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Chief Editor
Ahmad Tootoonchi
College of Business and Public Administration
Eastern Washington University
668 N. Riverpoint Blvd. Suite A
Spokane, Washington 99202-1677
Tel: 509-828-1224
tootoonchi@ewu.edu

Editor:
Michele A. Krugh
University of Pittsburgh
4200 Fifth Avenue
Pittsburgh, PA 15260
Tel: 412-526-4271
michele.krugh@pitt.edu

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Editorial Note

The November 2017 issue of the *Journal of International Business Disciplines (JIBD)* has been the result of a rigorous process in two stages:

- Stage 1: all papers that were submitted to the 2017 IABD conference went through blind reviews, and high quality papers were accepted for presentation at conference.
- Stage 2: approximately ten percent of the accepted articles and one invited manuscript were selected for possible publication in *JIBD*. The respective authors were contacted and asked to resubmit their papers for a second round of reviews. These manuscripts went through a blind review process by the editorial board members. In the end, three articles were recommended by the editorial board for publication in the November 2017 issue of *JIBD*.

JIBD is committed to maintaining high standards of quality in all of its publications.

Ahmad Tootoonchi, Chief Editor
Journal of International Business Disciplines

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SALES AND OPERATIONS PLANNING – A POTENTIAL STRATEGIC TOOL FOR THE US PAPER INDUSTRY

Dag Naslund, University of North Florida,
dnaslund@unf.edu

Steven Williamson, University of North Florida
steven.williamson@unf.edu

ABSTRACT

The current applications of Sales and Operations Planning (S&OP), an aging consulting process, and its recognition as a meaningful strategic planning tool has led to a renaissance in its popularity and a resurgence in academic and practitioner literature. The goals of S&OP, balancing product production to sales forecasts, are pragmatic and logical. We chose to research the state of S&OP implementation within the US paper industry. We worked with representatives of the National Paper Trade Alliance to identify firms willing to participate in our S&OP study. We developed a structured interview guide that included questions related to the interviewee's experience, the firm's experience with strategic planning, and the state of their S&OP process. We utilized Grimson and Pyke's (2007) S&OP maturity model as the foundation for S&OP interview questions. We worked with six firms and one industry expert. We believe that our participating firms are not unique and that regardless of the S&OP sophistication level, improvement of the process will ultimately lead to greater profits.

INTRODUCTION

The Sales and Operations Planning (S&OP) process is a cross-functional process. Through the S&OP process, organizations strive to synchronize different functional organizational plans (e.g. sales, marketing, manufacturing, procurement, and financial) into an integrated set of tactical plans (Grimson & Pyke, 2007; Lapide, 2004). The S&OP process also can be described as a long-term planning [strategic] tool as the process exists to execute long term objectives, leading to better alignment of strategic goals with the tactical plans (Matthews & Dixon, 2016). The developed plans should support management decisions in order to balance supply and demand and provide early signals of potential imbalances (Ivert, Dubovska-Popovska, Fredriksson, Dreyer, & Kaipia, 2015). The key benefits of the S&OP process are, ideally, increased sales revenue and improved allocation of resources ultimately leading to increased profits (Cecere, Barret, & Mooraj, 2009; Godsell, Birtwistle, & van Hoek, 2010).

Sales and Operations Planning differs from the traditional planning process in three ways. First, since the S&OP process is a cross-functional process, one could argue that S&OP is simply one more attempt to overcome the problems with functional silos within organizations. The functional silo problems are hardly new problems. Drucker discussed the “great operational divide”– the gap between operational and customer-facing employees groups - half a century ago (Drucker, 1954). Shapiro (1977) illustrated how the cultural differences between marketing and operations cause problems. Rummler and Brache (1991) used the term “the white space” to emphasize how organizational problems often occur since functions do not co-ordinate work in the processes and thus gaps exist between functions – in the white space. Hammer (1990), the re-engineering guru of the 1990s, discussed how a radical process approach was needed to solve the functional silo dilemma. Nevertheless, many firms today are still struggling with these same functional silo problems and continue to struggle to balance supply and demand. Consequently, most companies could benefit from increased cross-functional integration via a properly designed and implemented S&OP process (Wagner, Ullrich, & Transchel, 2014; Hulthén, Naslund, & Norrman, 2015).

Second, the S&OP process reviews planning activities at a higher, more strategic organizational level rather than the more operational focus of traditional planning. It also is typically conducted on a monthly basis versus the daily or weekly functional planning. This is critical as it allows companies to proactively identify and manage upcoming long-term issues such as capacity constraints, overstock situations and regional variations in demand. However, as Matthew and Dixon (2016) point out, the higher-level planning must be linked to the day to day operations for the process to be truly effective. Third and finally, in the S&OP process, senior management ideally is significantly involved in establishing consensus across business functions (Boorman, 2013). Executives must understand how the aggregated planning is designed to work and how it will influence the work within the functions. Thus, an additional benefit of a properly implemented S&OP process is faster and more informed decision-making, based on an end-to-end view of the business (Palmatier, 2016; Hulthén et al., 2015).

More than 25 years ago Ling and Goddard (1988) published their article proclaiming the benefits of S&OP. If S&OP was a person, that person would now be old enough to legally consume alcoholic beverages and would be too old to be retained on his/her parent’s health insurance policy. Thus, we can say that it is time to move S&OP out of the basement and put it to work. Today, there is renewed interest in the Sales and Operations Planning (S&OP) process. A recently conducted survey study, for example, claims that 57 percent of the studied global large-scale manufacturers had implemented an S&OP process (APICS, 2012). The increased interest in S&OP is evidenced by the numerous conferences, consulting seminars being hosted, and the increase in published academic journal articles. To illustrate, Thomé, Scavarda, Fernandez, and Scavarda (2012) claimed that the number of articles increased from less than a handful per year in the early 2000s to fifteen articles in 2010. While, most articles are written by consultants and practitioners, one could argue that the increase is an indication that the renewed interest in S&OP seems to be shared both among practitioners and academics. It has even been suggested that S&OP be relabeled as Integrated Business Planning (IBP). Reasons for suggesting the relabeling include the cross-functional emphasis of S&OP and the inclusion of the all-important financial planning aspect of the process (Matthews & Dixon, 2016).

Thus, it is not surprising that there appears to be interest among both practitioners and academics for more empirical research regarding a wide variety of issues related to the S&OP process. A host of issues ranging from the structural to the cultural, from design to implementation, and from the issues related to top management support via cross-functional integration to measures and evidence of how the S&OP process can achieve increased supply and demand alignment. Additionally, there is a need to research the S&OP process in various contexts and industries (Grimson & Pyke, 2007; Singh, 2010; Iyengar & Gupta, 2013; Hulthén et al., 2015).

In this paper we focus on the status of and experience with the S&OP process in a traditional industry – the US paper industry. The US paper industry has often been inappropriately maligned as an old-fashioned industry, in part due to the fact that paper seems to have always been with us. It is true that paper manufacturing is one of our oldest industries and that probably 99 percent of our population above the age of six realize that paper is somehow derived from trees. However, only a small subset of that population has any idea of the technology employed in the modern paper mill. Many folks still believe that making paper both kills trees and pollutes the air and water. Business to Consumer organizations seeking to cut mailing and processing costs have been largely responsible for promulgating this myth with their misleading message that customers who discontinue paper billing are saving the environment from the evil paper companies – this "fake news" has been so bad that the US Paper industry actually supports an industry organization, "Two Sides," that combats that myth by challenging the firms using "save the environment" argument. These challenges have gone into courtrooms and the offenders have been ordered to cease and desist.

Likewise, the US Paper Industry has and continues to primarily operate with a business model that separates the ownership of the production and distributions functions within the industry with the majority of industry players being private firms, many of which are family owned companies. Instead of being the staid traditional, natural resource destroying industry of reputation, the US paper industry is a high technology industry undergoing both structural and product mix changes. Increased competition from international competitors as well as changing consumer behaviors caused by e-communication, e-media, e-commerce, and social media are forcing the US paper industry to change how it operates. Notwithstanding the fact that S&OP has been applied in various industries for 25 years or so, the renewed focus on a more modern version of S&OP could potentially provide an opportunity for the US paper industry to better tackle its new and changing environment. Thus, in addition to exploring the current status of S&OP in the US paper industry, we also wanted to determine if the US paper industry still embraces the its traditional practices and cultures, and, if so, can S&OP adoption provide the catalyst to change the behavior of firms within the industry. The question is what does it take for this type of industry to change and embrace a potentially beneficial concept such as S&OP?

METHODOLOGY

This paper is based on a series of interviews with different companies in the US paper industry. We chose the paper industry for three main reasons. First, we have access to companies in the industry via a research institute. Second, the US paper industry is interesting as it is a traditional industry with perhaps more conservative organizational values and thus the potential for improvement via modern change approaches may be considerable. Third, the US paper industry is an industry in decline. Thus, amid increasing innovation and global competition, the prominence of the US paper industry as a major global player is at risk. The paper industry must contend with continuously changing technology and varying degrees of protectionism. Electronic media has begun to replace newsprint (Turner et al., 2005). In our recent 2016 US Presidential election, Trump successfully used Twitter to communicate with his supporters and spent far less money on traditional media than did Clinton. Organizations are finally moving to adopt paperless office practices, some by choice and some, as in the medical environment, being required by the federal government to adopt Electronic Medical Records (EMR) systems. Change is constant; it cannot be prevented. Instead change must be expected, accepted, and embraced through technological and managerial innovation. The US paper industry of today finds itself no longer on the growth side of the industry life cycle curve. The production facilities are referred to as mills and to bring a new mill on-line requires a significant capital investment and commitment to the long-term. Thus, we believe that the firms operating within the US paper industry could benefit from Sales and Operations Planning to remain competitive in the global market.

In total we conducted seven interviews. The participating firms were identified by a representative of the National Paper Trade Association (NPTA). The selected organizations provided us with a mix of manufactures and merchants. Given the traditional nature of the industry we also wanted to include family owned as well as publicly held companies in the study. The cases also were selected based on their interest in participating in the study. The first interview served as a pilot interview to test our interview protocol. The following five interviews were conducted via video link. All interviews were recorded (video and/or audio). All interviews were then transcribed. We based our interview guide primarily on the maturity model provided by Grimson and Pyke (2007). The Grimson and Pyke model, evaluates five different organizational categories in terms of their maturity: Meetings & Collaboration, Organization, Measurements, Information Technology and finally S&OP Plan Integration. We content analyzed our data in three steps. First, we coded each transcript and conducted a within case analysis to establish the main themes in each interview. We then conducted a cross-case analysis to search for pattern among the interviewed companies. The seventh and final interview was conducted with an industry expert who also is significantly involved in the trade organization. This final interview also served as a validation of the analysis we conducted.

ANALYSIS

Our research indicates that the manufacturing companies in the US paper industry have embraced the idea of S&OP more than the distributors have. We had expected that the manufacturers, due to the nature of their operations, would be more sophisticated with regard to S&OP implementation than the distribution firms. The interviewed manufacturing firms also indicated considerable experience with the S&OP process. The distributors, on the other hand, indicated that they lacked a formal S&OP process but claimed to have informal processes that resembled the more formal S&OP process.

In terms of formal (or informal) steps of the process, all companies deviated from the formal steps often recommended in theory. It often has been suggested that the S&OP process should include the following five major steps: data gathering, demand planning, supply planning, pre-meeting, and an executive meeting (Wagner et al., 2014; Jacobs et al., 2011; Grimson & Pyke, 2007). We can say that, of the firms included in our study, all implicitly included several of the suggested steps. We also can state that all of our participating companies have developed process versions that can be improved. One company had a process with four steps, yet the last step - a presentation for the executive committee (including CEO) - was informational in nature as opposed to a formal decision-making meeting. Another company only had two formalized steps in the process with more informal planning steps occurring within the departments. The last formal step for this company was a "weekly 30 minute information session" for executives. Both of these firms also had developed other steps or processes that to some extent related to the S&OP process. One of the firms had established a formalized budgeting process that was more influential as a planning tool and another firm had formalized brand reviews that also served as an input for the S&OP process. It is also important to note that both these companies were aware of the potential for improvements in their respective processes. The formal ranking in our questionnaire resulted in a medium ranking in terms of process maturity.

One area of potential improvement is the strategic versus operational nature of the process. As indicated above, the formal S&OP processes of the firms we studied can be described more as operational planning processes than strategic decision-making processes. The time horizon for decision making was, for instance, often just a few months. This is in contrast with theory which suggests a longer time horizon and a significant strategic focus in addition to the more operational planning aspects (Godsell et al., 2010; Milliken, 2008; Ivert et al., 2015; Thomé et al., 2012; Cecere et al., 2009). Similarly, for the companies that lacked a formal S&OP process, the existing informal processes are more operational than strategic in nature. One difference is that for the informal cases, these operational planning processes are significantly influenced by their respective budgeting processes. In one case, for example, there is a yearly budget review and then monthly "reports" that are sent from HQ to the branches. Unless there are disagreements, the branches tend to follow this report. The influence of budgeting and the finance function also is strong among the companies with a formal process. In one case, the financial plan/budget plan/forecast typically ends up being the consensus plan at the monthly decision meeting. In the other case, finance used to "own" the process and the director in charge of the process reported to finance, however, they changed the process about a year ago - the process owner now reports to the Supply Chain VP.

In theory, the S&OP process should ideally contribute both to improved operational planning as well as strategic decisions on how to better balance supply and demand in the future. It is interesting to note, however, that the formal ownership as well as driver of the process is an area that is unclear in theory. Thus, it is perhaps not surprising that the driver/ownership of the S&OP process not only varies but also is somewhat unclear where the actual ownership resides among our case organizations. Thus, on an overall level, there are issues with the formality of the process, the actual steps in the process, the maturity of the process, the ownership of the process and the issue of operational planning versus strategic decision making. While the companies with a formal structure in place have made significant progress with their S&OP processes, all case companies recognize the future potential.

On a more concrete level, there are several areas where our case firms identified future improvement potentials. These were primarily related to measurements, IT systems and organizational structure. Regarding measurements and measurement systems, the companies described similar problems regardless of the formality of their S&OP process. It is interesting to note that these problems are well described in both S&OP literature and the measurement literature. For instance, all of the firms we studied indicated that they collect many different metrics yet that they are unsatisfied with the overall measurement system. In fact, most of our study companies emphasized the lack of structured key performance indicators (KPI) as well as a balanced measurement system. In one company, for example, acquisitions made them aware of this particular problem. Given that the term S&OP process performance is not clearly defined in either academic or practitioner literature, a standardized approach to systematically evaluate S&OP process performance does not exist (e.g. Ivert & Jonsson, 2010; Grimson & Pyke, 2007). Furthermore, while research offers a large number of measures, the suggested measures tend to focus on the performance of functions rather than on the performance of the cross-functional process (Cecere et al., 2009; Grimson & Pyke, 2007; Thomé et al., 2012). Consequently, a common drawback of many organizations is the application of too many measures without focus on cross-functional integration.

All of our study companies stated either explicitly or implicitly that they generate many reports but felt that they were lacking in report analysis and consequently metric driven actions were limited. Neely (1998), one of the leading researchers in the business performance measurements field, described this issue as “the ultimate sin.” As a result, our study companies have limited awareness of how good their actual S&OP processes are. In concrete terms this means that they do not know the accuracy of certain input parameters as well as the results of the process. Other issues concern the transparency and the overall condition of the process. In short, the companies lack awareness of how efficient and effective the S&OP process is. As a result of this problem, measurements were the number one concern in the continued work on improving the S&OP process in one company. In another company, they stated that work with KPIs are “an on-going process” and “can take years.”

Related to the issue of measurements is the issue of IT systems. One of the firms in our study had multiple IT systems from which they were required to pull data, a task they described as “not that easy.” In fact, all the firms included in this study acknowledged IT issues; issues that included working with prior generational legacy systems that presented unique challenges, manual data entry and the associated error introduction, and the compartmentalization of institutional knowledge that makes it difficult to generate accurate and timely data and also creates transparency problems. Hulthén et al. (2015) recently discussed the consequences of interfacing the lack of standardized S&OP measures with less than adequate supporting IT systems. The combination creates problems in terms of transparency and comparability which can lead to biased decision making. Hulthén (2015) found that firms acknowledged the difficulty of synchronizing key indicators with business strategy and reward systems. Likewise, all of the firms in our study disclosed that they were in some stage of developing or replacing their ERP systems. In one case they stated we “are about to start work on [replacing our] ERP.” Another said “[a replacement] project for a new ERP system may be years away.” Another firm stated that they had just dumped the ERP system that they had spent the last six years trying to implement to temporarily return to their old legacy system. Still another mentioned that their current focus was the development of a Business Intelligence/dashboard system.

Finally, we noticed that most companies in our study mentioned that lack of cross functional integration was an issue. The so called functional silo problem is well known and despite decades of efforts to eliminate this issue, methods such as six sigma and lean seem to have failed in making organizations less functionally dependent. This is one explanation for the renewed interest in S&OP. However, while S&OP supports cross functional integration, the issue of measures is an area that needs to be improved in order to support the S&OP vision of cross-functional integration (Keal & Hebert, 2010). Given these issues, it is not really surprising that the companies we interviewed take an intra-organizational approach to S&OP. Not one company included suppliers or customers in the process even though some literature indicates the potentially positive impact on the S&OP process (Wang, Hsieh, & Hsu, 2012).

In the analysis of S&OP in the US paper industry, an obvious conclusion is that an improvement potential exists in the Paper industry. While the level of experience with S&OP varies, all interviewed organizations indicated that the process governance and structure could be further refined. In general, the manufacturer was more familiar with this type of planning and had procedures in place that resemble the theoretical descriptions of S&OP. However, the paper merchants' processes tend to be more of a backward review than a forward planning process. On the other hand, since merchants do not manufacture products, they do not have the same production capacity issues that their suppliers have. The contrast between the informal planning of the merchants and the more formalized processes of the manufacturers could in part be explained by the fact that most merchants are less capital intensive, privately owned. Still, as the seventh interviewee pointed out, both merchants and manufacturers are likely to benefit from a formal planning process such as S&OP. Similarly, while the maturity levels of our study firms vary, the experienced companies utilizing somewhat mature S&OP processes share fundamental challenges with the less sophisticated firms that hinder future process refinement. In some cases, these issues are not related to the S&OP process, instead they are related to issues with a broader scope for the organizations. Examples include Information Technology and performance metrics. For these reasons we have focused the following sections on three segments which could be helpful for paper industry firms moving forward with increased S&OP utilization:

- Implementation and governance
- IT systems and software programs
- Key Performance Indicators (KPIs)

IMPLEMENTATION and GOVERNANCE

The first aspect we focus on is implementation and governance. There are several frameworks and maturity models (see e.g. Grimson & Pyke, 2007; Lapide, 2005; Muzumdar & Fontanella, 2006; Wagner et al., 2014) that can assist organizations developing S&OP processes.

It is important to carefully design how the process should be structured, yet, again, existing maturity models and frameworks can assist with this particular part.

S&OP has been described as roughly 60% change management, 30% process, and 10% technology (Iyengar & Gupta, 2013). Thus, an implementation of S&OP is not all that different from the implementation of any other organizational change effort. It should be remembered that most change initiatives are not very successful. According to one study published in 2013, only 25 percent of change management initiatives are successful in the long-term (Towers Watson, 2013). Over the last few decades, numerous studies of critical success factors (CSF) for the implementation efforts of various organizational change programs have been published. Naslund (2013), for example, provides a review related to lean and six sigma efforts and structure the CSF in three categories; purpose, process and people. Naslund (2013) further argues that to some extent the purpose factors are a prerequisite for the process factors which, in turn, serve as a prerequisite for the people factors. In other words, even though the people factors may be the most challenging factors, the program will most likely not succeed if it is not started for a good reason and aligned with the organizational strategy. Similarly, without a solid process orientation and structure, focus on the people issues will not be enough to guarantee success. Thus, organizations need all three categories in place: purpose, process and people. Finally, Naslund (2013) argues that the CSF for most programs are similar and that they have not truly changed over time. Thus, organizations striving to implement an S&OP process can learn from success and failures from other change related programs. This can be important to keep in mind as S&OP, given its relative novelty in terms of popularity, is a field which lacks in-depth empirical research regarding implementation successes as well as problems.

Governance begins with planning including defining who will do what, when, where, how, and why. Plan the work; then work the plan is good governance according to Iyengar and Gupta (2013). Governance is an ongoing process with continuous evaluation of organizational outputs and the results of the S&OP processes itself. In addition to defining process ownership, S&OP process governance needs to reflect what ownership and process governance mean to the organization. The process owner is responsible for bringing all the independent roles and functions out of their silos, while staying within the agreed upon rules and expectations. Given that aligning the different functional silos within an organization can be difficult, the process owner must be a “champion” to unite the organization under the new S&OP process (Boorman, 2013). This champion should be stakeholder in the business and hold considerable clout within the ranks of the organization. Given the functional silo phenomenon, it may be a good idea to select a high-ranking individual without a functional responsibility. The Supply Chain VP could be that person (Boorman, 2013). Matthew and Dixon (2016) suggest that the executives need to own the process but not necessarily drive it. An APICS (2012) study indicated that the head of the Supply Chain function was in charge in most cases. The process is then carried out by what can best be described as a cross-functional planning team comprised of mid-level managers and analysts (Stahl, 2010; Wagner et al., 2014).

Groenewouth (2009) states that an effective S&OP process is based on three pillars where adapting to organizational structure and aligning functional tasks and goals constitute the first two pillars. Yet, the third pillar and most important factor, according to Groenewouth, is to make the people involved in the process successful. Members of the organization must feel like they have a stake in the success or failure of the process. Similarly, Mansfield (2012) offers that managing change is an integral component of a successful S&OP implementation. The S&OP process demands significant change from a broad to a granular level. In order to achieve S&OP

success the team must reconcile all demand and supply plans at both the detail and aggregate levels and remain synchronized with the overall business plan (Blackstone & Cox, 2005). Successful implementation of an S&OP program requires that management induce small behavioral changes upon the individuals that act upon and/or are acted upon by the S&OP process to create the large-scale organizational culture changes. Because change is almost always met with resistance it is essential that S&OP *Champions* anticipate roadblocks and prepare accordingly. This requires *Champions* to communicate effectively with key stakeholders.

The silo mentality typically found in all institutions and the cross-functional nature of the S&OP process will likely create pockets of conflict when S&OP is introduced into an organization that if not managed effectively may lead to open hostility, programmatic sabotage and the ultimate failure of the S&OP initiative. Demolishing silo walls is a both a structural and cultural challenge for most companies. The challenges are especially visible in interfaces between functions – the white space according to Rummler and Brache (1991). The white space between sales and manufacturing is often seen as being particularly difficult. Not only do these groups see the world differently, but they often have different goals and they are motivated to achieve them in different ways (Lawrence & Lorsch, 1967; Mello, 2010; Shapiro, 1977).

Probably all business students have been subjected to the traditional case of sales verses production or the story of intra-firm goal conflict. Sales people are motivated to sell, to increase revenue and thus, to be responsive to customer demands. They want a wide variety of available products to sell. Production managers are typically evaluated on production efficiency, which leads to a preference for narrow product scope and lower inventory levels (Singh, 2010; Oliva & Watson, 2011). In addition, marketing managers have typically risen up through the sales ranks while plant managers come from the production culture. Culturally, these groups think differently, speak differently, process information differently, and solve problems differently (Shapiro, 1977). This is the phenomenon Drucker (1954) called the “great operational divide” within organizations – causing goal conflicts and other problems as a result. In fact, it is an easier task to effectively communicate with someone who speaks a totally different language and to reach a common agreement than it is to reach an agreement between individuals that embrace opposing values. Once established, values are almost never changed.

One suggestion to mitigate potential conflict is to evaluate the *current state*, calculate the *impact* that will result from either not changing or not managing the change, and create a vision for the expected *future state* (Mansfield, 2012). This kind of scenario planning has long been an important tool in the strategic planner’s toolbox and again draws attention to the strategic nature of S&OP. An example of a common change management issue that can potentially derail an S&OP process is the common sales practice and prevalence of use of under-promising and overachieving on forecasting. Obviously, the sales professionals either never took a Principles of Management class or slept through the lecture on budgeting and forecasting because, as everyone should realize, overachieving is every bit as bad as underachieving. This phenomenon is representative of a cultural issue in which stakeholders feel incentivized to surpass established sales targets. It is common for sales forecasts to be underestimated which consequently negatively impacts the reliability of the production forecasts, causing the wrong amount of product to be produced. The current state is that all too often stakeholders are incentivized to forecast below their true estimations to ensure they meet their declared, specified target.

The impact of lowballing the sales forecast affects the integrity of the process itself and potentially compromises the outcomes intended by the S&OP process. The future state of the change should incorporate a new metric to drive a cultural change in the way stakeholders view the forecasting process. The new forecasting goal would be to come in under or over (+/-) target by a certain percentage rather than beating an established goal each month (Mansfield, 2012). By initiating such a change, management is incentivizing participants to employ more accurate forecasting techniques. Management can support the change by rewarding stakeholders for accurate forecasting. In this scenario, S&OP leadership would encourage both a behavioral and cultural change within the organization to promote firm/team performance, not silo maximization. By collaborating with stakeholders and uniformly evaluating changes, S&OP can promote communication and tear down the organizational silos. Boorman (2013) emphasized the importance of change management in implementing the S&OP process. Similar to the CSF in other change initiatives (see e.g. Naslund, 2013), Boorman discusses aspects like top management and employee buy-in, various forms process education and the importance of building the case for the new initiative, sometimes referred to as the burning platform.

IT SYSTEMS and SOFTWARE PROGRAMS

IT systems and software programs can be used as key enablers in the S&OP process, especially for the more advanced and mature S&OP firm (Kaipia, 2014). According to one IT/SOP study as many as 60 percent of the responding companies utilized specific S&OP software programs, while roughly 25 percent used their ERP systems. The remaining 15 percent made do with spreadsheets. The study also found that as many as 20 percent of the participating firms were unhappy with their S&OP software solution. Not surprisingly, the least satisfied firms were those using non-dedicated software systems or spreadsheets (Smith, 2008). On the other hand, for the less mature S&OP companies, focus should be on the S&OP process rather than on sophisticated technology. For these early stage S&OP companies, spreadsheets, such as Excel, usually work well (Westerveld, 2009; Kaipia, 2014).

Excel is common as a first choice due to its flexibility. Sodhi and Tang (2011) argue that it can be a truly useful and compelling tool, especially for small data sets. However, for the long term and for more mature S&OP processes, it is not a viable tool. Excel is too much of a blank slate and fails to provide guidance as to how to design the S&OP process. Other spreadsheet flaws include their fragility, scalability limitations, and the black box nature of spreadsheet ownership that leads to limited replicability if the original spreadsheet developer/owner leaves the firm (Westerveld 2009). Furthermore, Excel's ability to handle all the different data that needs to be integrated is limited. Bursa (2011) claims, and we agree, that spreadsheet utilization and dependence maybe one of the reasons why many people consider S&OP to be a difficult process. Bursa (2011) states that a successful tool requires that all data gathering is streamlined in a time phased plan to make it possible to model many different scenarios. That goal can't be reached in an efficient and effective way only using spreadsheets.

S&OP can be effective in acquiring data from cross functional departments because it incorporates procurement, production, distribution, and sales in the decision-making process

(Wang et al., 2012). The data provided by these functional units is recorded to create the Master Data for the S&OP process. The type of information included in this repository can include purchasing costs, supply capacity, lead time, production costs, cycle times, inventory costs, transportation costs, exchange rates, customer demand, product pricing, due dates, and many other aspects of firm operations (Wang et al., 2012). This data is then utilized in the S&OP decision model to discuss assumptions, parameters, decision variables, and constraints.

Since ERP systems were developed to integrate the information flows between functions within a company (Taylor, 2016), they also may play that role for S&OP processes. For S&OP planning, the output of an ERP system can be utilized throughout the entire process. For the first two steps of the typical five steps of the monthly S&OP process, different modules of ERP systems can be used to enhance sales and demand forecasts. This information can then be further used in the ERP system to generate capacity and material requirements for the third step of the process. The fourth and fifth step of the S&OP process requires pre and executive S&OP meetings with cross-functional teams. It is crucial to have a system that ensures that the sales, operations and financial plans are aligned and provide an overview of the activities within the company. Thus, combining the different applications of an ERP system can work well for the S&OP process (Sides, 2012). ERP systems as S&OP solutions do have limitations; thus, the market for Vendor provided specific S&OP software solutions is increasing. S&OP software solutions exist as stand-alone, dedicated applications or as software service setups. Several companies have developed their own in-house S&OP software programs. According to Gartner research, the leaders for S&OP software are Kinaxis, Steelwedge, JDA, Oracle, SAP and Quintiq. Logility, River Logic and Arkivea are mentioned as challengers (Payne, 2015).

PERFORMANCE MEASUREMENT SYSTEMS AND KEY PERFORMANCE INDICATORS (KPIs)

Key Performance Indicators (KPIs) are metrics used to evaluate the success of an organization, its processes, projects, functions, etc. The development of meaningful KPIs is one key component of the implementation of Sales and Operations Planning (Dietz, 2015). While various authors provide many different KPIs that companies may choose from, the problem is the lack of performance measurement system for the S&OP Process (Hulthén et al., 2015). Ironically, the problems with lack of performance measurement systems is not limited to the S&OP process but is rather a universal, strategic problem for organizations.

A recent review of the performance measurement literature found that current problems are similar to those organizations experienced decades ago (Yadav & Sagar, 2013). Despite the numerous theoretical frameworks that exist, organizations still struggle to develop and implement cross-functional measurement systems that are aligned with organizational strategy. Organizations tend to measure anything and everything that lends itself to being easily measured whether or not the resulting metric is relevant. The problem is not that organizations do not measure, rather they tend to measure too much. In addition, these measures are primarily functional in nature and although they tend to result in numerous reports, actions based on the measurements are less common. Neely, Bourne, and Kennerly (2000) called this phenomenon the ultimate sin already in 1995. We take this a step further and believe that the vast majority of KPI or performance metrics captured by organizations are of limited value operationally and even less value strategically.

A review of the literature furthermore indicates that, from a research perspective, there is a lack of empirical studies focused on the implementation, evaluation and continued development of measurement systems. There are, however, a multitude of articles that provide suggestions for measurement systems and KPIs, yet, again, these are primarily conceptual articles. The issue of measuring and a measurement system for the S&OP process is consequently a complicated area that requires significant additional research. Thus, it should not just be an area of interest for the US paper industry but rather for all organizations in all industries.

CONCLUDING DISCUSSION

While some firms in the US Paper industry have embraced the idea of S&OP, others have not begun this potentially rewarding journey. We found that even those companies that have a formal S&OP process lack in terms of process maturity. Thus, we believe the potential for further development is significant for all companies in the industry. We suggest that firms implementing S&OP processes begin reaping positive results immediately and that as firms refine their S&OP processes, benefits will continue to increase. Yes, we are speculating, but the positive if qualitative comments from our study participants support our assertion. Potential S&OP benefits exist for all firms within all industries, however, we specifically propose that firms competing in industries typified by the US paper industry. The benefits of S&OP can lead to core competency in forecasting and thus at a minimum a temporary competitive advantage. The difficulty firms seem to confront breaking down their silo walls suggests that successful firms may actually gain a sustainable competitive advantage.

The US paper industry has been in a consolidation phase for well over a decade and as part of that phase less efficient mills have been shut-down. Product mix in the “fine paper” market has changed with the US fine paper firms abandoning the uncoated sheet (copy paper) market to increased foreign competition. Old standby products like newsprint and cigarette paper and filters have become less of a staple for US paper producers due to changes in social behavior. Social behavioral changes also have influenced communication including knowledge repository and transfer, and shopping behavior. S&OP make it possible for firms to operate profitably in a changing, and challenging environment.

S&OP provides a good foundation with a cross functional view and thus, the problems with functional silos and the resulting inefficiencies can be decreased, leading to increased profits. On the other hand, as our more broad research indicates, these issues are far from unique to the paper industry. Thus, the paper industry can learn from research within its industry as well as from good examples from other industries. The three main streams of research we recognize as being critical to successful S&OP implementation includes change management issues as related to implementation and governance of the S&OP process, information technology and software program aspects and finally, the performance measurement aspects which should both focus on key performance indicators (KPI) and a cross-functional, balanced measurement system in order to capture both the results of the process as well as the performance of the process itself.

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THE CREATION OF FINANCIAL LITERACY PROGRAMS IN SMALL DEVELOPING COUNTRIES: AN INSTITUTIONAL MODEL APPROACH

Donna E. Danns, University of North Georgia
Donna.Danns@ung.edu

George K. Danns, University of North Georgia
George.Danns@ung.edu

ABSTRACT

Over the past decade there has been an increased interest by many countries in promoting financial literacy through financial education programs for their citizens. These efforts have been propelled by the need to increase individual financial responsibility as a consequence of: the global economic crisis; innovations in financial markets; changing employment and pension trends; and a greater involvement of consumers globally in financial markets, among other issues. Major international institutions are in the vanguard of a campaign to increase financial literacy world- wide. Additionally, developing countries are also promoting policies to broaden financial inclusion of their populations and to promote broader economic education. This study introduces an Institutional Model for Financial Literacy in Developing Countries as a framework for analyzing national financial education programs. Data were gathered through personal interviews, website content analysis and secondary sources to examine recent efforts at financial literacy education in selected Caribbean countries.

INTRODUCTION

Over the past decade there have been increased efforts by many countries to promote the financial literacy of their citizens. Orton (2007) pointed to a number of reasons why financial literacy has appeared on the agenda of a growing number of countries. These included technological changes and complex innovations in financial markets; changing employment and pension trends; greater involvement of consumers in financial markets; the erosion of social safety nets that impact individuals' financial decisions and the generalized low levels of financial literacy to deal with rapidly changing times. Specifically, in developing countries there has been rapid growth in the financial sector, the entry of new providers and complex financial products and, improved access to financial products including bank accounts (Russia's G20 Presidency & OECD, 2013; Miller, Godfrey, Levesque, & Stark, 2009).

These changes have created a significant gap between what consumers know and what they need to know to make informed financial decisions. Angel Gurria, Secretary General of the OECD explained that "in all countries alike, evidence points to worrying low levels of financial awareness, knowledge, attitudes and competencies of large segments of the population" (Russia's G20 Presidency & OECD, 2013, p. 5). Further, Gurria noted that this was especially the case for consumers who recently gained access to financial products, youths, women, migrants and low-income groups. Similarly, Anton Siluanov, writing for the Russian G20 Presidency, pointed out that most financial literacy surveys conducted worldwide show that "the majority of the population do not have sufficient knowledge to understand even basic financial products and the risks associated with products" (Russia's G20 Presidency & OECD, 2013, p. 3). Further, Siluanov explained that individuals do not plan for the future and often do not make effective financial management decisions. Such deficiencies in financial knowledge can expose families to financial risks and jeopardize the financial wellbeing of households.

In response to the perceived deficiencies in financial knowledge, the Organization for Economic Cooperation and Development (OECD), the World Bank, IMF and other prominent international institutions are in the vanguard of a campaign for improving financial literacy worldwide, urging governments, central banks and national economic institutions to address this issue in their respective countries. Some countries, led by the G20 Group, have responded positively by developing national strategies for improving financial literacy and/or instituting varied financial and economic education programs (Russia's G20 Presidency & OECD, 2013). By 2015, 59 countries at varying income levels were fairly advanced in the design and implementation of their national strategies (OECD, 2015). Some Emerging Market Economies and Developing Countries (EMEDC) expanded their national strategies for improving financial literacy to encompass other focal concerns such as "financial inclusion" because of their large proportion of unbanked population; "consumer protection" to heighten consumer awareness of fraudulent schemes; and, "economic education" to orient their populations to broader economic issues and emerging trends.

This study introduces an Institutional Model for Financial Literacy in Developing Countries as a theoretical framework for analyzing national financial literacy programs. It examines the national programs and other initiatives aimed at improving financial literacy, promoting financial inclusion and economic education in selected Caribbean countries. It analyzes the *raison d'être* for such national programs and initiatives; the involvement of international and regional agencies in enabling these; and, the role of existing economic institutions in these countries in their advancement. This study examines also the program delivery methods, and investigates measurement and evaluation techniques across programs. An important justification for this study is that there is a plethora of scholarly literature on financial education and financial literacy on the developed countries, but the same cannot be said for developing countries of the Caribbean region.

The small developing countries of the Caribbean are generally impacted by problems of underdevelopment including high poverty rates, widespread inequality, low income per capita, poor infrastructure, and sizable unbanked populations. The region is highly dependent on tourism and primary commodities as exports. Danns and Danns (2017) pointed to the dependent nature of Caribbean economies and concluded that the region has a relatively narrow economic base and a relatively high dependence on commodity exportation and tourism. They explained that any downturn in the global demand for commodities affects the region significantly. Global downturn in the demand for tourism affects some Caribbean economies in an instant.

Additionally, the 2007-2009 global financial crisis impacted negatively on the economies of the region. People lost their savings, retirement and other investments, and jobs. The relative vulnerabilities of these small economies heighten the need for financial and economic education and improved financial literacy of their populations.

LITERATURE REVIEW

This review of literature discusses the key concepts – financial literacy, financial education, economic education and financial inclusion - used when examining national strategies for promoting financial literacy in developing countries. Further, it provides an insight into some of the initiatives employed by some countries to promote the financial literacy of their populations.

Financial Literacy

Researchers have failed to come to consensus about any one definition for financial literacy and many have offered their own definitions (Bowen, 2002; Fox, Bartholomae, & Lee, 2005; Jump$tart Coalition, 2007; Mandell, 2008; Mason & Wilson, 2000; Remund, 2010; Vitt, Anderson, Kent, Lyter, Siegenthaler, & Ward, 2000). Vitt et al. (2000) contended that financial literacy includes "the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future, and respond competently to life events that affect every-day financial decisions, including events in the general economy" (p. 2). Making a general case for more financially literate consumers, Miller et al. (2009) argued that improvement in financial literacy through financial education empowers consumers; lessens the likelihood of consumers engaging in high-cost credit; enables consumers to evaluate and compare financial products such as bank accounts, saving products, credit options, payment instruments, and insurance; and, reduces suboptimal choices by consumers among other benefits. A more financially literate population can create competitive pressure on financial institutions forcing them to offer better priced products as the right questions can be asked and consumer negotiating can be done more effectively (Wachira & Kihiu, 2012). Benefits from financial literacy accrue not only to individuals but ultimately to markets and to the macro economy (Miller et al., 2009).

Financial literacy may matter in more significant ways for developing countries and for development on the whole (Bel & Eberlein, 2015). Low income consumers have smaller operating margins than middle or high-income consumers; tend to make complex financial decisions even more often than other consumers and are under persistent financial stress (Bel & Eberlein, 2015; Sebstad & Cohen, 2003). Indeed, most of the problems that low-income persons face are related to money. Yet, developing countries evidence especially low levels of financial literacy (Miller et al., 2009; Roa, Masmela, Bohorquez, & Panilla, 2014). Miller et al. found that half of the laborers they surveyed in India reported storing cash at home while at the same time borrowing from money lenders at high rates of interests. These authors explained that the lack of financial literacy is often tied to the lack of access to financial products and improper use of such products when they are available. Roa et al. (2014) reported that financial literacy skills are low in developed countries and even lower in Latin America and the Caribbean. Further the population of the LAC region “generally does not save for retirement, lower income citizens mostly save with informal mechanisms, and investment in stocks is most common amongst men, high income individuals, young people and those with higher levels of education” (p. 4).

Financial Education

The OECD (2005) defined financial education as: “The process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being” (p. 26). Although this definition has gained much traction especially in international circles, researchers have offered several other definitions of what “financial education” is and some have used the term interchangeably with “financial literacy education” (Mandell & Klein, 2009; Norgel, Hauer, Landgren, & Kloos, 2009; Vitt et al., 2000) and “personal financial education” (Hogarth, 2006; Huston, 2010). Huston (2010) described financial education as “an input intended to increase a person’s human capital, specifically financial knowledge and/or application (i.e. financial literacy)” (p. 308).

Economic Education

Apostoaie (2010) posited that economic literacy meant that people have an understanding of economics that informs personal finance and public policy and that it is a two-step process that begins with personal finance and leads to broader economic issues that all of society faces. He surmised that economic education and literacy are crucial for economic efficiency and the conduct of economic policy. Minehan (2006) argued that economic education is about helping people to make the connections between economics and the ordinary business of life. It ranges from teaching basic economic concepts, promoting the virtues of entrepreneurship, explaining the virtues of saving, free trade, the benefits of certain government programs, the costs of higher taxes, etc. (Minehan, 2006).

Financial Inclusion

Emerging Market Economies and Developing countries (EMEDC) seeking to advance financial literacy among their populations have found it necessary at the same time to adumbrate policies that promote their financial inclusion. Diniz, Birochi, and Pozzebon (2012) stated that financial inclusion can be defined as “the access to formal financial services at an affordable cost for all members of an economy, favoring mainly low-income groups. It has been recognized as a critical element in policies for poverty reduction and economic growth" (p. 1). The Russia Trust Fund goes beyond financial accessibility and includes financial education and awareness in defining financial inclusion as: "the process of promoting affordable, timely and adequate access to a wide range of regulated financial products and services, broadening their use by all segments of society through the implementation of tailored existing and innovative approaches including financial awareness and education with a view to promote financial welfare, as well as economic and social inclusion" (The World Bank, Russian Federation, & OECD, 2013, p. 11). The World Bank (2017) recognized the necessity for financial inclusion not only of individuals but also businesses. The World Bank (2017) posited: "Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way."

Some empirical works have shown that financial inclusion has the potential to reduce inequality and poverty, and foster economic growth. Honohan (2007) found that a 10% increase in access to financial services in some low-income countries can generate a reduction of 0.6 percentage points in the Gini coefficient of inequality. Further, a 10% increase in private credit has been found to reduce poverty by around 3% (Clarke, Xu, & Zou, 2006; Honohan, 2007). The World Bank (2017) reported that financial inclusion is becoming a priority for policymakers, regulators and development agencies globally. It was found that an estimated 2 billion adults worldwide did not have a basic bank account. Fifty-nine percent of adults without an account cited a lack of enough money as a key reason. Other barriers to account-opening included distance from a financial service provider, lack of necessary documentation papers, lack of trust in financial service providers, and religion. The World Bank further reported that more than 200 million formal and informal micro, small and medium-sized enterprises (MSMEs) in emerging economies lack adequate financing to thrive and grow. Additionally, women, the rural poor, and other remote or hard-to-reach populations, as well as informal micro and small firms are most affected. Globally 59% of men reported having an account in 2014, while only 50% of women did (The World Bank, 2017).

Country Responses to financial literacy gaps

Some countries seeking to design and implement national strategies and initiatives to improve financial literacy have appointed specific commissions and task forces, while others, especially in less developed countries, turn to existing financial institutions to act as implementation agencies (Russia G20 Presidency & OECD, 2013; OECD, 2015). OECD (2015) reported that some countries have issued formal mandates to improve financial literacy to an existing public authority. Where such mandates exist, it generally belongs to a Ministry of Finance, a financial regulatory or supervisory authority, their Central Bank, the Ministry of Education or some other dedicated financial education committee. Many advanced economies, like the UK and Australia have commissions responsible for implementing national strategies. For developing countries, Central Banks are generally the domestic institutions at the forefront in the development of financial education programs for their respective countries (Roa et al., 2014; Fluch, 2007). Gnan, Silgoner, and Weber (2007) provided five main reasons for central banks' role as purveyors of economic and financial education: (1) to enhance the effectiveness of monetary policy, (2) to ensure the smooth functioning of financial markets, (3) to support sustainable economic policies, (4) to promote economic and financial literacy as a public good and, by doing so, (5) build their reputation and promote acceptance for their actions.

In recent times, the financial inclusion agendas of developing countries have been added to the role of central banks and/or financial services supervisory authorities. Often these agendas go hand-in-hand with existing financial education programs (OECD, 2015; Roa et al., 2014). A number of governments are now addressing the financial inclusion and financial education needs of their populations through coordinated national strategies, designed to tackle both demand and supply barriers to financial inclusion (Russia's G20 Presidency & OECD, 2013; OECD, 2015). India, for example, developed a National Strategy for Financial Education (NSFE) integrated in its financial inclusion agenda. The Governor of the Reserve Bank of India explained this strategy thus: "Financial literacy and financial inclusion are integral to each other and are important because they are integral to attacking poverty. They are two elements of an integral strategy; while financial inclusion provides access, financial literacy provides awareness" (Russia's G20 Presidency & OECD, 2013, p. 126). Some developing countries are assisted in this effort through international institutional channels such as the World Bank, the IMF and the OECD. Many developing countries, however, are represented on the Alliance for Financial Inclusion (AFI) and have signed on to the Maya Declaration committing resources to reduce financial exclusion (AFI, 2017). The AFI is the world's leading organization on financial inclusion policy and regulation. Its membership institutions are central banks and the financial regulatory institutions from more than 90 developing countries, where the majority of the world's unbanked reside (AFI, 2017). Launched in 2011 at the AFI's Global Policy Forum in Riveria Maya, Mexico, "The Maya Declaration is an initiative to unlock the economic and social potential of the 2 billion unbanked populations through greater financial inclusion…. It is the first commitment platform that enables AFI members to set concrete financial inclusion targets, implement in-country policy changes, and regularly share policy updates" (AFI, 2017).

In furthering their financial inclusion, financial education and economic education agendas, financial regulatory agencies and other responsible institutions use their institutional clout to implement financial policies while at the same time targeting the populations through various financial education delivery methods. Brazil's National Committee on Financial Education (ENEF), for example, focused on three specific audiences – children and youth reached in schools, and adults reached through partnerships with public and private agencies (Russia's G20 Presidency & OECD, 2013). The ENEF proposed lectures, web portals, distribution of publications, seminars, meetings, competitions, tradeshows and several other forms of engagements to reach the adult population.

The Reserve Bank of India has its "Project Financial Literacy" targeted at university students, schools, women, the rural and urban poor, defense personnel and senior citizens. The Reserve Bank distributed standardized curriculum materials on financial products and services including presentations, pamphlets, brochures, financial literacy guide, films, a Financial Diary and a set of 16 posters with the help of banks, local governments, schools and universities (Russia's G20 Presidency & OECD, 2013). In India, banks have been instructed to open financial literacy centers to promote financial literacy on a mass scale via both indoor and outdoor activities using these standardized materials. India also launched a mega financial inclusion initiative in 2014 called the PMJDY or the People's Wealth Scheme which resulted in more than 180 million unbanked people in India entering the financial mainstream by 2015 (Harjani, 2015). Harjani (2015) stated that "The number of unbanked currently stands at 233 million – down from 557 million four years ago – marking a 58 percent drop."

THEORETICAL FRAMEWORK

Compared to the developed countries there is a paucity of scholarly writings on financial literacy and financial education on developing countries. This has led to an absence of theoretical frameworks to inform scholarly analyses of such phenomena in the context of developing countries. A lot of the seminal research on financial literacy and financial education in developing countries has been accomplished by international agencies and national governments more concerned with developing and implementing financial literacy strategies and programs rather than paying homage to the protocols of conventional scholarship. These praxis-oriented efforts, however, have led to the definitions and development of meaningful constructs that can inform the creation of a theoretical framework. A coterie of constructs has been invoked to typify the unique realities and experiences of the economies and cultures of developing societies. These include financial education and economic education, financial literacy and economic literacy, financial inclusion and financial exclusion, financial capability and financial well-being. We draw on some of these constructs to develop an *Institutional Model for Financial Literacy in Developing Countries* (See Figure 1). Existing theoretical frameworks (Danns, 2014; Huston, 2010; Hathaway & Khatiwada, 2008) on financial literacy and financial education while providing useful constructs do not adequately cater to the realities of developing societies thus necessitating the creation of this model.

The premises of the *Institutional Model for Financial Literacy in Developing Countries* are as follows:

1. That developing countries present empirical realities and challenges that compel the theoretical analysis of the financial literacy of their populations largely as *phenomenon sui generis.*
2. That financial literacy and financial education cannot be considered apart from economic education in the context of developing economies.
3. That financial inclusion is integral to any analysis of financial literacy in developing countries.
4. That financial inclusion and improved financial literacy in developing economies are considered *sine qua non* for reducing poverty and inequality and promoting economic growth and financial well-being.
5. That financial literacy and financial education in developing countries are not merely theoretical abstractions but are also more or less integral aspects of emergent national strategies and programs with transformative intent.

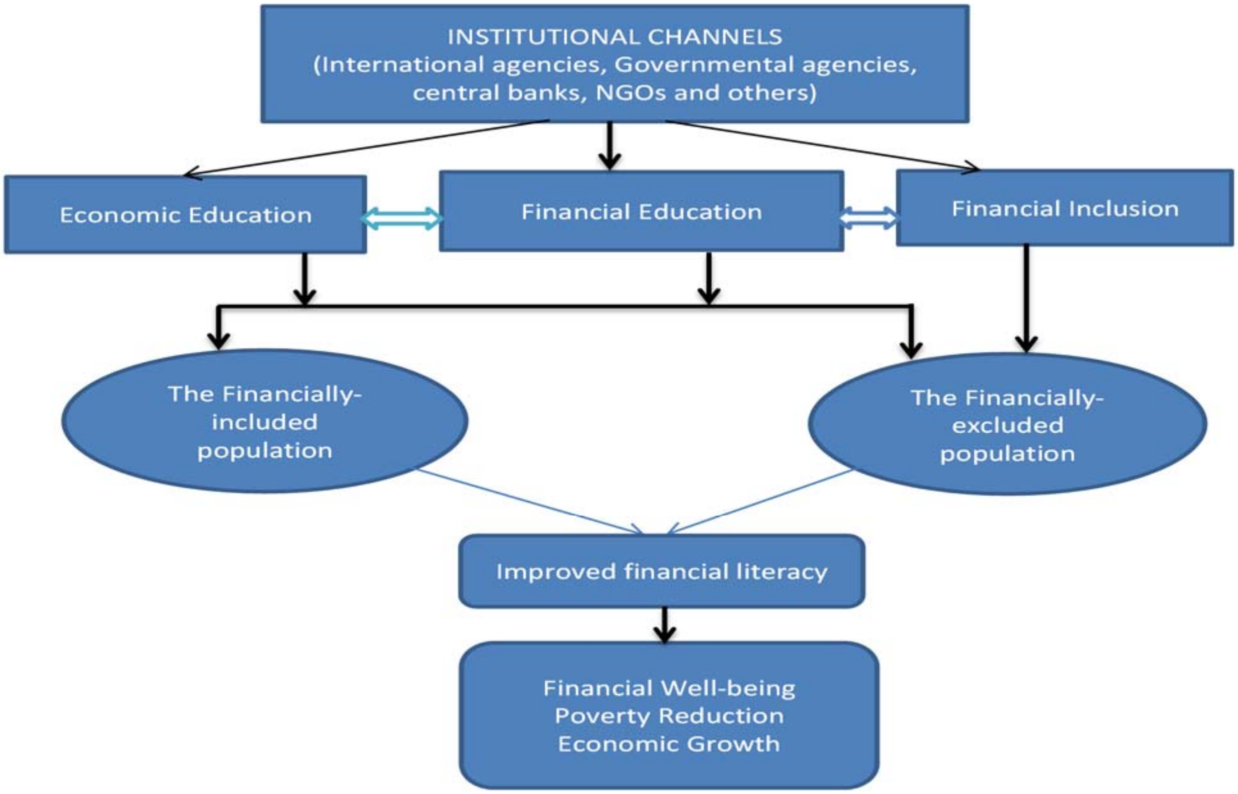

FIGURE I: INSTITUTIONAL MODEL FOR FINANCIAL LITERACY IN DEVELOPING COUNTRIES

As seen in Figure 1, the core constructs employed in developing our *Institutional Model for Financial Literacy in Developing Countries* are: institutional channels, economic education, financial education, financial inclusion, the financially-included population, the financially-excluded population, improved financial literacy and financial well-being.

In this model institutional channels refer to those international agencies, national governmental agencies and non-governmental organizations (NGOs) that promote economic education, financial education and financial inclusion in developing countries. International agencies such as the World Bank, the IMF, the AFI and the OECD have been proactive in engendering and incentivizing national financial education strategies, financial literacy and financial inclusion programs in developing countries and elsewhere. National agencies include governmental agencies such as Central Banks, Ministries of Finance and Education, along with schools and non-governmental agencies. The Central Banks in these countries have been pivotal in promoting economic education, financial education, and financial inclusion.

Economic education is about helping people to make the connections between economics and the ordinary business of life - connections that include the ability to make sound financial decisions, build wealth, safely navigate the hazards of the marketplace, and evaluate the policy decisions that face all citizens (Minehan, 2006). This model recognizes that developing countries have found it imperative to purposively provide economic education to their citizens largely because these economies are vulnerable, dependent, and subject to negative economic shocks as well as positive economic surges generated from the developed countries and the world economy in general. Economic education enables citizens to better relate to fiscal, monetary and other macroeconomic policies.

In this model financial education is informed by, if not a derivative of broader economic education**.** Financial education is defined as “the process by which financial consumers/investors improve their understanding of financial products and concepts and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being” (OECD, 2005, p. 26). Financial education is seen in the model depicted in Figure 1 as a process through which financial literacy can be developed and improved.

For this model, financial literacy is defined as “the knowledge, orientation and capability to comprehend financial information, processes and transactions; to utilize financial instruments and systems; and to make intelligent choices for oneself and or family about all of these. Financial literacy is both a learned capability and an orientation to function effectively in the formal economy” (Danns, 2014, p. 10). Improved financial literacy therefore is a consequence of the inculcation of financial education and economic education in the population.

Improved financial literacy in developing countries is also very much driven by the imperative for the financial inclusion of sizable segments of their populations. Financial inclusion is defined in the model as the access to formal financial services at an affordable cost for members of an economy, favoring mainly low-income groups. It is seen as a critical element in policies for poverty reduction and economic growth (Diniz, Birochi, & Pozzebon, 2012). The model shares the position of the Governor of the Reserve Bank of India who concluded that: “financial literacy and financial inclusion are integral to each other and are important because they are integral to attacking poverty” (Russia’s G20 Presidency & OECD, 2013, p. 125). The financially-included are formally banked adults, adults with credit from regulated institutions, formally banked enterprises and enterprises with an outstanding loan from a regulated financial institution (The World Bank, 2012). The financially-excluded can be both voluntary and involuntary. Voluntary self-exclusion occurs when individuals see no need for involvement with formal financial institutions; when there are cultural and religious reasons not to use; or when they have indirect access. Involuntary exclusion occurs when individuals have insufficient income or are seen as a high risk; because of discrimination; contractual or informational framework, and; price and product features (The World Bank, 2012).

The Institutional Model depicted in Figure 1 then, sees improving financial literacy in developing countries as a consequence of a trifecta of variables – economic education, financial education and financial inclusion. Emphases are placed not only on the financially-included but also the financially-excluded population; and, the efforts by institutional channels to promote improved financial literacy among these with the aim of promoting financial well-being, poverty reduction and economic growth. In this model financial well-being refers to: “a state of being where individuals can fully meet current and ongoing financial obligations, can feel secure in their financial future, and are able to make choices that allow enjoyment of life” (Consumer

Financial Protection Bureau, 2015, p. 18). As seen in Figure 1 financial well-being along with poverty reduction and economic growth are outcomes of improved financial literacy.

The Institutional Model for Financial Literacy in Developing Countries finds justification when it is considered that economic education, financial education and financial literacy alone cannot engender financial inclusion or end financial exclusion. Public and corporate policies and the capability to enforce these are required to function as enablers, thus the necessity for institutional channels as highlighted in the model.

METHOD

This study examines the national programs and other initiatives for providing financial and economic education, improving financial literacy and promoting financial inclusion in ten English-speaking Caribbean countries – Trinidad and Tobago, Jamaica and the eight Eastern Caribbean countries which are members of the Organization of Eastern Caribbean States (OECS) - Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St Kitts and Nevis, St Lucia, and St Vincent and the Grenadines. The selected countries in this study are all island states and members of the Caribbean Community and Common Market (CARICOM).

This study utilizes information and data derived from phone interviews and email correspondence with officials responsible for the national financial literacy strategies at the Central Bank of Trinidad and Tobago, Jamaica Financial Services Commission and the Eastern Caribbean Central Bank (ECCB) which is the Monetary Authority for the members of the OECS. Second, content analysis of the financial education and literacy websites of Caribbean central banks, the Financial Services Commission of Jamaica and the Caribbean Regional Technical Assistance Center (CARTAC) was carried out. Third, secondary data and other information were garnered from the Organization for Economic Cooperation and Development (OECD), the International Gateway for Financial Education (IGFE), the World Bank, the IMF and from official documents of selected Caribbean government agencies.

RESULTS

Countries in the English-speaking Caribbean and particularly the members of CARICOM are finding support for their financial education and financial inclusion efforts from agencies like the IMF, the World Bank and the Commonwealth Secretariat. The Caribbean Regional Technical Assistance Center (CARTAC) established by the CARICOM Council of Ministers of Finance and Planning (COFAP) became operational in November 2001 and has influenced the financial literacy campaign of CARICOM countries. CARTAC is an IMF regional technical assistance center and is largely funded by Global Affairs Canada (GAC), IMF, World Bank and several country-based international aid agencies. Based in Barbados, CARTAC acts as a regional resource and provides technical assistance and training in core areas of economic and financial management at the request of its participating countries. CARTAC established a “Financial

Literacy for the Caribbean" website which was "designed and made available in an effort to educate the reader on finances, finance terminology and the use of financial information to increase personal wealth and prepare for emergencies. It is also intended as a resource for Central Banks and other financial supervisory authorities" (CARTAC, 2017). As seen on its website, CARTAC pushes the notion of being "Financially Fit." It offers its readers tips and other information on personal financial issues. In addition to CARTAC, individual Central Banks in the region along with other national agencies have advanced their own financial literacy, financial inclusion and economic education programs.

The Case of Trinidad and Tobago

The National Financial Literacy Program of Trinidad and Tobago is one of the more developed programs in the region. Launched January 31, 2007, this program had as its major objective "to provide citizens of Trinidad and Tobago with the knowledge and skills to enable them to make informed financial decisions" (Williams, 2008). The concern about, and emphasis on consumers' use of money in Trinidad and Tobago came amidst rapid economic growth, expanding credit opportunities and growing consumer debt in the country. Buoyed by significant expansion in the energy sector, Trinidad and Tobago experienced annual real GDP growth rates of between 7.9% and 14.4% in the period between 2002 and 2006. Unemployment levels declined consistently during this period from a level of 10.2% to its lowest level ever (6.2%) in 2006.

Concomitant with growth in employment was growth in personal income. Austin (2010) of the Central Bank of Trinidad and Tobago (CBTT) explained that increases in income were not accompanied by increases in personal savings but rather, "…by sharp increases in private consumption and rising consumer debt. In fact, personal savings were relatively low and many persons were poorly prepared for retirement" (Austin, 2010). The country's rapid economic growth had given rise to the introduction of a complex range of financial instruments resulting in consumers having to make hitherto unknown financial choices. Austin explained that the Trinidad and Tobago consumer operated at that time with insufficient knowledge which sometimes resulted in poor financial decisions. The time had become critical for improved financial literacy of the population.

The Central Bank of Trinidad and Tobago (CBTT) had the mandate for reaching the entire population with financial literacy programs. According to Austin, CBTT was in an ideal position to perform the leadership role because the Bank had credibility in the provision of unbiased and accurate information. In addition, there would be no confusion between information and advertising as would have been the case with private financial institutions. The CBTT also had a supervisory and regulatory role in the financial sector which placed it in an ideal position to identify information gaps in the market place (Austin, 2010).

The CBTT undertook a financial literacy baseline survey using a random sample of households from diverse communities across Trinidad and Tobago. The results of the survey showed that households needed help with budgeting, saving, investing, negotiating credit, managing debt, planning for retirement, financial planning, financial fraud, understanding financial products, estate planning, negotiating mortgages and successfully operating their own businesses. The survey highlighted the need to help a diverse group of people including retirees, persons near retirement and those working beyond retirement age because of insufficient funds to support their daily living. Ewart Williams, a past Governor of the CBTT pointed out that one of the stark realities emerging from the survey was that special attention had to be given to the notion of planning ahead as many retirees in Trinidad and Tobago were unable to support themselves in retirement (E. Williams, personal communication, April 12, 2017). Austin (2010) pointed out that 54% of retirees did not have an occupational or personal pension plan while 45% reported that their current household incomes were not sufficient to provide them an acceptable standard of living. Sixty-nine percent of retirees depended on Government pension (NIS/Old Age) for their retirement income and 33% of the over 60 continued to work in need of additional income. Other target groups for Trinidad and Tobago were students and young adults, employees in the workplace (over 40 and under 40), various niche groups, community groups, new and prospective homeowners, entertainers, sportsmen, differently-abled (e.g. hearing impaired, blind), small and micro entrepreneurs (Austin, 2010). The CBTT trained its staff and formed partnerships with the private sector, the international community, non-governmental organizations and many others to carry out its mandate (Williams, 2017). The following were identified as key objectives of the program:

- Providing individuals with knowledge that would assist them in making better financial decisions.
- Providing individuals with a basic understanding of banking and finance, including the essential features of the various products that they are likely to access.
- Giving citizens the skills and confidence to function in an increasingly sophisticated financial environment.
- Creating in the minds of citizens an awareness of developments within the financial environment and the ability to take advantage of opportunities which may present themselves, for example, making the best of small business opportunities.
- Teaching individuals and families to conduct personal financial budgeting consistent with their personal circumstances. This objective is to prevent excessive personal debt accumulation, thereby promoting financial freedom.
- Encouraging persons to plan ahead and so increase citizens' financial preparedness for incidents in their work life and for retirement. (CBTT, 2012)

The CBTT used the following as delivery methods for its financial education program:

- Financial literacy sessions with primary and secondary school students. It also sponsored financial literacy quiz competitions for school children.
- Train-the-Trainer sessions with secondary school teachers, in collaboration with the Ministry of Education.
- The Media: A variety of methods including television and radio advertisements, print media and public electronic billboards was used to reach all public groups.
- Interactive face-to-face training sessions (including Train-the-Trainer sessions) to reach diverse groups, including employees, retirees, military personnel, security personnel, religious groups, community groups etc.
- A number of educational programs in financial literacy through television series targeted at young people.

- Short financial tips were frequently published in the print media and also displayed over a 3-month period each time, on electronic billboards.
- Pamphlets and booklets detailing specific/targeted topics namely: Dollars and $ense, Budget Buddy, Getting a Lump sum? Save Some!, In the Driver's Seat – Understanding Motor Insurance, Protecting Your Shelter – Understanding Property Insurance, Making the Most of Your Money and Living the Entrepreneurial Dream – a 3-booklet series for small and micro entrepreneurs.
- The website provided financial tools and helped in the understanding of concepts like net worth and debt. (CBTT, 2012; Austin, 2010)

The Trinidad and Tobago National Financial Literacy Program for many years had a mascot "Mr. Bill" with a catchy slogan "It's Your Money - Know it to Grow it." The advertisements with Mr. Bill encouraged Trinidadians and Tobagonians among other things to "live within your means," "shop early and save" and warned that "instant gratification is often followed by regret." The strip advertisements also educated the population about the workings of financial instruments such as mutual funds.

Although there was significant outreach to diverse populations, particularly primary and secondary school children, there has been no formal evaluation of the country's National Financial Literacy Program. More recently the CBTT has revised its strategy somewhat and has been primarily concerned with offering financial literacy sessions to groups and agencies on demand. In partnership with the CBTT, the University of the West Indies (St Augustine) has also offered a course in financial literacy.

Since 2003 the CBTT established the Office of Banking Services Ombudsman "to facilitate the resolution of complaints from individuals and small businesses with respect to banking services. The Ombudsman's mandate was expanded in May 2005 to include oversight of the insurance industry, and the Office renamed Office of the Financial Services Ombudsman" (Rambarran, 2012, p. 3). While the NFLP promoted financial literacy among the population, the Office of the Financial Services Ombudsman, functioned as a consumer financial protection agency to protect the financially-included.

Financial Inclusion in Trinidad and Tobago

In 2012 the CBTT set about **"**working with the Commonwealth Secretariat in developing and taking the NFLP's interventions to the next level of financial inclusion and financial education" (Rambarran, 2012). This approach underlined the nexus among financial education, financial inclusion and financial literacy. In 2012, Jwala Rambarran, Governor of the Central Bank of Trinidad and Tobago articulated his country's position and policies on financial inclusion. He attributed the impetus for these policy orientations to the "2011 Maya Declaration on Financial Inclusion" and the support of institutional channels such as the Commonwealth Secretariat and the G20 Group. The CBTT's Governor posited that financial inclusion matters to the economic development in the Caribbean and endorsed the World Bank's definition that "Financial inclusion refers to efforts to expand public access to and usage of tailored financial services"

(Rambarran, 2012). Seventy five percent of adults in Trinidad and Tobago reported having accounts at formal financial institutions. Adults in the richest income quintile are as likely as those in the lowest income quintile to have such an account. Young adults 15 – 24 are as likely as older adults 25 - 64 to have an account. There was however a gender gap among bank account holders with 82 percent men and 70 percent women having accounts. Further, adults with at least a secondary education are more likely to have an account compared to those with a primary education or less (Rambarran, 2012). The CBTT saw financial inclusion as a complement to financial stability goals. The CBTT Governor further noted that “the absence of strong financial consumer protection may severely erode the benefits of expanded financial inclusion, even threatening financial stability” (Rambarran, 2012, p. 3)

In 2014 the CBTT’s Governor had acknowledged that the financial sector in Trinidad and Tobago was deep and well developed with a significant number of banks, non-bank financial institutions, insurance companies, credit unions, pension funds and other financial institutions. He concluded that the country’s population was “adequately banked” with more than 75% of adults having an account at a financial institution (Rambarran, 2014, p. 6). Consequently, he argued that: “In Trinidad and Tobago, financial inclusion is not about access to financial services; … Financial inclusion in Trinidad and Tobago is focused around ensuring our people have the knowledge to make responsible decisions about managing their money, so they don’t repeat the same financial mistakes of the past … Our financial crises, especially the last two, have been brutal… Our financial crises have left financial scars on many of our citizens” (Rambarran, 2014, p. 6). In 2008 – 2009 for example many residents of Trinidad and Tobago were victims of the ensuing financial crisis after the collapse of the Colonial Life Insurance Company (CLICO) with assets worth more than 10% of the country’s GDP, and the Hindu Credit Union (HCU) with the live savings of over 144,000 persons in Trinidad and Tobago (Rambarran, 2014).

The CBTT became the 100th member of the Alliance for Financial Inclusion (AFI) in 2013 and hosted the AFI’s Global Policy Forum in September 2014. At that Forum, CBTT concretized its commitment to financial inclusion by announcing the establishment of the Financial Inclusion Development Agency (FIDA) and unveiled FIDA’s logo. CBTT’s Governor noted that FIDA was the first of its kind in Trinidad and Tobago or anywhere else in the Caribbean (Rambarran, 2014). The Governor described FIDA as the “Central Bank’s grassroots financial stability driver” that will “take a bottom up approach to financial stability by specializing in financial inclusion education and training” (Rambarran, 2014, p. 8). FIDA was designed to complement CBTT’s bank supervision operations and to provide a “link between financial supervision and financial literacy” (Rambarran, 2014, p. 9).

FIDA started its operation by partnering with the Ministry of Education to have financial inclusion courses taught in early childhood centers. While financial inclusion education and training was already part of the tertiary and vocational training systems in Trinidad and Tobago, FIDA’s role was to refine these areas of training (Rambarran, 2014). Whereas FIDA is a designated agency for financial inclusion, education and training with an emphasis on consumer protection the NFLP is a broader program to improve overall financial literacy managed by a unit in the CBTT. In 2017, the NFLP’s website was being revamped to make it more current and relevant.

The Eastern Caribbean Central Bank's Program

The Eastern Caribbean Central Bank (ECCB) serves eight small Caribbean nations selected for this study – Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines. The economies of these small developing countries are heavily dependent on tourism and international financial services for their growth. Partly in recognition of the external influences on these dependent economies, the ECCB in 2001, found it necessary to implement comprehensive "Economic and Financial Education Programmes" (ECCB, 2017). These policy measures were implemented some years before similar actions were taken by the rest of the English-speaking Caribbean and much of the developed and developing world. Explaining the rationale and objectives for the programs the ECCB stated:

> To further its goal to achieve a financially developed and vibrant Eastern Caribbean Currency Union (ECCU), the Eastern Caribbean Central Bank (ECCB) spearheads the implementation of a financial education programme. The programme is built on two main pillars: (i) maintenance of a strong EC dollar, and (ii) the OECS single financial space. The objectives of the program are: to facilitate understanding of money matters and the importance of investing; to mobilise public discussion on economic and financial matters; to create awareness and interest in financial developments and mobilise the public to take advantage of the investment opportunities in the ECCU (ECCB, 2017).

The ECCB used a number of delivery methods for its financial education program over the years. The ECCB has:

- hosted workshops, seminars and symposia. These include seminars for real estate investors and symposia on wealth, public expenditure and pension schemes.
- produced audio programs and 2-5 minute videos giving financial tips on issues such as: managing gift expenditure, using your credit card, creating a will, buying a car, shopping for a loan, applying for credit, reducing living expenses, and mortgage loans and refinancing
- hosted a radio program series called "*The Economy and You*"
- provided financial educational animation videos -The EC Dollar and You - Parts I and II.
- promoted short financial stories in folklore titled the "*Anansi Collections*"
- publishes a series of newspaper articles -The EC Currency and the ECCB, and Investment Insights.
- given media presentations on financial stability issues.
- supported a Junior Achievement Program in which the Bank promotes enterprise development for youths through JA Worldwide.
- promoted competitions to highlight financial issues through poetry and song. These include primary school short story competitions.
- hosted a series of activities every year for Financial Information Month (formerly Financial Literacy Month) including walk-a-thons for financial fitness.
- provided a comprehensive 10 -week savings and investment course for participants in the eight OECS member states respectively. The financial literacy course deals with issues of budgeting techniques, learning the basics of investing, personal financial planning, debt management, risk management strategies and trading on the securities market. The ECCB reported that course delivery was made possible through partnerships between the ECCB, the

University of the West Indies, ministries of education, local state colleges and financial institutions (ECCB, 2017).

In 2017 the ECCB has been reviewing its strategy for financial education to make it more relevant to the changing demographics and changing needs. However, at the time of writing this article no definitive policy measures had emerged on financial inclusion in the eight countries. The proportion of their populations using financial services in the eight eastern Caribbean countries range from approximately 38% in Grenada to approximately 68% in Dominica (ICT PULSE, 2017).

The Case of Jamaica

According to its Governor, the Bank of Jamaica, in January 2010, partnered with Jamaica's Financial Services Commission and CARTAC to launch CARTAC's Regional Financial Literacy Program website and Public Education Program (Wynter, 2010). The Financial Services Commission (FCS), regulators of some financial institutions in Jamaica, also in 2010, put forward a proposal for a National Financial Literacy Program (NFLP). The proposed program was aimed at increasing the financial capabilities of Jamaican citizens due to some observed socioeconomic trends including the ageing of the Jamaican population, the shifting financial security towards the individual, and the inability of many groups of consumers to detect financial fraud (FSC, 2010).

The FSC proposed that any National Financial Literacy Program (NFLP) in Jamaica should be overseen by a national coordinating committee and that a baseline survey should be conducted to determine financial knowledge levels, financial attitudes and financial behaviors. Among the components for the proposed NFLP was training in selected areas including budgeting, savings, honoring financial obligations, tax obligations, loans, credit card, hire purchase management, debt control, building wealth, investment, insurance, retirement planning, understanding financial institutions, detecting financial fraud, mortgages/homeownership, managing small and medium-sized business and choosing financial products (FSC, 2010). The FSC also proposed classroom instructions, web-sites, print media advertisements, radio and TV programs and public forums as the delivery mechanisms for financial education (FSC, 2010).

At a stakeholder's forum held in July 2010 to discuss the FCS's proposal, the Governor of the Bank of Jamaica (BOJ) declared that a financial literacy program was probably overdue in the country and explained that it was through savings and investments that strong economic growth can be achieved. The Governor also noted that the proliferation of local Ponzi schemes which occurred a few years earlier was a recent reminder. He concluded that an informed populace was less likely to make impulsive decisions on financial matters (Wynters, 2010).

Aspects of the NFLP program were unveiled in ensuing years. In February 2011, for example, there was the launch of the Financial Education in Schools Program in Jamaica. In the early stages of the program the FSC partnered with the Junior Achievement of Jamaica which then conducted some financial literacy training in primary and high schools. By 2013, Junior

Achievement of Jamaica (JAJ) had concluded its third year of partnership with the FSC to deliver the JA Personal Finance Program to schools. The JAJ program focused on topics such as earning money; spending money wisely through budgeting; saving and investing; credit use and protecting one's personal finances (Junior Achievement of Jamaica, 2017). Further, the FSC's website offered tips for investor. It provided a link to CARTAC's website which offered financial literacy information for the Caribbean.

The FSC launched a baseline survey on July 16, 2012 using the OECD's International Network on Financial Education (INFE)'s national baseline survey instrument. The survey was designed to enable: a measure of financial literacy that can provide national benchmarks; a description of levels of financial literacy to enable policy makers to identify needs and gaps; and, a comparison of financial literacy across countries (FSC, 2017). The findings from Jamaica's baseline survey were intended to generate interest in the populace and to engage stakeholders in financial education matters (FSC, 2017).

After a 2014 Financial Sector Assessment Program Mission to Jamaica by the World Bank, Jamaica's National Financial Literacy Program was subsequently subsumed under a broader financial inclusion strategy. The World Bank's Mission recommended the development of a comprehensive national strategy on consumer protection and financial literacy as part of a national strategy on financial inclusion for Jamaica. The Mission stated: "The 2011 Financial Literacy Strategy prepared by the Financial Services Commission and presented to the Office of the Prime Minister was a useful first step. What is needed now is a comprehensive and collaborative strategy on consumer protection and financial literacy as part of the national strategy on expanding financial inclusion. The new strategy should aim to bring together all the key stakeholders into one national program" (The World Bank Group, 2015, p. 11).

Financial Inclusion in Jamaica

In 2017 the National Financial Inclusion Council (NFIC) of Jamaica unveiled its National Financial Inclusion Strategy with the goal "to create the conditions in which Jamaicans, save safely and build up resilience against financial shocks and firms are able to invest, grow and generate greater levels of wealth" (National Financial Inclusion Council of Jamaica, 2017a, p. 4). The NFIC identified four "pillars" around which reform should be accomplished to facilitate greater financial inclusiveness. These pillars are financial access and usage, financial resilience, financing for growth and, responsible financing. Taken together the pillars: establish that reforms are needed to facilitate increased use of electronic payments, digitization of government payments and the development of financial products through which remittances can be easily channeled; recognize the need for measures that will contribute to increased savings, expansion of insurance coverage, and accessibility of retirement account for financially-excluded segments; support measures that will increase access to credit and alternative financing instruments for eligible households, businesses and farms; and, recognize that measures are needed to improve disclosure by financial institutions, enhance business practices and produce better-informed financial consumers (National Financial Inclusion Council of Jamaica, 2017a).

In addition to the above pillars, Jamaica's national strategy for financial inclusion recognizes the need for improvement in the supporting legal, regulatory and supervisory framework to enhance the provision of financial services. Jamaica's NFIC (2107a) rationalizes the creation of a national strategy for financial inclusion by pointing out that "access to financial services such as payments, savings, credit, insurance and retirement products can yield significant benefits for all segments of the society" (p. 5). The NFIC explained that with greater financial inclusion, households can better manage their cash flow, increase entrepreneurial activity, better afford basic services and better insure against adverse events and avoid falling into poverty. Further, the NFIC asserted that improved access to finance can encourage and help expand investment in productive activities which in turn could generate greater employment opportunities and accelerate economic growth (NFIC, 2017).

Among some of the data stated about Jamaicans use of financial services are:

- 65% of wage earners receive their wages in cash;
- 23% of account holders do not make any deposits and withdrawals into their accounts.
- Only 30% of Jamaicans save through a regulated financial institution.
- Only 11% of Jamaican adults and 27% of SMEs access formal credit.
- Half of the Jamaican population does not have confidence in the financial system (NFIC, 2017b).

CONCLUSIONS

For this study we introduced an Institutional Model for Financial Literacy in Developing Countries (see Figure 1) to provide an analytic framework for understanding the development of financial literacy programs in ten English speaking Caribbean countries. It was shown that financial inclusion and economic education are integral to explanations of financial literacy in developing countries. Further, that financial literacy and financial education in developing countries are not merely theoretical abstractions but are also core components of emergent national strategies and programs with transformative intent. As demonstrated in the model, financial inclusion and improved financial literacy in developing economies are considered sine qua non for reducing poverty and inequality and promoting economic growth and financial well-being.

The national financial literacy programs considered in this study are evolving and dynamic. Their changes are being impacted by policy initiatives engendered by international institutions such as the IMF, World Bank, OECD, AFI, Commonwealth Secretariat and regional institutions such as CARTAC and CARICOM. These institutional channels provide multilateral forums and technical support for program design, implementation and transformation. The design and transformation of national financial literacy programs have also been influenced by: global and national economic and financial crises and events; the collapse of prominent financial institutions in regional countries which resulted in major personal losses for their population and undermined public confidence in the financial sectors; the existence of and threats from ponzi schemes and other fraudulent activities; lack of savings and retirement funds among large segments of their populations; and, the emergence of electronic banking and other new financial technologies. The motivations for national programs vary and their architects try to make them culturally relevant.

Central Banks have taken the role of developing national programs and propagating financial literacy education in their countries. Jamaica is one exception using their Financial Services Commission mainly, instead of their Central Bank. Central Banks often step outside their comfort zones to implement national financial literacy programs and the pace of their success is often not as expected. Financial literacy programs are often not adequately staffed and therefore not as responsive to discerned needs. Central Banks however, work with other stakeholders such as schools, universities, non-profit organizations and other financial institutions to implement their national programs. While significant efforts have been undertaken to improve financial literacy in some Caribbean countries, financial education programs are not adequately evaluated to determine their efficacy. Further, while programs are perceived as worthwhile, there exists limited measurement of the actual financial literacy gains of the populations.

These countries do not consider financial literacy and financial education separate and apart from economic education and financial inclusion. Further, they underscore the need for financial regulations and consumer financial protection as regulatory accompaniments to make financial literacy and financial inclusion meaningful. Financially literate consumers cannot by themselves avoid the pitfalls of financial crises and economic downturns. Countries may be expecting too much from consumers in this regard to compensate for the inadequacies in functioning of regulatory bodies and the non-compliance of financial institutions.

Future research is needed on the funding of national financial literacy programs and the evaluation of these programs. Further research is also required into the measurement of financial literacy in these countries.

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CONTINUING CHALLENGES TO ENTRY AND PARTICIPATION IN INTERNATIONAL MARKETS BY NORTHWESTERN U.S. SMALL AND MIDSIZED ENTERPRISES

Nader H. Shooshtari, The University of Montana
nader.shooshtari@umontana.edu

Tim Manuel, The University of Montana
tim.manuel@umontana.edu

Jack Reece, The University of Montana
jack.reece@business.umt.edu

ABSTRACT

Small and midsize firms are often considered to be more entrepreneurial and innovative than their larger counterparts. This entrepreneurial spirit, however, does not necessarily extend to participation in the international business arena. For these firms, there is a greater need for assistance in overcoming both structural and psychological barriers to achieve equivalent performance in international markets. The barriers impact all functional areas of the firm. We offer a rather extensive review of relevant literature on SME internationalization followed by a discussion of the results of an earlier pilot survey of small to midsize, northwest U.S. enterprises in international business with regards to internationalization challenges. Our results allow us to take an interesting look at how the barriers to internationalization have changed over the intervening years. Comparing the current literature and our earlier results indicates that the tepid and ad-hoc approach to entering international markets observed in the behavior of many SMEs continues today. Our findings show that many of the same challenges faced by small and mid-sized firms well over a decade ago still remain and underscore a continuing need for state, regional and national support to help develop these firms in order to enhance U.S. competitiveness in the global economy.

INTRODUCTION AND LITERATURE REVIEW

The backbone of the national economy is the small to midsize enterprise (referred to hereafter as a SME) that has 500 or fewer employees. These firms are considered to be more entrepreneurial and innovative and an engine for job growth in the United States. In the U.S., there are almost thirty million small businesses while there are fewer than nineteen thousand large businesses. Of the net new jobs created in the U.S. from 1992 to 2013, 63 percent were created by SMEs (U.S. Small Business Administration, 2016). The health and economic prosperity of the SMEs are thus critical to the overall health of the U.S. economy. Given the growing importance of international markets and the globalization imperative, participating in the global economy has become increasingly important to the success of small to midsize enterprises.

SMEs account for roughly one-third of both exports and imports by value although most SMEs export to or import from only one country. Brouthers, Nakos, Hadjimarcou, and Brouthers (2009) show that specializing by limiting operations to one country is a common method SMEs use to gain expertise and limit international risk. While many barriers may exist, Drzeniek-Hanouz and Doherty (2013) suggest that reductions in transportation and information costs are particularly important for SMEs given their lack of scale economies and small number of staff dedicated to international markets. Exports from U.S. SMEs are primarily to Canada, Mexico, Great Britain, China and Germany, while imports are mostly from China, Taiwan, Italy, Germany and India (Barresse, Shelak, Pineda, & Ewing, 2016). From 2006 to 2013 export by SMEs in terms of both number of firms and value of exports grew faster than for large firms. Moreover, SMEs that export tend to have faster growth, pay higher wages and employ more people than similar firms that do not export. Although international participation has grown over time, many additional export and import opportunities for SMEs remain untapped (Delehanty, 2015; Wood, Logar, & Riley, 2015).

With 95 percent of the world's consumers located outside the U.S., many SMEs remain under-involved in the global economy, particularly in relation to larger firms. The reasons for the size disparity in global participation (even after discounting for the local service segment, i.e. the "mom and pop" establishments which could not be expected to participate internationally) are both *structural* and *psychological* (Reece & Shooshtari, 1999).

Many SMEs still face resource constraints and uncertainty that limit their willingness to participate in the global economy via international sales and other operations even though many realize that they are missing out on growth opportunities. Managerial attitudes about international markets, international marketing ability and a global orientation all impact the degree and the success of internationalization at small firms (Knight & Kim, 2009; Game & Apfelthaler, 2016; Wood, Logar, & Riley, 2015).

A survey by Wells Fargo International Business Indicators (2015) reported that about half of small and about 60 percent of large companies believed it was important to expand internationally. In their survey larger firms were more likely to be increasing their international activity and managers at bigger firms were more optimistic about the international business climate. Their survey also found that a majority of both large and small firms felt that expanding internationally was important for long term revenue growth. Most large firms stated it was important to consider either producing overseas or importing to reduce operating costs, though the majority of smaller firms did not agree with this assertion. In choosing a foreign market to explore, U.S. businesses in general are looking for political stability, a base level of infrastructure development, favorable tariff and trade laws, the ability to enforce contracts in a timely fashion, low labor costs and access to credit. Both large and small firms cited currency values as a concern.

Opportunities for SME Internationalization

Exporting remains a primary entry method in international markets for many SMEs, although alliances and other contingencies can impact the method and extent of internationalization (Rundh, 2015). There is an extensive amount of literature discussing determinants of SME involvement in international business. A good discussion of this literature is found in Love and Roper (2015). Exporting is thought to be a means to generate better growth and improve productivity, but success and the impact on performance are also related to firm and industry specific factors (Rundh, 2015; Brush, 1996). For instance, Love and Roper (2015) indicate that managerial skills in both production and marketing play a key role in international success. Firms that engage in more capital investment and R&D are more likely to have export success, although it is hard to determine the direction of causality in these relationships. More successful firms may engage in additional capital investment and experience export success because they are better performing firms. Entrepreneurial firms are often more involved in international markets and tend to be more successful. There are also strong ties between R&D investment and entrepreneurialism in firms. Brouthers, Nakos, and Dimitratos (2015) find that entrepreneurial firms have higher international performance when they use alliances that leverage the firm's existing capabilities. Entrepreneurial firms are more likely to engage in innovative behaviors, including exploring new international markets, engage in risky investments and proactively seek additional opportunities. These are characteristics that are useful in growing internationally.

Ibrahim, Abdullah, and Ismail (2016) studied Malaysian SMEs and found that firms with an international market orientation and international marketing skills were more innovative and more likely to be involved in external markets. Dimitratos, Johnson, Plakoyiannaki, and Young (2016) find that entrepreneurs helped to shape firm characteristics that would lead to succeed in international operations. Ciravegna, Majano, and Zhan (2014) examined Chinese textile manufacturers to determine whether firms that proactively seek the first foreign client (an entrepreneurial behavior) are likely to increase exports more rapidly and to more countries than their competitors. They found the process was impacted by the proactive behavior of managers, but also influenced by unpredictable events that spurred or limited internationalization. They also showed that firms used social networks to reduce information and knowledge risks of foreign markets.

Kontinen and Ojala (2012) and Fernandez and Nieto (2005) find that internationalization is affected by ownership structure in family owned SMEs. When the leadership is fragmented internationalization progresses more slowly and in stages, but when ownership is concentrated internationalization progresses more rapidly. Growth in internationalization is a function of many variables including attitudes of managers and type of industry and also education and intellect of managers. Knowledge intensive industries generally progress in internationalization more rapidly (Olejnik & Swoboda, 2012; Carlsson & Dale, 2011). In developing countries increased competition and a general decline in subsidies have led SMEs to seek international markets (Zarei, Nasseri, & Tajeddin, 2011).

Firms may seek international markets for many reasons. In some cases, excess supply may encourage firms to expand their market base. For others, constraints on growth due to market size, regulations, high domestic taxes, problems in obtaining distribution channels, etc., can encourage a firm to seek foreign markets. The firm may also gain valuable experience, cross-cultural knowledge and find new sales and investment opportunities that otherwise would not have occurred.

Challenges to SMEs Internationalization

As stated previously, SMEs face additional constraints in international activities, though a growing number of SMEs are involved in international activities at some level (Knight & Kim, 2009). In this section we turn to the various challenges SMEs face in entering and competing in international markets.

Exporting is often one of the first methods of seeking international markets because exporting is cheaper, faster and requires fewer management skills than many other types of foreign activities such as a greenfield investment (Roy, Sekhar, & Vyus, 2016). Exporting can contribute to growth and additional opportunities and is often encouraged by government, but it is not without risks. Roy et al. (2016) examine Indian SMEs to ascertain the primary internal (within the firm) and external or environmental barriers to internationalization. Typical external barriers included a lack of government assistance, complex rules about exporting, tariffs on exports and concerns about political stability in foreign markets. Other barriers included currency exchange rate fluctuations, payment collection, documentation requirements, competition in foreign markets and cultural differences. Lack of information about foreign markets is an often stated constraint for SMEs (Zarei et al., 2011). In particular SME managers want information about potential overseas customers and information about distribution overseas. Internal barriers include managerial constraints, such as lack of time and expertise to devote to developing foreign markets. Managers also find it difficult to find a foreign representative agent that they believe is trustworthy. Rundh (2015) finds that SMEs that can standardize the export process across different foreign markets are likely to have greater export success.

Financial barriers for SMEs include higher bank financing costs and lower availability of financing to fund export activities. Many marketing barriers have been posited as well, including problems in adapting the product or service to a foreign market, inability to price the product competitively, shipping problems, dealing with foreign distribution channels and a lack of control over foreign sales (Hilmersson & Johanson, 2016; Love & Roper, 2015). Francioni, Musso, and Cioppi (2015) find that SMEs do not conduct much market research, but rely instead on contacts and experience. A study of SMEs in the petroleum industry by Carlsson and Dale (2011) suggest that knowledge intensive SMEs follow a strategic process in internationalization, but that others employ a relational or opportunistic approach where the choice of market is based on a happenstance meeting of a potential customer or recommendations through personal contacts.

SMEs often do not have access to so called ‘best practices’ that other similar firms have pursued to succeed internationally. Zarei et al. (2011) offer a business plan to develop a best practices framework which could help SMEs engage internationally by learning best practices developed by other SMEs. This could be quite useful because insufficient knowledge is so often mentioned as a barrier to SME internationalization. Trying to copy the efforts of large firms is not likely to be successful because of the difference in resources and experience between the two groups. Shamsuddoha, Ali, and Ndubisi (2009) examine the impact of export assistance on SMEs in developing countries. Surprisingly, they find that financial assistance and loan guarantees have less impact than assistance in market development. This suggests that export assistance may be more effective at encouraging SME internationalization when targeted on helping firms find information on specific foreign markets and products (Francis & Collins-Dodd, 2004).

Love and Roper (2015) summarize the limits in our current knowledge of predictors of exporting and performance. For instance, we do not know exactly what management skills lead to more innovation and export success. The impact of intellectual property protections and our understanding of the relationship between strategy/planning and export success are also weak.

The Process of Internationalization

As mentioned above, firms often start the internationalization process by exporting. When a firm lacks knowledge and experience about foreign markets it may limit its exposure and first export and then only gradually invest more in foreign sales, perhaps through a sales rep or using a foreign sales subsidiary, and then eventually engaging in foreign production (Johanson & Vahlne, 1977). This is termed the Uppsala or stage model of internationalization. As SMEs gain both knowledge and experience, perceived risks of internationalization fall, foreign sales development becomes more integrated into the strategic planning process and a growing international presence often results. Firms that follow this pattern generally start with foreign markets that are geographically and culturally similar to their home markets. In the stage model, early forays into international markets are opportunistic rather than strategically planned, resulting from customer recommendations, trade show leads, and excess supply in a given period requiring additional markets and the like.

More recent research has found other patterns of internationalization. Some firms are ‘born global’ engaging in international activity from their creation or having a significant percentage of sales (usually characterized as 25 percent or more) to foreign countries within the first three years of their creation (Knight & Cavusgil, 2004; Moen & Servais, 2002). The born global firms tend to have managers with greater knowledge about and commitment to internationalization. They are more likely to be technology firms, use foreign alliances and employ managers with international experience (Li, Qian, & Qian, 2012). They do not necessarily focus on markets that are geographically close or culturally similar to their own. Internationalization is more likely to be a strategic focal point from the beginning and managers of these firms often consider the world their marketplace and international operations are not just an add-on to domestic operations.

Yet other firms initially follow the stage pattern and then suddenly substantially increase their internationalization (Tuppura, Saarenketo, Puumalained, Jantunen, & Kylaheiko, 2008). These firms generally are late internationalizers and have more resources that allow more rapid international growth than the typical born global firm. There is often a trigger that causes the firm to expand international operations such as a management change, an unusual opportunity, or difficulties in the domestic market (Kontinen & Ojala, 2012; Kuivalainen, Sundqvist, Saarenketo, & McNaughton, 2012). Olejnik and Swoboda (2012) examine German SMEs to identify the determinants of internationalization patterns. They find that firms with a greater international orientation are more likely to be either born global firms or late globalizers rather than follow the stage pattern. Growth oriented firms also were more likely to be in one of the former two categories. Firms that follow the traditional stage model are more likely to have strong internal communication lines and may rely less on external influences for management decisions related to internationalization.

One way to help overcome the lack of knowledge about foreign markets and foreign sales is to use social and business networks to obtain leads and information about foreign markets. These networks can be a useful tool for SMEs to reduce the risk and cost of internationalization (Zarei, Nasseri, & Tajeddin, 2011). Zhou, Wu, and Luo (2007) note that social networks, defined in this context as personal relationships based on trust as opposed to formal business relationships, can share information and experiences among SMEs to reduce uncertainty. These relationships can be particularly effective in emerging markets where information is not readily available. Similarly, Haase and Franco (2015), Rundh (2015), and Brouthers, Nakos, and Dimitratos (2015) indicate that alliances between companies can help SMEs overcome resource and knowledge constraints. The foreign ally can provide assistance in marketing and problem solving in a country, perhaps increasing foreign sales and lowering both the costs and risks of operating in a lesser known environment. These are key areas of success for early stage SME internationalization. Brouthers et al. (2015) show that entrepreneurial firms that choose alliances that are aligned with the firm’s capabilities have higher performance as measured by ROI and profitability. Marketing alliances in particular are used to gain expertise and distribution. Forlani, Parthasarathy, and Keaveney (2008) examine methods of entry into international markets and find that firms perceive the risk of alliances differently depending on their own capabilities to manage international operations. Firms that believe they are capable of international management are more likely to participate in a joint venture while less capable firms tend to outsource international operations.

Lack of information about markets and distributors is probably the most often cited constraint to SME internationalization. Information about markets and potential alliances can be gathered from attending trade fairs or other trade related events. The fairs are used as venues to increase visibility of the firm’s product in new markets, including international markets, and to build networking contacts. Haase and Franco (2015) and Zhou, Wu, and Luo (2007) emphasize the importance of fairs in developing alliances and social networks respectively. Freeman, Edwards, and Schroder (2006) and Hollenstein (2005) also discuss and demonstrate how small firms use alliances to overcome obstacles to internationalization. Agndal and Chetty (2007) study New Zealand and Swedish SME internationalization market strategy and entry modes and find that entry modes are more influenced by business relationships than social relationships. Jin and Jung (2016) also find a larger impact for business networks than for social networks on obtaining foreign market knowledge and achieving better performance.

Summary

It makes economic sense to encourage greater participation by SME in the global market. Society reaps the benefits accruing from increasing exports and improves the ability of SME to create jobs and otherwise stimulate economic growth. How can this be accomplished? A study by Keesing and Singer (1992) provided insight into the trade promotion organizations of various countries and found that export programs were most effective where government policy encouraged private sources to provide information and specialized services to firms interested in growing their exports. Stewart (1997) found a linkage between firms that have a coherent strategy and the degree of international involvement of Canadian SMEs who were exporting. Private source help for the SME can perhaps best be targeted to assistance in developing marketing strategies tailored to individual SMEs. As mentioned earlier, Shamsuddoha, Ali, and Ndubisi (2009) demonstrate the positive impact of government export assistance on developing countries. Wright, Westhead, and Ucbasaran (2007) suggest that entrepreneurial and international successes are interrelated and context specific and that not all SMEs can equally successfully internationalize. Thus, encouraging entrepreneurial behaviors may also spillover into additional international activities. The literature indicates that overcoming constraints to internationalization at SMEs will require firm and industry specific solutions, but common elements of assistance should include the following:

- i) hold events that assist local firms in establishing network contacts for similar businesses that have or are considering international expansion,
- ii) assist in market development of specific foreign markets for products, including identification of foreign distributors,
- iii) locate potential foreign investment partners for joint ventures or other strategic alliances,
- iv) conduct promotional events/seminars that include SME managers who have established a successful track record in internationalization in the targeted industry, and
- v) construct a best practices database, including local and foreign contacts for market development for different targeted industries.

THE PILOT STUDY

This work presents results of a survey of an earlier pilot study of northwestern SMEs from Montana, Idaho, Oregon and Washington to identify constraints to internationalization faced by SMEs, and to understand why some firms choose not to compete globally[1]. The experience of the authors in prior informal discussions with Montana SMEs indicated that difficulties in payment terms, exchange rate risk, lack of financing and requests for improper payments had restricted their enthusiasm. We are in the process of updating the survey results but we wished to

[1] This survey was made possible through a summer research grant from the University of Washington Center for International Business Education and Research and the Northwest International Business Educators Network (NIBEN), and the University of Montana School of Business; with special assistance from the Montana Export Assistance Center of the U.S. Department of Commerce.

see if the current literature indicated that many of the earlier challenges had been addressed. We present this earlier data in order to relate the results to the factors that current literature indicate are still limiting SMEs from engaging in international activities.

Research Method

There is only limited survey data on Northwest U.S. region SME participation in international business. A questionnaire draft was developed based on available literature at the time, prior surveys on the subject and the authors' own experience dealing with SMEs. The questionnaire was subsequently reviewed and revised based on input from The University of Montana Bureau of Economic Research survey specialists and the Montana Export Assistance Center.

A total of 3000 survey packets were mailed to SME firms in the four northwestern states. The 3000 SMEs in the sample population were selected based on a systematic random sample of SME firms in each state. Two hundred sixty-eight questionnaires were returned for an overall response rate of 8.9 percent which included 32 responses for Idaho, 48 for Montana, 80 for Oregon and 108 for Washington.

Prior Survey Results

The survey began with a number of classification questions (section A of the questionnaire). These results for section A are summarized below.

Number of Employees

Respondents were classified by number of employees using the U. S. Department of Commerce categories, the respondent firms were concentrated at the smaller end of firm size classification with 46% less than 10 employees and 81% less than 50 in the overall sample. Most respondents had 1-9 employees in Montana, Oregon and Washington, while the largest category in Idaho was from 10-49 employees. There are very few firms with more 500 employees so the respondents are skewed toward smaller firms.

TABLE A1: NUMBER OF EMPLOYEES

Percent Response					
Employees	All	ID	MT	OR	WA
1-9	46	28	52	44	49
10-49	35	41	27	38	34
50-500	15	25	17	16	11
500+	1	0	4	0	2
No response*	3	6	0	3	4
Number of Responses					
Total	268	32	48	80	108
No Response	8	2	0	2	4

Dollar Volume of Total Annual Sales

Similar to the number of employees (above), Idaho has over twice the average number of firms in the $5-25 million range (26% vs 13%) of the overall sample. The largest number of firms fell in the $500,000 or less in sales category, both overall and by state, with the exception of Idaho.

TABLE A2: TOTAL DOLLAR VOLUME OF YOUR ANNUAL SALES

Percent Response					
Millions of Dollars	All	ID	MT	OR	WA
0-.5	30	22	38	30	29
>.5-1	17	16	17	14	19
>1-5	27	22	29	26	29
>5-10	6	13	2	10	4
>10-25	7	13	4	9	5
>25-100	6	9	6	6	6
>100	1	0	4	1	1
No Response*	5	6	0	4	8
Number of Responses					
Total	268	32	48	80	108
No Response	14	2	0	3	9

Industry Classification

We asked the respondents to indicate which one of the following industry categories best described their firm in terms of total dollar volume of annual sales.

The majority of respondents were manufacturing firms at 59% of the overall sample. Services were a distant second in ranking at 9% of the total, followed by Agriculture (5%) and then Retail and Wholesale Trade and Construction & Contracting at 4% each. Among the states, Idaho had the highest percentage (13%) in Agricultural Products.

TABLE A3: TYPES OF INDUSTRY CATEGORY BASED ON ANNUAL SALES

Percent Response					
	All	ID	MT	OR	WA
Agricultural Products	5	13	6	4	4
Manufacturing	59	53	71	58	56
Services	9	6	6	10	11
Retail Trade	4	0	4	1	8
Wholesale trade	4	3	2	8	4
Transportation & distribution	0	0	0	0	1
Communications & utilities	1	0	0	3	1
Construction & contracting	4	9	4	4	2
Finance/Insurance/Real Estate	1	3	0	1	0
Other	10	6	6	13	10
No Response*	2	6	0	0	4
Number of Responses					
Total	268	32	48	80	108
No Response	6	2	0	0	4

Prior Participation in Trade Missions, Meetings with Potential Trading Partners or Attending Trade Shows in Another Country.

The literature indicates that trade missions and the like can provide SMEs with valuable foreign market information and contacts. However, only 25% of the respondents had participated in trade missions, meetings with potential trading partners or had attended trade shows in another country. Idaho was the exception where 47% had participated, almost double the experience of each of the other states. In the overall sample, 70% of respondents had not participated although this was heavily influenced by the statistics of Montana and Oregon with 75% and 78% indicating a lack of participation, respectively.

Responses to a request for identification of the countries contacted were not tabulated because of the diversity of responses. However, the responses yielded no discernible pattern except a bias toward the more industrialized nations. Europe and Asia were heavily represented and North and South American countries were well represented. Multiple country listings from individual respondents were not unusual, and those countries were not always geographically proximate, indicating some had developed a diversity of contacts with potential international partners. Specific countries mentioned frequently as those visited during trade missions and shows were Canada and Mexico in the Americas; Japan, South Korea, Taiwan and China in Asia and Germany, United Kingdom, France and the Netherlands in Europe. Australia and New Zealand were also mentioned in Oceana as countries visited by SMEs. Given the literature's emphasis on the importance of these type informational events, designing methods to increase participation is an important component of any methods to improve SME participation in international markets.

TABLE A4: HAS YOUR FIRM PARTICIPATED IN TRADE MISSIONS, MEETINGS WITH POTENTIAL TRADING PARTNERS, OR TRADE SHOWS HELD IN ANOTHER COUNTRY (e.g. CANADA, MEXICO, CHINA, ETC.)?

	Percent Response				
	All	ID	MT	OR	WA
Yes	25	47	25	19	24
No	70	47	75	78	69
No Response	4	6	0	4	7
If Yes, what countries?					
	Number of Responses				
Total	268	32	48	80	108
No Response	12	2	0	3	7
What discourages you or keeps your firm from wanting to go on a trade mission, trade show or study mission in another country? (Open-ended)					

Factors Discouraging Participation in a Trade Mission, Trade Show or Study Mission in another Country.

Respondents were asked to identify factors that discouraged them from participating in a trade mission, trade show or study mission in another country. The predominant response to this query was financial as respondents indicated that high cost or a low expected return on investment from participation were cited most frequently as factors discouraging participation. The time required was also a common response. Responses were similar across states. Also mentioned were lack of value obtained from going to trade missions. An almost equal number of responses judged that participation would either be (1) inappropriate to their product or service, or (2) that they had sufficient business opportunities domestically. Government financial assistance to attend trade opportunities should be offered to encourage SMEs to participate. Holding at least some of the trade opportunities locally may also reduce the perceived managerial time cost of attending the event.

Interest in Receiving Local, State, or Federal Assistance in *Facilitating* International Trade.

In the total sample 40% of the respondents are interested in receiving local, state or federal assistance that facilitates international trade. Note that overall 49% indicate that they are not interested in receiving such assistance and the majority in Oregon and Washington were not interested. It is unclear why they were not interested, but it is likely similar to the negative responses about the efficacy of participating in trade related activities. Convincing firms that assistance can be effective is a key component of the aid process.

TABLE A5: ARE YOU INTERESTED IN RECEIVING LOCAL, STATE OR FEDERAL ASSISTANCE IN FACILITATING INTERNATIONAL TRADE?

	Percent Response				
	All	ID	MT	OR	WA
Yes	40	50	50	36	34
No	49	34	42	53	54
No Response*	12	16	8	11	12
	Number of Responses				
Total	268	32	48	80	108
No Response	31	5	4	9	13

Level of Interest in Specific Types of Trade-Related Services.

Respondents rated their interest in receiving trade-related services from ‘no interest’ to ‘highly interested’ and they could select more than one service. Consistent with the literatures respondents were most interested in services to help promote products or services offered by the respondents. This category was rated highest at 36%. The next highest rated category was contact with individuals or firms who have trade leads or who are overseas agents/ distributors with an overall response rate of 15%. International market research and a web site with trade-related information and events were the next most popular over, although Idaho and Washington firms frequently listed assistance with payment risk evaluation and trade finance. The literature indicates that similar types of assistance with promotion, trade leads and overseas distribution remain the primary forms of assistance desired today.

TABLE A6: FIRMS INDICATING A HIGH LEVEL OF INTEREST IN THE FOLLOWING TYPES OF TRADE-RELATED SERVICES

	Percent Response				
	All	ID	MT	OR	WA
International market research	10	13	6	11	9
Promotion of products/services	36	47	44	29	34
Calendar of trade events	6	6	10	3	7
Web site with trade info/events	10	6	13	9	11
Contact with firms having trade leads or agents/distributors	15	3	8	10	18
Cultural/foreign language training	3	6	6	3	2
Translation services	3	6	4	3	1
Academic degree program in International Trade	1	3	0	1	0
International law/legal system training	1	3	0	3	1
International trade strategic planning	1	3	2	3	0
Payment risk evaluation and trade finance	9	13	2	11	8
No Response*	1	0	0	3	1
	Number of Responses				
Total	268	32	48	80	108
No Response	(Varied by Service)				

Factors Adversely Affecting Trade

Respondents were asked to indicate which of seventeen factors listed in Table A7 had adverse effects on their ability to engage in international business. In the overall sample many constraints were indicated. The results show that the chief concerns (rated 5 in the question scale) were transportation issues, concerns about receiving payment, lack of foreign representation, risk of foreign markets, price competitiveness, and foreign government regulations as having the most adverse effects. The least concern overall was cultural differences (7%), although a language barrier was listed among the 1% responses to the "other" category. State patterns were not significantly different although Washington seemed to have smaller percentages of adverse responses to most factors while Montana had the most. The responses indicate that concerns about the risk and lack of knowledge were limiting factors in international participation. The literature indicates that these factors remain major concerns for SMEs today. This indicates the nature of assistance some SMEs will require to increase their international participation.

TABLE A7: PLEASE INDICATE THE EXTENT TO WHICH THE FOLLOWING FACTORS ADVERSELY AFFECT YOUR ABILITY TO EXPORT, IMPORT OR ENGAGE IN FOREIGN VENTURES.
PLEASE USE THE FOLLOWING SCALE FOR YOUR RESPONSES:

NOT AT ALL		SOME		A LOT
1	2	3	4	5

	Percent Response				
	All	ID	MT	OR	WA
Financing	19	15	19	21	17
Transportation	20	16	29	24	15
Lack of international knowledge	18	22	21	19	16
Receiving payment for product	24	25	21	26	23
Foreign representation	22	25	27	16	23
Legal issues	18	22	25	15	17
Riskiness of foreign markets	22	31	27	21	19
Price competitiveness	23	34	27	18	22
Logistics	18	16	19	20	17
Marketing	19	19	21	20	17
Nature of my product	17	9	23	21	14
US government regulations	18	25	19	10	21
Foreign government regulations	25	31	31	18	25
Competition	16	25	31	8	14
Cultural differences	7	16	8	5	7
Exchange rate fluctuations	14	22	19	10	13
Size of business operations	19	22	21	18	19
Other (please specify)	1	3	2	0	1
	Number of Responses				
Total	268	32	48	80	108
No Response	(Varied by factor)				

Firm Involvement in International Business

We asked the respondents if they were involved in international business. This question was used as a lead in for section B of the survey which was limited to those firms who were actively engaged in international business. Forty-two percent of respondents indicated they did conduct international business, although the rate was higher in Idaho and Montana at 50 percent each.

TABLE A8: DOES YOUR FIRM CURRENTLY CONDUCT INTERNATIONAL BUSINESS, WHICH INCLUDES EXPORTING OR IMPORTING, JOINT VENTURES OR MAKING INVESTMENTS IN OTHER NATIONS OR LOCALLY IN PARTNERSHIP WITH A FOREIGN COMPANY?

	Percent Response				
	All	ID	MT	OR	WA
Yes	42	50	50	36	41
No	52	44	50	59	51
No Response*	6	6	0	5	8
	Number of Responses				
Total	268	32	48	80	108
No Response	15	2	0	4	9

The questions in section B of the survey below include questions for those SME who are already engaged in international business.

Types of international business activities

Of the total number of respondents, 124 (46%) were currently involved in international business. Of the 124, 90% were involved in exporting and 41% engaged in importing. Approximately 22% of respondents were involved in joint ventures. For individual states, all respondents from Idaho and Montana were exporting; Idaho had the smallest percentage of joint ventures at 13%, while Montana and Washington ranked highest at 27% each. We expect the participation rates to have increased over time in line with increased globalization at all levels.

TABLE B1: WHICH OF THE FOLLOWING ACTIVITIES DOES YOUR FIRM ENGAGE IN? (PLEASE CHECK ALL THAT APPLY.)

	Percent Response				
	All	ID	MT	OR	WA
Exporting	90	100	100	82	85
Importing	41	31	38	38	48
Joint ventures w/foreign partner	22	13	27	15	27
	Number of Responses				
Total	124	32	26	34	48
No Response	0	0	0	0	0

Challenges in Doing International Business

Respondents were asked to choose what their biggest challenges were in conducting international business. The largest two categories mentioned were establishing trade leads at 47 percent overall and finding distributors/agents abroad (48 percent overall). According to the literature surveyed these two continue to be the most cited barriers to internationalization at many SMEs so firms still need assistance in this area even though the growth of electronic information sources has exploded over time.

Montana was the outlier in these results as fewer respondents in that state listed these as challenges. Managing shipping operations was listed as a challenge by 27 percent of respondents in the overall sample. A higher percentage of Oregon firms indicated finding information about exporting (27 percent) and the need to redesign products or packaging (24 percent) was a challenge than in the overall sample.

TABLE B2: WHICH OF THE FOLLOWING PRESENT CHALLENGED FOR YOUR FIRM IN DOING INTERNATIONAL BUSINESS: (PLEASE CHECK ALL THAT APPLY.)

	Percent Response				
	All	ID	MT	OR	WA
Obtaining information about exporting	17	13	15	27	13
Finding trade leads	47	50	35	50	50
Searching for distributor/agent	48	50	38	44	56
Locating export financing	11	13	15	15	6
Managing shipping operations	27	31	31	24	27
Redesigning product packaging	19	13	23	24	17
Translation services	18	13	15	12	25
Focusing company on internat’l trade	18	19	19	15	19
Other (please specify)	10	6	8	9	15
	Number of Responses				
Total	124	32	26	34	48
No Response	(Varied by Challenge)				

Services that would increase international trade involvement

Respondents were asked to select the types of services that would motivate their increased involvement in international trade. We expected this follow-up question to provide similar results to the prior question based on the current literature. The highest rated services were help in establishing trade leads (59% overall) and finding distributors/agents abroad (46% overall). Individual state responses closely mirrored the overall response. Idaho firms did rank trade leads the highest at 69%, while Idaho and Montana had higher percentages of respondents that would like assistance in finding distributors and agents.

Open-ended Last Question

"We would appreciate any other comments you may have on the topic of this study (small to midsized business in the global market)."

A number of respondents provided comments regarding why their level of involvement in international business was expected to change in the future. In general, these comments were critical of government regulations and red tape in terms of both U.S. and foreign governments in impeding free and open trade. Many were critical of U.S. government failures to open foreign markets and level the playing field for U.S. companies, a concern that remains today. One respondent echoed the sentiments of many by stating that doing business internationally was hard, expensive and frustrating, yet it provided huge potential for companies who were willing to persist over the long term to succeed. This also indicates the need to assist SMEs particularly in early stages of the internationalization process. Many respondents were however apprehensive about government assistance. One described U.S. Department of Commerce efforts as a waste and another suggested that they had been involved in international business without government assistance and they preferred it that way. This may indicate that private sources of assistance such as provided by universities and other groups may need to be a part of the solution to fully leverage the potential impact of SME involvement in international activities.

CONCLUSION

Based on prior literature and the results of our survey three major factors emerge related to SME involvement in international business. These three include the firm's motivation, its competency in the context of specific foreign markets in which they are involved and its advocacy support. This support is represented by the assistance provided by both public and private entities involved in promoting trade. A number of conclusions can be drawn in relation to SMEs and the three factors mentioned above.

1. There is still a need for infrastructure support for international business. This impacts various areas of company operations such as transportation, knowledgeable logistic support, and financial institutions that would assist SME international involvement. The latter includes assistance with documentation, trade finance and foreign exchange risk; in short, the factors noted in the citation of Peter Drucker (1999) in his challenge to the financial community to support the SME and as indicated by the Wells Fargo survey (2015).

2. There is general enthusiasm for certain types of government trade assistance at the local, state and national levels. Specifically, services to either facilitate trade or to perform outright advocacy of their products and services with foreign governments and businesses were and

are still desirable. Interest in government assistance, however, is tempered with apprehension along two basic dimensions: efficacy of the services rendered, and concern about government intrusion in company affairs. In the former there was criticism of some trade missions being too general in nature and with the presence of political agendas in lieu of a focus on the specific needs of the business members of the group attending the trade missions. This finding fits well with the theoretical development and other empirical evidence. The concern with intrusion is an inherent characteristic of business, particularly at smaller enterprises run by independently minded entrepreneurs. Together with the two concerns noted, the impediments of bureaucracy, government paperwork and regulations point to a need for careful consideration of the mode of government assistance for the SME. We believe the literature and the survey results indicate this should be localized as much as possible and must be attuned to the SME level of sophistication and knowledge. Assistance must also be low cost and 'user friendly' in the sense of building confidence and trust with the working relationship.

3. It is well demonstrated in the literature that SMEs are at a disadvantage with regard to expertise and resources in entering international markets. This was also clearly evident by survey responses indicating that the domestic market was challenging enough and that it consumed the firms' available resources. This concern does not appear to have disappeared over time. Despite resource limitations and shortage of available talent within these smaller firms, market research and trade lead generation were accomplished in house by many of the successful exporters. Trade publications, the Internet and industry trade associations can be used to successfully provide information to SMEs. We believe that local Universities and other organizations can and should assist firms in generating market research, trade leads and assistance and provide help in finding foreign distributors and financial advice. These efforts will need to be tailored to specific SMEs.

4. The motivation to internationalize is limited at many small firms. The lack of commitment to international trade is manifested in lack of follow up on trade leads and ad hoc international projects. In general, short term and opportunistic views of international trade are the norm rather than a proactive and strategic approach to doing business internationally at many SMEs. Prior literature indicates this will be less true in knowledge intensive industries, and for managers who have more international experience and higher productivity, particularly for born global firms. Nevertheless, many firms don't appear to know how to tap international market potential although many believe that growth opportunities are there. Some still feel that the international market does not provide an appropriate return on the investment of time and money involved and instead desire to concentrate on the domestic market opportunities. The latter may indicate a lack of education about global business opportunities. Many SMEs must concentration on current economic factors in their decision making process due to resource constraints and thus they ignore the strategic aspects of international participation and fail to see that competition is now a global reality to virtually all SMEs. This is a type of market failure that suggests government and private assistance can add value to society by educating and assisting SMEs in growing their international operations.

5. The most positive factor among those firms experienced in international business is their optimistic expectation for continuing in this marketplace, with growth expected in the coming years. This optimism suggests that other SMEs, with appropriate support and encouragement, could overcome the barriers to entry, both structural and psychological, and become successful in international business.

Many of the barriers and constraints to internationalization by SMEs identified by our earlier results from over a decade ago still persist. Namely, a significant number of SMEs suffer from resource constraints that limit their ability to participate in international markets. Many still desire assistance in the form of identifying trade leads, conducting market research and need assistance in locating distribution partners and other joint venture candidates to overcome these barriers. In recent years social and business networking opportunities have also been used to overcome barriers and should be encouraged. Our results indicate that both government and private assistance targeted to the specific needs of SMEs in a local area are needed and can be used to successfully assist SMEs in growing internationally.

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