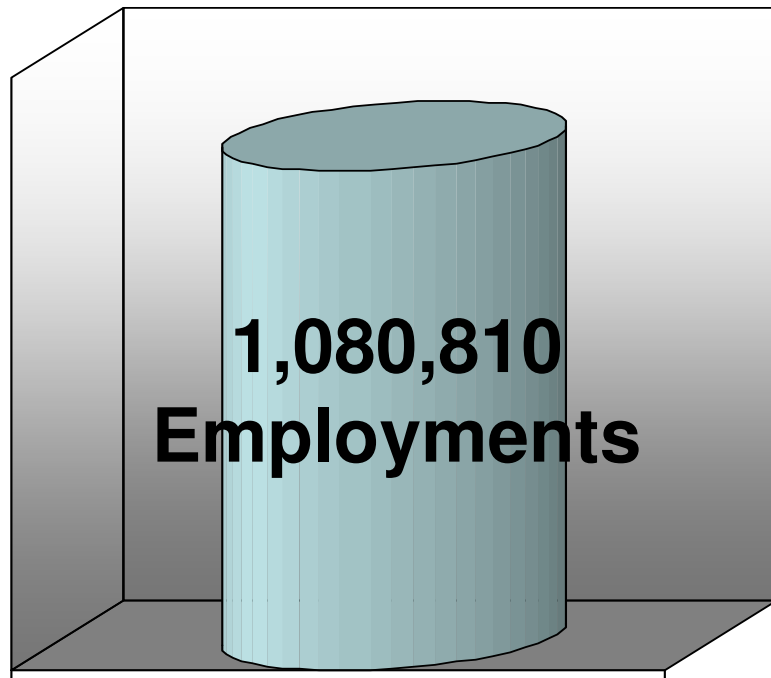


# THE CNC HAS THE DIRECTION AND LEADERSHIP OF THE PRESIDENT OF THE DOMINICAN REPUBLIC



# SME in the Dominican Republic

(Less than 50 workers)



- 29% of the Economically Active Population
- 23% of the GDP.
- 5 times more than the Free Tax Zones.
- 3 times more than the government.
- 1/3 more than the agriculture sector.

Source: FondoMicro

# Dominican Republic: Main Problems of the SMEs

## Regulatory framework:

- Institutional weakness of the **support entities** for SMEs;
- Lack of a **integral support policy**
- Lack of coordination among the **public support institutions**
- The statistical, economic and social **information** about the SMEs is very poor and limited, and a most always not updated. Very few mechanisms of **strategic information** for the SMEs.

## Financing:

- Difficulty for **accessing credits** for the banking institutions
- **High interest rates** (in comparison with the big companies or clients "premium")
- **Long term financing** is not available for SMEs

## Management and Enterprise Development:

- Very poor **enterprise culture** on innovation and technological development .
- Weak **managerial and administrative education** of the SMES
- Reduced incentives to **promote exports** of the SMEs ;
- Low **level of associative processes** and inter enterprise cooperation.

# Strategic Lines to strengthen and improve SMEs Competitiveness

## Regulatory Framework:

- Define and implement and coordinate with the public and private sector, a **Regulatory Framework** for SMEs.
- **Simplify the legal and administrative procedures** with a view to facilitating the registration and operation . Grant special incentives to stimulate the formalization of the micro enterprises .
- Implement mechanisms of Information windows and direction, virtually and physically.

# Strategic Lines to strengthen and improve SMEs Competitiveness

## Financing:

- Stimulate the financial creation of **new products and services** to the sector that allow a greater access on the credit to more competitive rates and longer payment schedules.
- Support the work and development of the **institutions of micro credit**, in special those that work with more vulnerable groups .
- Design and implement mechanisms adapted for Guarantee and Risk capital Funds (learning from the international experiences on the matter)
- Creation of a Fund for the Industrial Conversion of SMEs, before the implementation of the Free Trade Agreement. .
- Promote a greater participation of the formal banking institutions in the financing of SMEs.

# Strategic Lines to strengthen and improve SMEs Competitiveness

## Management and Enterprise Development :

- **Program of Support to the Certification in ISO norms .**
- Program of **enterprise training and technical assistance** to improve the management ability of SMEs with a view to increase to the productivity and competitiveness.
- **Support and strengthen the SME leadership**, using associative processes, to increase its influence capabilities in the design and implementation of policies, programs and projects in favor of the sector. .
- Support the development of a local market of **training and business services**.
- Strengthen and increase the programs for the development of new business initiatives, specifically, programs for **enterprise incubators and technological innovation**.
- Implement a program to stimulates the **export activity** of SMEs.
- Implement a program of promotion of the **entrepreneurship culture** using education and training

# Strategic Lines to strengthen and improve SMEs Competitiveness

## Rol del Estado:

- Facilitador
- Regulador
- Intervención en 3er y 2do piso



To everyone....

*Muchas Gracias!*

*Por Compartir*

**Ing. Claudio U. Adams, MBA**

**Director CAMPE-INTEC / Rep Dom**

[cadams@intec.edu.do](mailto:cadams@intec.edu.do)

[cuap11@yahoo.com](mailto:cuap11@yahoo.com)