ENTREPRENEURSHIP AND ITS RESULTANT COMPLEXITIES IN THE CARIBBEAN

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ABSTRACT

The emergence of entrepreneurship policy as a mechanism to stimulate economic growth (Burnett, 2000), employee generation, and competitiveness in global markets is a phenomenon in many countries (Audretsch et al., 2007). In the Caribbean, the words 'entrepreneurship' and 'small business' are constantly used interchangeably with out any true distinction being made by speakers on their various platforms [governmental, academic and business]. In recent times, various support systems have been utilized aimed at helping achieve the growth and development of a nation, which entrepreneurship promises to the world. However the complexities involved in determining what actually constitutes entrepreneurship, has a direct effect on the ability of governments in small developing states to develop effective policies. This conceptual paper presents a literature review of the topic of entrepreneurship and entrepreneurship policy and includes a cursory assessment of selected Caribbean islands thus highlighting that the development of an appropriate entrepreneurial policy framework for *Small Developing States* to stimulate economic development; is highly dependent on utilization of proper metrics upon which these policies will be soundly based.

Keywords: Entrepreneurship, Entrepreneurship Policy, Economic Development, Caribbean

1. INTRODUCTION

> To reduce poverty and hunger, eradicate extreme poverty, create dignified and decent work, and raise the standard of living of all our people, we must achieve higher levels of business development and sustainable economic growth with equity (OAS, 2009).

One of the major reasons that economic growth continues to be of critical importance to any country is that it seen as essential to reduce poverty. The World Development Report (2005) argues that, with rising populations, economic growth is the only sustainable mechanism for increasing a society's standard of living and appears to subscribe to the view that 'this can only be achieved by creating a good investment climate which, in turn, drives growth by encouraging investment and higher productivity'.

The emergence of entrepreneurship policy as a mechanism to stimulate economic growth (Burnett, 2000), employee generation, and competitiveness in global markets is a phenomenon in many countries (Audretsch et al., 2007). However in the Caribbean, the words 'entrepreneurship' and 'small and micro enterprises' are constantly used interchangeably with out any true distinction being made by speakers on their various platforms- governmental, academic and business. This intermixing can sometimes lead to confusion in the development of the appropriate policies and solutions.

The recent over usage of the word "entrepreneurship" by many politicians as well as academics, can be linked to the view expressed by Carree and Thurik (2003) that entrepreneurship is the engine of

economic growth and employment creation, and thus spans a broad spectrum of national but also regional and local contexts.

Economists who subscribe to a Solow economy hold the belief that the economic output of a country is actually a function three factors- labor and capital inputs, combined with some form of technological change. However new models of economic growth postulate that these inputs are not a sufficient explanation for economic growth on its own, but would are simply a necessary complement to entrepreneurship/innovation (Nelson and Pack, 1999). This has led to Audretsch and Keilback (2004) further postulating that entrepreneurship should be included as a fourth production factor.

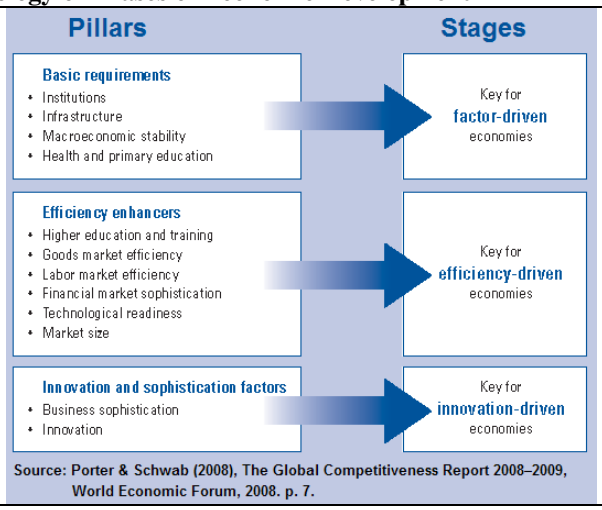
Caribbean governments have attempted to develop local and regional entrepreneurship through programs and policies which generally provide education and training, as well as easier access to venture capital. Such programs have had varying success due to factors such as the indigenous entrepreneur's somewhat limited entrepreneurial education and training, limiting attitudes and perceptions, as well as the government's questionable ability to implement and administer some programs (Neblett and Green, 2002).

2. ECONOMIC DEVELOPMENT

The ability of a nation to compete and its priorities for development changes as it passes through different stages of national economic development is the basis for the analysis used in the popular Global Entrepreneurship Monitor Reports. These stages have been developed according to Porter and Schwab (2008)

> Factor-driven economies compete based on their factor endowments, primarily unskilled labor and natural resources. When wages rise, countries move into the Efficiency-driven stage and compete based on more efficient production processes and increased product quality. Finally, in the Innovation-driven stage, competition is supported with new and unique products to sustain higher wages and the associated standard of living. (Porter et al. 2008)

Figure 2.1 Porter's Typology of Phases of Economic Development



Source: Porter & Schwab (2008), The Global Competitiveness Report 2008–2009, World Economic Forum, 2008. p. 7.

The stages illustrated in Figure 2.1, form the basis for determination of entrepreneurial activity and allow exploration of the differences among the various entrepreneurial process that would be entailed dependent on the stage the country's economic development in the Global Entrepreneurship Monitor Reports.

Factor-driven economies typically have the following properties
- Economies compete primarily on low prices and natural resources
- Enterprises are mainly involved in primary production and occupy a diminutive part of the value chain
- The economy is predominantly vulnerable to fluctuations in the world economic cycle, commodity prices, and exchange rates

Efficiency-driven economies typically have the following properties
- Companies produce standard products and services
- Productivity is improved via increased investment in infrastructure and a business-friendly environment
- Enterprises move towards product design, distribution, and marketing
- Financial crises and external, sector-specific demand shocks can still however have an impact on the economy

Innovation-driven economies typically have the following properties
- Economies produce unique goods and services for the global market, stimulating advances in technology and business models.
- Service industries play an increasingly important role and contribute significantly to GDP
- Economies at this stage of development are more resilient in a volatile global economy

(Porter, Sachs and McArthur, 2002)

There is an expectation that new business activity should be higher in factor-driven economies due to economic necessity, whereas in innovation-driven economies, the proportion of opportunity-driven entrepreneurship is expected to be higher than in factor-driven or efficiency-driven economies (Bosma and Levie, 2009).

3. ENTREPRENEURSHIP VS. SMALL AND MICRO ENTERPRISES

The topic of entrepreneurship is one of the most popular of our time (Shane, 2008). Ask one academic the meaning of the term 'entrepreneurship' and you can be assured that the answer would be different from if you asked a policymaker or even another academic. Defining entrepreneurship can be as complex as one wishes, or as simple as one desires. As Burnett (2000) said in his discussion on entrepreneurship 'There is little agreement over the genuine characteristics of entrepreneurs, and economists have yet to develop a complete understanding of their behavior'. Audretsch (2007) believes that neither scholars nor policy makers are presently equipped to understand the public policy role for entrepreneurship. It is not surprising that there is confusion related to 'a person who caused disequilibrium by introducing new technologies' (Schumpeter, 1942).

The above highlights the fact that entrepreneurship is 'an ill defined, multi-dimension concept' (Parker, 2005; Carree and Thurik, 2003; Koppl and Minniti, 2003). This may be based on the 'degrees of difficulty entailed in defining a term that exists in a multi-disciplinary field of scholarly inquiry' (Parker, 2005)

The Global Entrepreneurship Monitor, the largest single study of entrepreneurial activity in the world (GEM, 2010). It has been reporting for the past ten years data related to a large variety of countries on their attitudes towards entrepreneurship, start-up and established business activities and the variety of aspirations of the entrepreneurs for their business (Bosma and Levie, 2009).

In the 11th report issued that utilized Global Entrepreneurship Monitor Data, references were made to the result that the number of opportunity-driven entrepreneurs decreased given the recent impact of the economic crisis, resulting in decreased entrepreneurial activity in most GEM countries in 2009, yet one third of the countries examined showed increased activity (Bosma and Levie, 2009). However

not surprisingly, they found an increase in the numbers of necessity driven entrepreneurs in high income countries, as well as in the low and middle incomes countries of the world.

Before we continue exploring the complexity of entrepreneurship, let us examine the terminology of "small and micro enterprises"; more commonly referred to as "small business". Whilst the definition of *small business* should be simple, its definition appears to differ from region to region, and even country to country. Generally, a small business is one that is independently owned and operated and not dominant in its field of operation (Audretsch et al, 2007). They may never grow large, as the owner may prefer a more stable and less aggressive approach to running the business.

Table 3.1 – Small Business Classification around the World

Country	Small Business		CONVERSION OF ANNUAL REVENUE In TT$
	No. Of Employees	*Annual Revenue*	
BARBADOS Small Business Association	**Less than 25 employees**	**Less than Bds$ 2M**	**Less than TT$6.38 M**
CANADA Canadian Industry Profile	**N/A**	**Between Cdn$ 30K and Cdn$ 5M**	**Between TT$0.19 M and TT$31.15 M**
Statistics Canada	**less than 500 employees**	**Less than Cdn$ 50 M**	**Less than TT$311.5 M**
Canadian Council of Ministers of the Environment	**less than 50 employees**	**N/A**	**N/A**
GUYANA Small Business Association	**Less than 25 employees**	**Less than Guy$ 60 M**	**Less than TT$1.8 M**
JAMAICA Small Business Association	**less than 50 employees**	**Between US$ 100K and US$ 5M**	**Between TT$638K and TT$31.9 M**
TRINIDAD & TOBAGO Central Statistical Office	**6-24 employees**	**TT$ 0.25M – TT$ 5M**	**TT$0.25M – TT$5M**
USA	**Dependent on Industry.** Three Categories **less than 500 employees** **less than 1000 employees** **less than 1500 employees**	**Dependent on Industry.** Ranges from **Less than US$ 0 .75M** **TO** **Less than US$ 33.5M**	**Less than TT$4.79 M** **TO** **Less than TT$213.74 M**

CONVERSION. Based on www.republicctt.com as of January 25th 2010 | US$: TT$ as 1: 6.38 | Cdn$: TT$ as 1: 6.23 | Bds$: TT$ as 1: 3.19 |

Since small firms include those purchased as ongoing business as well as franchises, small and micro enterprises owners can be viewed as managers of small and micro enterprises. Criteria such as sales volume and the number of employees in the firm are often utilized in assessing the size of businesses, and this varies by country as indicated in *Table 3.1 – Small Business Classification around the World.*

In fact SBA (2009) acknowledges on its website that different choices among size standards can involve complex tradeoffs among relevant variables

On the other hand entrepreneurial ventures, according to Hodgets & Kuratko (2002), are those, for which the entrepreneur's principal objectives are profitability and growth. Entrepreneurs usually seek rapid growth and immediate profits. They even may seek a sell-out of their business with large capital gains and begin new businesses (often referred to as serial entrepreneurs).

Many governments, especially in small developing states appear to subscribe to the view of Reynolds et al. (1999) that 'entrepreneurship is any attempt to at new business or new venture creation such as self-employment, a new business organization or the expansion of an existing business by an individual, a team of individuals or an established business'.

In recent times, we have seen varying definitions. In 2003 alone, three notable definitions have appeared:

- It is a role that individuals undertake to create organizations and define organizational phenomenon and more specifically as an organizing process (Gartner and Carter, 2003)
- It is the sequential process of discovery, evaluation and exploitation of future goods and services (Shane and Eckhardt , 2003)
- It is a dynamic process of change in which individuals, having an unusual degree of certain personal or psychological characteristics, undertake innovative activities (Koppl and Minniti, 2003)

A proper definition of entrepreneurship must include a reference to the society in which it resides (Audretsch, 2007; Lundström et al., 2007; & Morris, 1996). As such, for small and developing states; it appears appropriate that it is not simply an action but must also be defined as a social phenomenon that emerges within the context of a broader society and thus would entail inclusion of various institutions, organizations and individuals acting in unison to support the eventual emergence of both entrepreneurs as well as increased entrepreneurial activity.

The following nine (9) factors have an influence on Entrepreneurial activity (Stevenson and Lundström, 2005) – Profits, Barriers to Entry, Industry Concentration, Competence, Education, Existences of Role models, Work experience of the entrepreneurial group of individuals, Level of dissatisfaction with current job(s) opportunities and growth possibilities of chosen industry. These factors can apparently be correlated with the following twenty-two (22) metrics that should be collected as displayed in Table 3.2

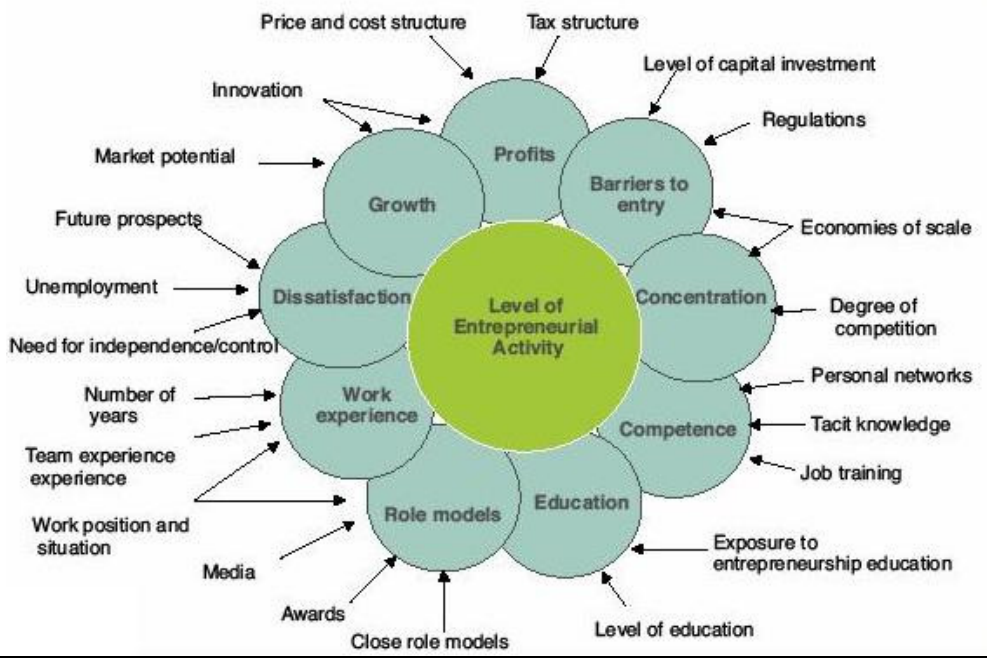
Table 3.2 – Recommended Metrics to be Collected to measure Entrepreneurial Activity

1. Price And Cost Structure,	9. Job Training	15. Work Position And Situation
2. Tax Structure,	10. Exposure To Entrepreneurship Education	16. Team Experience
3. Level Of Capital Investment,	11. Level Of Education	17. Numbers Of Years
4. Regulations,	12. Close Role Models Available To Entrepreneurs	18. Need For Independence/Control
5. Economies Of Scale,	13. Awards	19. Unemployment
6. Degree Of Competition,	14. Media	20. Future Prospects
7. Personal Networks,		21. Market Potential
8. Tacit Knowledge		22. Innovation

Adapted from: Stevenson, L. and A, Lundström (2005), Entrepreneurship Policy,. Theory and Practice, International Studies in Entrepreneurship Series, Vol. 9, New York: Springer.

Stevenson, L. and A, Lundström (2005) went further to devise a Conceptual model of the Entrepreneurial activity as seen in Figure 3.1. on following page.

Figure 3.1 Conceptual model of Entrepreneurial activity



Source: Stevenson, L. and A, Lundström (2005), Entrepreneurship Policy,. Theory and Practice, International Studies in Entrepreneurship Series, Vol. 9, New York: Springer. pg.208

However many governments simply seek to measure the scope and success of entrepreneurship by examining simply metrics *related to the annual rate of business start ups as a function of existing firms.* Comparisons related to the ratios of entry firms to exit firms are also given in various reports, as well as nascent entrepreneurial prevalence rate, the percentage of firms which have demonstrated growth, relative share of SMEs as part of the private sector firms.

Lundström et al. (2007) refer to Grilo and Irigoyen (2005) and Thurik and Grilo (2005) as having introduced "the concept of *entrepreneurial engagement levels* as a plausible measurement"[1]. They refer to 'Lack of consistent metrics and indicators however, makes measurement of entrepreneurial activities extremely difficult', and in the Caribbean it is no different. Wennekers et al. (2005) and Blanchflower (2000) both agree that variance in these levels may be primarily related to diverse demographics, coupled with cultural and institutional characteristics.

Lundstrom et al (2007) have thus proposed a systems perspective as the first step in the proper development of an entrepreneurship policy. This system requires collection of metrics of

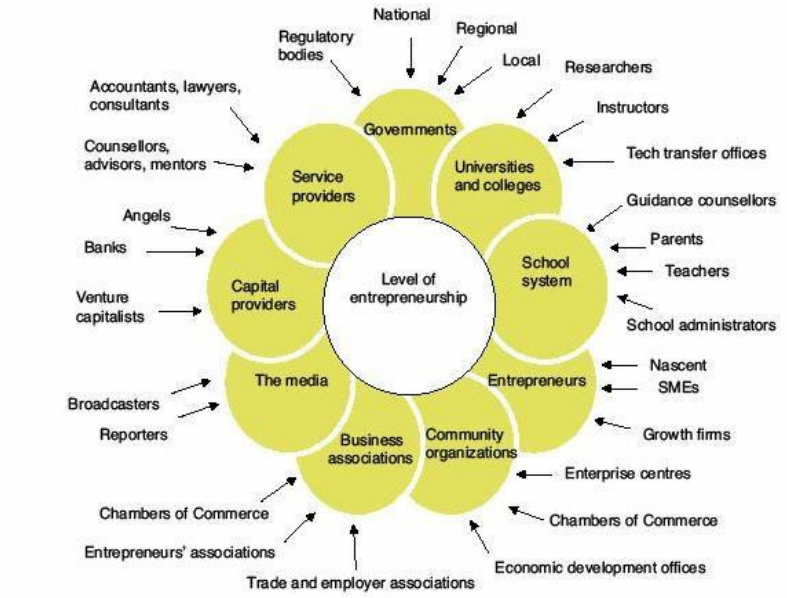
1. **Number of service providers** – Database on accountants, lawyers, consultants, counselors, advisors and mentors
2. **Government's Role** – Database of regulatory bodies, local agencies, national agencies, regional agencies
3. **Availability of Universities and colleges**- Database of researchers, instructors, technology transfer offices

[1] 'This includes measures for the proportion of the population that has never thought about starting a business, is thinking about it, is taking steps to start one, has a young business, has an older business, or no longer has a business.' - Lundström, A. and L. Stevenson, (2007) Dressing the emperor: the fabric of entrepreneurship policy *Handbook of Research on Entrepreneurship Policy*, Edward Elgar, Cheltenham, UK. Pg 98

4. **School System** - Database of guidance counselors, teachers, school administrators (and parents?)
5. **Entrepreneurs** – Database of the three categories: Nascent forms, SMEs and growth firms
6. **Community organizations** – Database of Enterprise centres, Chambers of Commerce, Economic development offices
7. **Business Associations** – Database of Chambers of Commerce, Entrepreneur's Associations
8. **The Media** – Effect of Media coverage and Reporters focused on the business world
9. **Capital providers** – Angels, Banks and Venture capitalists

This can be seen in Figure 3.2 the model of *The Entrepreneurship System* put forward by Stevenson and Lundström (2005). Not surprisingly they are quick to admit that there is a notable absence of research analyzing the total entrepreneurship system as well as the complexity of the relationships between entrepreneurs and the other systems members.

Figure 3.2 The Entrepreneurship System



Source: Stevenson, L. and A, Lundström (2005), Entrepreneurship Policy,. Theory and Practice, International Studies in Entrepreneurship Series, Vol. 9, New York: Springer. pg.270

4. COMPLEXITY IN DEVELOPING APPROPRIATE ENTREPRENEURSHIP POLICIES

> Entrepreneurship is a dynamic process of vision, change, and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks--in terms of time, equity, or career; the ability to formulate an effective venture team; the creative skill to marshal the needed resources; the fundamental skill of building a solid business plan; and, finally, the vision to recognize opportunity where others see chaos, contradiction, and confusion. (Kuratko & Hodgetts , 2007)

Lichtenstein et al. (2006) postulated that in order to fully grasp the value of entrepreneurs and entrepreneurial efforts by governments and their associated policies would thus entail an evolved understanding of entrepreneurship. He put forward the simplest theoretical form that can be applied it entrepreneurship is that entrepreneurs cause entrepreneurship, i.e. E = f(e), implying entrepreneurship is a function of the entrepreneur.

SME polices (hereafter referred to by the authors as *SBp*) are those policies that are normally implemented by government agencies with the mandates to promote small and micro enterprises, thus (hopefully) facilitating the creation of similar business and the continuity of existing small and micro enterprises. On the other hand one would assume that entrepreneurship policy (hereafter referred to by the authors as *Ep*) should have a much wider focus and thus would not be restricted by size or revenue of the business. In the field of academia, assumptions are never given much value, so lets us examine once more what the Common literature has to say on this issue.

Stevenson and Lundstrom (2001, p19) are commonly quoted as the first to have developed a definition of entrepreneurship aimed at OECD countries as "*those measures intended to directly influence the level of entrepreneurial vitality in a country or a region*". Consequently to this definition they added in 2005 two significant criteria that must be also established.

The first criterion of *Ep* is listed as related to the breadth of the policy orientation and instruments.

- It must be noted that Audretsch and Beckmann (2007) are quick to point out that whilst *SBp* focuses on existing stock of small firms, *Ep* is more encompassing because it includes potential entrepreneurs.
- Audretsch and Beckmann (2007) appear convinced that *Ep* has 'greater sensitivity to contextual conditions and frameworks' that formulate the actual decision-making process of both existing as well as potential entrepreneurs. They further postulate that *SBp* is primarily concerned with one organizational level – the enterprise, whilst *Ep* 'encompasses multiple levels of organization and analysis; ranging from individual to the enterprise level and thus focus on clusters and or networks' Audretsch and Beckmann (2007).
- An examination of the possible various perspectives reveal the possibility of industrial or spatial dimensionality such as villages, cities, counties, regions or even an entire nation. Dependent on the target would likewise be the linkages and possible interlocking linkages that might be needed across the various separate yet linked levels. The various aspects of *Ep* include (i) Promotion, (ii) Education, (iii) Counseling and information, (iv) Financing, (v) Administrative burden (vi) Target groups and (vii) Policy relevant research. This appears to imply that *Ep* is more inclusive and complex than *SBp*.

The second criterion is related to the view that most (if not all) countries have ministries and agencies whose mission is the promotion and facilitation of small and micro enterprises, but few (if any) exist for the promotion[2] of entrepreneurship. This lack of agency-level responsibilities for entrepreneurship fails to protect the issues of entrepreneurs whilst those of small-business see institutions becoming highly territorial.

Lundström and Stevenson (2007) identified six entrepreneurship policy areas:

1. Entrepreneurship promotion
2. Entrepreneurship education
3. Reducing administrative, legislative and regulatory barriers to entry and exit;
4. business support for start-ups
5. Startup and see financing; and
6. Target group measures

Entrepreneurship policy is primarily concerned with creating an environment and support system that will foster the emergence of new entrepreneurs and the start-up and early-stage growth of new firms

[2] Audretsch and Beckmann (2007) appear to share the belief that 'entrepreneurship policy is widely distributed across a brad spectrum of ministries ranging from education to trade and immigration' pg: 45

(Stevenson and Lundström, 2005). Acclaimed entrepreneurship academics (Audretsch and Beckmann (2007); Audretsch, Grilo and Thurik (2007); Stevenson and Lundstrom (2005)) firmly believe that the instruments of Ep are decidedly distinct from those traditionally used towards small and micro enterprises, as well as the focus of the various enabling policies is dissimilar.

Lundström and Stevenson (2007) acknowledged that individual governments would place greater emphasis on some ears more than others in their policy mix, combining polices and measures in different ways and thus using a variety of indicators to monitor the performance of selected policies and measures. The choices are said to be indicative of the current economic or social problems facing the particular nation. By anaalyziung various countries they were able to postulate that there are four typologies that describe the various apparoaches adopted by the governments: (1)An 'add-on' or extension to SME policy; (2) a 'niche' target group approach; (3) a 'new firm creation' approach; and (4) a holistic' entrepreneurship policy approach. This is described in Table 4.1.

Table 4.1 Comparison of *Ep* Typologies

Feature	**E-extension policies**	**New firm creation policies**	**'Niche' target group policies**	**'Holistic' *Ep***
Objectives	Improve access to start-up supports through existing SME structures; better service to starters	Reduce barriers to business-entry and exit; simplify start-up procedures and requirements; increase the start-up rate.	Increase the start-up rate among groups underrepresented as business owners or potential starters of innovative firms.	Strengthen entrepreneurial culture, enhance entrepreneurship as a career option, create dynamic start-up markets/better growth conditions
Measures	Micro-loans; business advisory services; web portals; self-employment training programmes; local services	Flexible labour markets; open competition; less stringent bankruptcy laws; fewer business registration steps; lower cost, faster approvals; simplified incorporation processes; one-stop shops; reduced tax burden.	Tailored supports for each identified target group-enterprise centres; promotion and award programmes, start-up loan funds; web portals; networks and mentoring programmes; incubation units; role models	Promotion and award programmes; role models; entrepreneurship in schools; one-stop shops; enterprise centres; incubators; mentoring and peer-networking programmes; start-up advice and web portals; seed capital and micro-loans
Limitations	Start-up initiatives are 'added-on' to existing local SME support structures on a piecemeal basis; limited focus on entrepreneurship in the education systems; and removing barriers to entry	Primary focus on changes to 'business environment'; simplifying the business start-up phase; less emphasis on longer term strategy of promoting enterprise culture and integrating entrepreneurship in schools	Focus on target groups may lead to overlooking the growth potential of non-targeted groups or low-tech sectors; may have limited focus on regulatory changes or fail to address overall weaknesses in the culture of entrepreneurship.	Difficulty in managing policy interdependencies across departments and levels of government.

Source: Lundström, A. and L. Stevenson, (2007) Dressing the emperor: the fabric of entrepreneurship policy, in Audretsch, D; Grilo, I & Thurik, A.R. (eds.) *Handbook of Research on Entrepreneurship Policy*, Pgs 111

5. PUTTING IT IN PERSPECTIVE

> 'Researchers argue about the link between entrepreneurship and growth, but everybody wants entrepreneurship, even if the link to growth is not clear' (OECD, 2006, p. 3).

A recent study (Van Stel, Carree and Thurik; 2005) found that the impact of entrepreneurial dynamics on economic growth is considerably smaller (or even negative) for developing countries than for more highly developed economies. Stevenson and Lundström (2005) postulated that perhaps entrepreneurial dynamics play a different role in countries that may be at varying stage of economic development.

If this is true, why is it that we constantly see Caribbean governments seeking to implement strategies and policies that have worked in developed countries, rather than seeking to develop policies that would be more effective given our level of economic development?

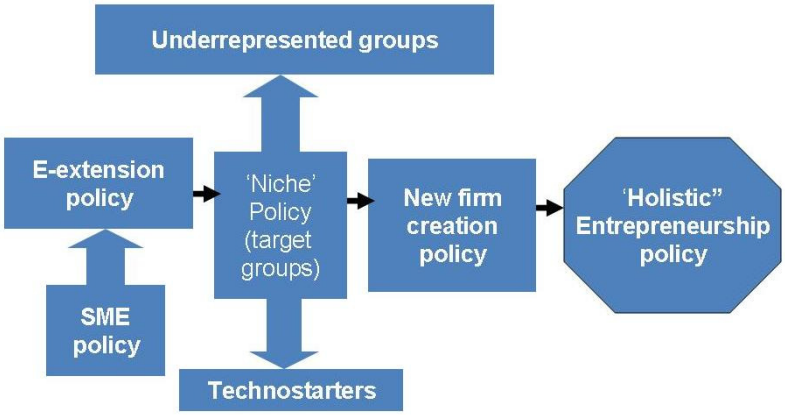
If their results are to be accepted, then this would suggest that low-income nations should perhaps not consider the promotion of new business start-ups as a top priority in their policy agenda. Accordingly:

> They may be better off investing in the management qualities of their population and fostering the exploitation of scale economies through foreign direct investment and the growth of young businesses. To that purpose, governments of these countries must establish confidence in property rights, promote education, and guarantee access to capital markets, safeguard stable macro-economic conditions and make sure that the necessary physical infrastructure is in place. Moreover, they may consider providing specific tax incentives for foreign direct investment." Stevenson and Lundström (2005)

Using the typology description referred to in Table 4.1, Lundström and Stevenson, (2007) conceived a conceptual framework of *E*p typology to represent the connectivity of the various typologies as see in Figure 5.1.

They acknowledge that a government with an E-extension approach is one that does not appear to have a specified entrepreneurship policy, such that any entrepreneurship policy measures are generally "embedded within an existing SME policy framework and added on to offerings already provided through existing national SME programmes and services, probably in a piecemeal fashion." (Lundström and Stevenson, 2007)

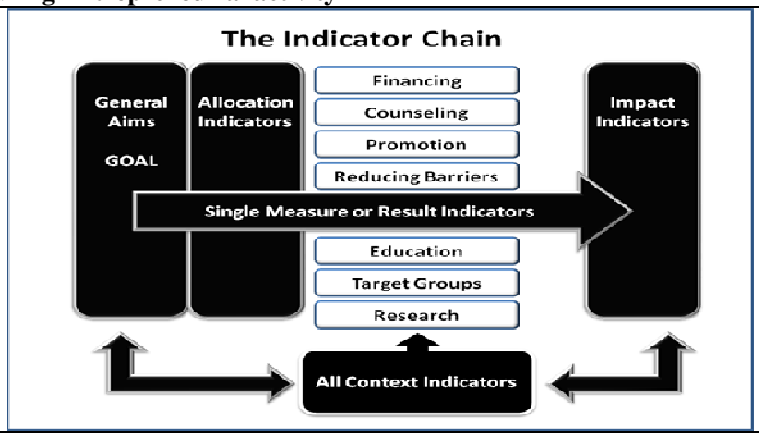
Figure 5.1 *Ep* typology Framework



Source: Lundström, A. and L. Stevenson, (2007) Dressing the emperor: the fabric of entrepreneurship policy, in Audretsch, D; Grilo, I & Thurik, A.R. (eds.) *Handbook of Research on Entrepreneurship Policy*, Pgs 110

Stevenson and Lundström (2005) in referring to *Ep*, identified various indicators that can be seen in Figure 5.1 and they include: various financing available, counseling sought/utilized, promotional activities, barriers to access, education levels, target groups and levels of research currently being undertaken to determine the impact of various policies on entrepreneurial activity.

Figure 5.1 Measuring Entrepreneurial activity



Adapted from: Stevenson, L. and A, Lundström (2005), Entrepreneurship Policy: Theory and Practice, International Studies in Entrepreneurship Series, Vol. 9, New York: Springer. pg.208

Despite the above model being proposed by Stevenson and Lundström (2005), empirical studies on the role of entrepreneurship in economic growth show mixed results in a variety of OECD countries, as evidenced in the Global Entrepreneurship Monitor -*2009 Global Report*. Hoffman (2007) presented a list of 24 different policy areas that can be identified as seen in Figure 5.2.

Figure 5.2 Over view of the Main policy areas at the micro-level

	Total measure of the business environment for entrepreneurship				
Factors affecting entrepreneurial performance	Opportunities	Capital	Ability	Incentives	Motivation/Culture
Policy Areas Affecting Entrepreneurial Performance	Entry Barriers / Deregulation	Loans	Traditional Business Education	Personal Income Tax	Entrepreneurial Motivation
	Access to Foreign markets	Wealth and Bequest tax	Entrepreneurship Education	Business Tax and Fiscal Incentive	Initiatives towards specific groups
	Technology Transfer	Business Angels	Restart Possibilities	Social Security Discrimination	Communication about Heroes
	Private Demand Conditions	Venture Capital	Entrepreneurship Infrastructure (public)	Administrative Burdens	
	Procurement regulation	Capital taxes	Entrepreneurship Infrastructure (private)	Labour Market Regulation	
		Stock markets		Bankruptcy Legislation	

Adapted from: Hoffman,. (2007) A rough guide to Entpreneurship Policy, in Audretsch, D; Grilo, I & Thurik, A.R. (eds.) Handbook of Research on Entrepreneurship Policy, Cheltenham, UK and Northampton, MA, US: Edward Elgar Publishing Limited. Pg. 152

This list was reported by Hoffman as used to form the basis of the Danish Entrepreneurship Policy. He acknowledges that:

> it is based on my own qualitative judgment, thus (a) the organization of the factors should not play any significant role in the analysis as each policy areas should be analyzed independently of the other areas and (b) the organization of the policy areas is not conclusive and should merely serve as a framework to allow communication of results in a manner comprehendible to both academics and policymakers. Hoffman (2007)

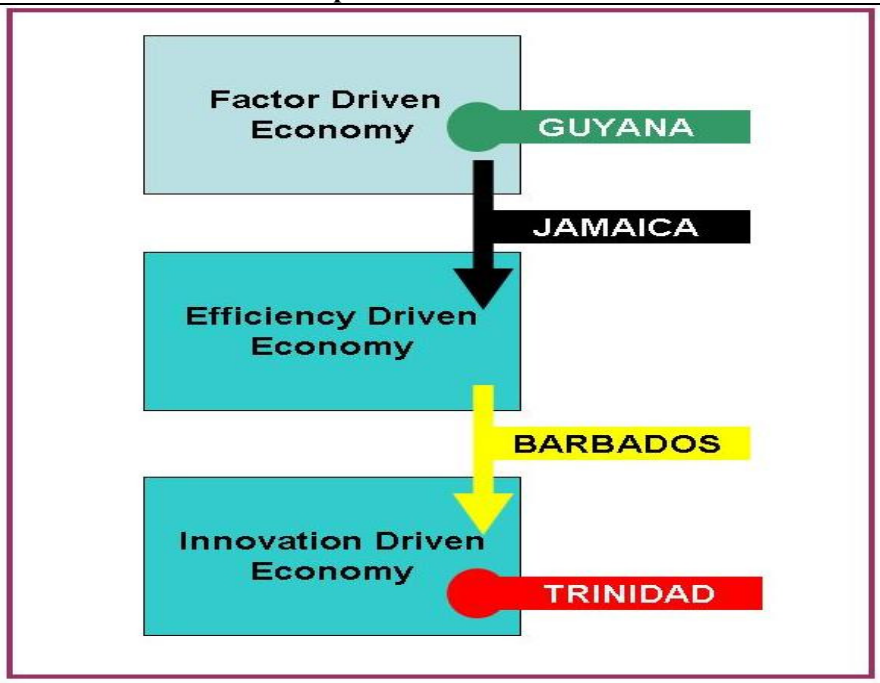
This list is a far cry from the apparent limited six major policy areas put forward by Lundström and Stevenson (2007) and discussed earlier, however it must be noted that Hoffman (2007) was referring to micro-level approach *specifically for Denmark* whereas, they were utilizing a macro level approach for OECD countries.

Lundström and Stevenson (2007) admitted that whether or not the 'holistic' approach is the 'best' approach is till up for examination as in 2004, only 4 out of the examined 13 governments had adopted it, notably United Kingdom, the Netherlands, Finland and Denmark. They acknowledge that *Ep* are difficult to conceptualize and can be "complex and messy".

6. CARIBBEAN ANALYSIS

According to the World Bank (2009) ranking of countries based on its (World Bank) perception of the nation's economy, two (2) examples of *High Income* Caribbean nations are given being Barbados and Trinidad & Tobago, whereas two (2) examples of Upper Middle Income Caribbean nations are listed as Jamaica and Suriname. Guyana is listed as an example of a Caribbean *Lower Middle Income* nation.

Figure 6.1 – Caribbean Economic Development



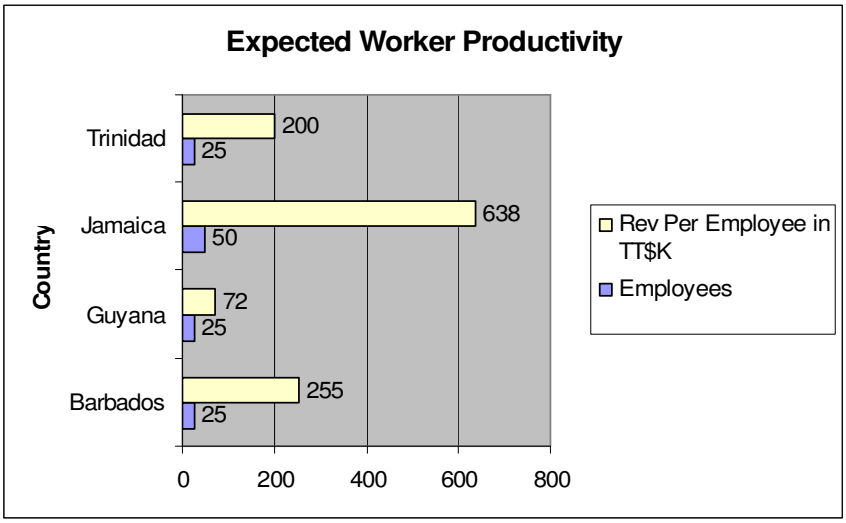
Adapted from: Downes, A. (2009) A Caribbean Perspective on the Global Competitiveness Index and Report, Ideas Forum, Arthur Lok Jack School of Business, UWI, St Augustine, October 7, 2009

Downes (2009) in referring to the Caribbean region says "Business sophistication and innovation were also poorly performing pillars for the region, along with labor and goods market efficiency"[3]. He referred to the various economy rankings that were given to four Caribbean nations (as displayed in Figure 6.1.) in the Global Competitiveness Index and Report of 2009, in which Trinidad was seen to be considered an innovation driven economy, whereas Barbados was seen to be in transition mode from *an efficiency economy to an innovation-driven economy*.

It is acknowledged that a company's ability to access funding is highly dependent on where it chooses to start-up its business, albeit it entrepreneurial or simply a small business. If we look at Figure 6.2, the resultant impact on the variety of business definitions is that if an individual were to start-up a small business in Jamaica, he would be allowed the ability to achieve a revenue per employee ratio of *TT$ 638K* before he would lose access to a variety of loans and facilities available to small business owners; i.e. *he is allowed to achieve a revenue per employee ratio that is thrice that he would have been allowed if he had started such a business in a Caribbean nation such as Trinidad & Tobago.*

This can be deduced to have an impact on the growth possibilities of small businesses in the Caribbean which can be highly affected based purely on which Caribbean country the budding small-business owner chooses to stat-up his business.

Figure 6.2 Expected Worker Productivity



Adapted from: Table 3.1 – Small Business Classification Around the World.

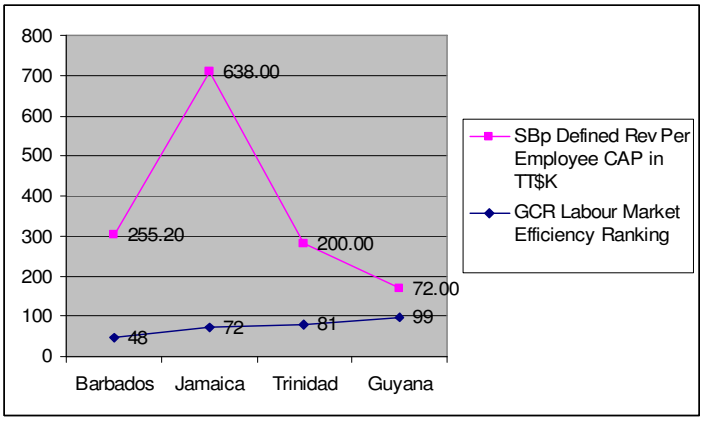
Accessibility for Guyana small-business owners to government-provided funds for small-business thus appears to place them at a great disadvantage to their Caribbean counterparts and thus fellow Caribbean entrepreneurs as in the Caribbean, there is rarely a distinction between small business and entrepreneurship, like what *may* be found in more developed countries.

Leibenstein (1995) postulated that for a country to increase its per capita income, it must have a "shift from less productive to more productive techniques per worker". The diagram above appears to imply that of the four Caribbean countries, *Jamaica* expects its workers to be the most productive. This appears to *contradict* the reported findings revealed in the measure of labour market efficient in the

[3] *Business sophistication* and *innovation* the factors identified by Porter and Schwab (2008) identified as key for an innovation-driven economy.

Global Competitiveness Report (2009) as displayed below In Figure 6.3, which appears to indicate that Barbados has the best ranking of the same four Caribbean countries based on Labour Market Efficiency, but interestingly does not appear to expect its small businesses to be as efficient as Jamaica expects its small business to perform.

Figure 6.3 Comparing Labor market Efficiency Rankings with *SBp* in Caribbean Countries



Adapted from: Global Competitiveness Report (2009) and Table 3.1 – Small Business Classification Around the World.

If we simply took two of the policy areas proposed by Lundstrom, and Stevenson (2007) and examined its evidence in Trinidad & Tobago as represented in Table 6.1, it is obvious that this 'innovation-driven' economy still has some road to travel.

Table 6.1 Examination of two of the policy areas/measures in Trinidad & Tobago

Policy area	**Policy measures**	**Evidenced in Trinidad & Tobago***
Entrepreneurship promotion	Award programmes	Recently initiated (*main focus has been on Small Business*)
	Profiling role-models	Recently initiated
	Mass media activities	Partially
	Entrepreneurship events	Not significant
Entrepreneurship education	Entrepreneurship adopted in National Curriculum Guidelines	No
	Development of entrepreneurship-related curriculum for integration into levels of the formal education system	No
	Train teachers how to teach entrepreneurship	Recently initiated
	Support youth entrepreneurship and student venture activities	Yes
	Support business plan competitions and awards	Recently initiated
	Fund incubators and seed capital programmes	Partially

Adapted from: Lundström, A. and L. Stevenson, (2007) Dressing the emperor: the fabric of entrepreneurship policy, in Audretsch, D; Grilo, I & Thurik, A.R. (eds.) *Handbook of Research on Entrepreneurship Policy*, Cheltenham, UK and Northampton, MA, US: Edward Elgar Publishing Limited. Pg 109.
**Based on authors' perceptions.*

Also in the Caribbean many of the government-appointed agencies *appear* to consider *small business* and *entrepreneurship* as <u>one and the same</u>, for example:

- **Trinidad and Tobago**
  - Ministry of Labour and Small and Micro Enterprise Development (MLSMED) states on its official website www.labour.gov.tt "The mission for the small and micro enterprise (SME) sector is the establishment of 5,000 new small and micro enterprises per annum, the enhancement of their success/survival ratio and the stimulation of e*ntrepreneurship* within the country".
  - MLSMED declared January 2010 as Small Business Month and hosted [along with the National Entrepreneurship Development Company (NEDCO)] a series of seminars, consultations and workshops culminating with an award ceremony[4] on January 30th 2010. Amongst the awards were *Most Outstanding Social Entrepreneur* and *Most Innovative Business* (restricted to micro/small businesses. Awardees were selected from available nominees, who were either nominated by NEDCO or self-nominated.

7. CONCLUSIONS

> Entrepreneurship may be defined as the visualisation and realisation of new ideas by insightful individuals, who are able to use information and mobilise resources to implement their visions (Opoku, 2004)

The majority of literature related to entrepreneurship has focused mainly on various theories of it, as well as its various determinants and possible impacts on various aspects of society, but we have not been able to locate a significant level of work that has been done by policy analysts to analyze and compare the variety of entrepreneurship measures.

Studies which have attempted to examine the long-run relationships between economic variables and economic development have ignored greatly entrepreneurship (Van Praag & Versloot, 2007; Bleaney and Nishiyama, 2002). This clear absence of a definite long-run relationship between entrepreneurship and economic development makes the alleged *importance of entrepreneurship* in the academic debate somewhat vulnerable (Erken et al., 2008)

Entrepreneurship is difficult to measure empirically due to lack of clear definitions and thus the actual development of tools by which the success or failure of Ep becomes increasing difficult. Second, as we have seen from the discussion above, 'entrepreneurship is characterized by uncertainty and typically occurs in the presence of imperfect information, unknown production functions, and market failure' (Burnett, 2000).

Building an entrepreneurship society involves everyone (Opokuy, 2004). Davis, Haltiwanger and Schuh (1996) argue persuasively that "conventional wisdom about the job creating powers of small businesses rests on statistical fallacies and misleading interpretations of the data"

> "It is true that small businesses create jobs in disproportionate numbers. That is gross job creation rates are substantially higher for smaller plants and firms. But because gross job destruction rates are also substantially higher for smaller plants and firms, they destroy jobs in disproportionate numbers. We found no strong systematic relationship between employer size and net job growth rates….Finally, and in contrast to the lack of a clear-cut relationship between employer size and job growth,…(we found)..clear evidence that large employers offer greater job durability" (1996, p.170).

[4] Ms. Baptiste-Cornelis was selected as chief judge and hence it allowed the authors a first-hand view of the decision process that existed inside the ministry as well as insight to the perceptions of small business owners in the national community.

The basic foundations for the development of entrepreneurship policy reside in the extent to which entrepreneurial motivation, opportunity and skills exist in a society or economy (Lundström and Stevenson, 2007, Stevenson & Lundström, 2001; Lundström and Stevenson, 2002). This was seen in Figure 3.1., which displayed the conceptual model on the varying contributors to entrepreneurial activity. As such, before policy makers can increase the supply of entrepreneurship, it is necessary for them to understand what factors affect the supply of entrepreneurs (Burnett, 2000).

Development of an appropriate entrepreneurial policy for Small Developing States is highly dependent on utilization of proper metrics upon which these policies will be soundly based. This would allow proper analysis related specifically to the Caribbean. Different types and phases of entrepreneurship reportedly will show varying impact on economic growth based on variety of circumstances, including geographical location (Stenberg and Wennekers, 2005).

Literature on studies based purely on OECD countries (*which the majority of studies appear to be using as basis for investigations*) identify a significant number of countries that have devised and utilized a verity of measures of entrepreneurship and its determinants, however research has revealed 'a lack of detailed data for international comparisons and analysis' (OECD, 2006 p. 28).

The Caribbean should **adopt one Caribbean standard in regards to what constitutes small business**, thus providing more opportunity for growth, without loss of governmental assistance as the varying current small business definitions seemed design to enforce, this inconsistency is more highlighted in expected worker productivity as well as the small business annual revenue CAP placed on companies in the various nations. JAMAICA –**TT$31.9 M /** BARBADOS –**TT$6.38 M /** TRINIDAD & TOBAGO - **TT$5M /** GUYANA – **TT$1.8 M**

Also the categorization of the various Caribbean countries as *efficiency-driven* or *innovation-driven* economies, begs for further research; as an informal poll of various economists, revealed that many were confounded with the definition of Trinidad & Tobago as an innovation-driven economy, as the expectations for such economies was that the focus would lie more on dynamics and stimulating new products and markets AFTER such economy having achieved the focus of efficiency driven economies which was summarizes as the nurturing of economies of scale to attract more growth and technology-oriented entrepreneurs, thus creating more employment opportunities (Bosma & Levie, 2009).

As Bosma et al. (2002) said "The road to an entrepreneurial society is a long one." Hopefully if all metrics are gathered we can begin to explore if indeed Entrepreneurship is indeed a function of available entrepreneurship policies as well as existing entrepreneurs, i.e. as the authors postulate E= F(*Ep*) + F(e) then the scholar disconnection alluded to by Audretsch et al.(2007) upon which policy makers look towards entrepreneurship to deliver economic prosperity and security with the intellectual foundation from which to understand, devise and implement policy, will no longer exist.

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