

An Entrepreneurship Development Policy Approach for Trinidad and Tobago

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Abstract

This paper proposes five Entrepreneurship Policy approaches for the Developing Country of Trinidad and Tobago. While the importance of entrepreneurship in creating economic growth, reducing poverty and supporting national development is recognized, little attention has been paid to the process of understanding what factors can be leveraged to define the scope of Entrepreneurship Policies.

This paper reviews the dynamics of designing an appropriate Entrepreneurship Policy within the Developing Country context and suggests policy approaches in the areas of expanding the base of entrepreneurs by niche initiatives targeting women, creating entrepreneurial teams and networks, establishing sustainable Private and Public Sector Partnerships, implementing Entrepreneurship Education Programmes all within a framework that is holistic and engages the business eco-system of Trinidad and Tobago.

The outcome of these interventions is envisioned to be a thriving and sustainable small business enterprise sector capable of engaging local human and natural resources whilst contributing towards national development.

Keywords: Entrepreneurship Policy, Private Public Sector Partnerships, Policy Design, Caribbean Development.

1. Introduction

There has been a recent interest in academic research to suggest there is a tangible linkage between entrepreneurship development and socio-economic growth. For example, according to McDonald (2005) the role of entrepreneurship as a vehicle for national development, generating employment and creating wealth has gained international acceptance. He further suggests that entrepreneurship expansion has been given a priority within the context of the Third World Strategy to foster socio-economic development. This position has also been augmented by the studies of Naude (2010) who has postulated that entrepreneurs play an essential role in driving the structural transformation from a low-income, traditional economy to a modern economy by creating new firms outside the household, absorbing surplus labour from the traditional sector, supplying original inputs to final-goods producing firms, enabling increased specialization in manufacturing and increasing employment in the modern and traditional sectors.

What appears to be missing is a field of concentrated research that explores the entrepreneurial development phenomena within the Caribbean context and more specifically the island of Trinidad and Tobago. While it is important to acknowledge and understand the strands of research streams from the First World consciousness, there needs to be supplementary and original research studies that will seek to expand the field of entrepreneurship development and contribute to entrepreneurship policy models that are aligned with the Caribbean and Trinidad and Tobago business enterprise system which can serve to strengthen academic awareness in this area.

In this context this paper examines the critical issues surrounding the theoretical framework of entrepreneurship within the developing country context and recommends possible approaches on entrepreneurship policies.

2. Entrepreneurship Policy and The Developing Country Context

Entrepreneurship is regarded as a significant factor in job creation and economic growth because it increases productivity levels and contributes to the development of business enterprises and utilization of national resources. However, entrepreneurship is not always aggressively promoted in all developing countries with robust policy initiatives. A proactive role of governments in supporting entrepreneurship is therefore justified and it requires a systemic approach to yield maximum benefits.

What is entrepreneurship policy? Stevenson and Lundstrom (2005) define Entrepreneurship Policy as:

- Policy Measures taken to stimulate entrepreneurship
- Aimed at the pre-start-up, start-up and early post start-up phases of the entrepreneurial process
- Designed and delivered to address the areas of Motivation, Opportunity and Skills
- Developed with the primary objective of encouraging more people to consider entrepreneurship to move into the nascent stage and proceed into start-up and early phases of a business

They also further suggested that nine (9) factors have an influence on Entrepreneurial activity – Profits, Barriers to Entry, Industry Concentration, Competence, Education, Existence 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. In the Caribbean, the words ‘entrepreneurship’ and ‘small and micro enterprises’ are used interchangeably without any accurate distinction being made by speakers on their many platforms – governmental, academic and business. This intermixing can 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 within the Caribbean can be correlated to the perspective 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.

Caribbean governments have tried to develop entrepreneurship with programs and policies which generally provide education and training, as well as easier access to venture capital. Such programs have had different levels of success due to factors such as the indigenous entrepreneurs limited entrepreneurial education and training, attitudes and perceptions, as well as the government's questionable ability to implement and administer some programs in an effective manner. (Neblett and Green, 2002). Lingelbach, Vina and Asel (2005) have also contended that Entrepreneurship in developing countries such as the Caribbean is distinctive from that practiced in more developed countries. They also cite the work of (Landes 1998) who suggested that the wealth and poverty of developing countries has been linked in modern times to the entrepreneurial nature of their economies. Where it has existed in plenty, entrepreneurship has played an important role in economic growth, innovation, and competitiveness and it may also play a role over time in poverty alleviation. Yet, entrepreneurship in developing countries is arguably the least studied significant economic and social phenomenon in the world today.

Lingelbach, Vina and Asel (2005) also explored the differences between entrepreneurs in the developed and developing nations with a specific focus in the areas of opportunity and access to financial resources and have suggested that Entrepreneurs in developing countries face a different set of circumstances than their counterparts in developed economies. These differences are rooted in the underlying economies in which they operate. Emerging markets lack a stability of mature markets and the consistency that such markets offer. While Western entrepreneurs operate at the fringes of the economy, emerging market entrepreneurs operate closer to the core – the needs and opportunities are more widespread. With respect to financial resources while entrepreneurial opportunities are broader and resultant strategies are naturally self-hedging in developing countries, limited personal and family savings and an absence of financial innovation severely limits the growth prospects of promising start-ups in developing countries. According to the Organization of American States Assessment Report (2007), Entrepreneurship in developing countries is the most understudied important global economic phenomenon today.

The main issues of this phenomenon as suggested by the authors of the report are as follows:

- A refocus on new and growth-oriented firms - most of the specialist research in this field concentrates on microenterprises and low-growth lifestyle businesses, yet these firms do not contribute in a meaningful way to the sustainable economic growth needed to reduce poverty in developing countries.
- Dynamics of firm creation and destruction - while snapshots of entrepreneurial sectors in certain developing countries are being developed there is no clear picture, of the dynamics of these sectors. For example, how many firms are created, and how many are dying? What are the drivers of firm creation and destruction in developing countries?
- The personal finance linkage to new firm formation - little is understood about the personal finances of current and nascent entrepreneurs in developing countries. Personal savings rates and intra-familial financial linkages seem to be critical areas for empirical research, given that access to finance continues to be cited as an important barrier to new firm formation.
- Models of success - There is a lack of rigorous studies focused on successful entrepreneurs in developing countries.
- Financial innovation - how can one design markets for entrepreneurial finance in developing countries?
- Applying behavioral economics and finance to entrepreneurship in developing countries - how do the myriad cognitive biases identified by behavioral economics and finance vary for entrepreneurs in developing countries?

As the field of study grows, it is expected that these issues will become primary areas of concentration. It will be interesting to note if these core issues are reflected in the practical embedded entrepreneurial experiences of the Caribbean.

3. Complexity in Developing Appropriate Entrepreneurship Policies

Studies undertaken by Lichtenstein et al. (2006) postulated that in order to understand the value of entrepreneurs and entrepreneurial efforts by governments and their associated policies would entail an evolved understanding of entrepreneurship. He put forward the simplest theoretical form that can be applied -entrepreneurs cause entrepreneurship, i.e. $E = f(e)$, implying entrepreneurship is a function of the entrepreneur. SME polices (hereafter referred to by the author 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 author as *Ep*) should have a greater focus and would not be constrained by size or revenue of the business.

Stevenson and Lundstrom (2005,) are 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 have suggested that two significant criteria must also be established in a robust entrepreneurship development framework. The first criterion of *Ep* is 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) are 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).

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 of entrepreneurship. This lack of agency-level responsibility for entrepreneurship fails to protect the issues of entrepreneurs whilst those of small-business see institutions becoming highly territorial.

4.A Proposed Model for Entrepreneurship Policy For Trinidad and Tobago

As a result of the previous analysis it is clear that “one size does not fit all.” with respect to the development of entrepreneurship policies. According to (Wagner & Sternberg, 2004) entrepreneurship policy strategies need to be tailored to the specific institutional context of each economic region or country. With respect to Trinidad and Tobago an Entrepreneurship Policy Model should focus on five (5) fundamental approaches as follows :

A. Broaden the Social and Gender Bases to Support Entrepreneurship

Access to opportunities for entrepreneurs have to be made more equitable in order to increase the sources of economic wealth, increase the number of dynamic entrepreneurs, and enhance routes to social mobility. Hence, special emphasis should be placed on supporting and promoting those “at risk” or in the social enclaves who want to start their first business. With respect to women involvement in entrepreneurial activity Swartz (2002) has suggested that there is a trend of increasing women entrepreneurs within the Caribbean Region. Naude (2010) also indicated that in developing countries the majority of entrepreneurs are female. A cursory examination of what Lunstrom (2005) term the niche entrepreneurship policy reveals that there are numerous programmes that specifically target the female entrepreneur - incubator, training, access to finance etc. However, within the Caribbean and Trinidad and Tobago context there is limited application of this niche policy initiative and this suggested policy approach can address a critical gap in this area. Further research in this approach can include an examination of the specific needs of female entrepreneurs in the Caribbean and Trinidad and Tobago to design a menu of entrepreneurship policy initiatives.

B. Develop Entrepreneurship Education Programmes to Increase Entrepreneurial Capacity

The Global Entrepreneurship Monitor Report (2010) defines Entrepreneurship education as the building of knowledge and skills either “about” or “for the purpose of” entrepreneurship generally, as part of recognized education programs at primary, secondary or tertiary-level educational institutions. An all-embracing body of research has critically examined outcomes of entrepreneurship education. Several studies have found higher start-up rates or entrepreneurial intentions of individuals who had taken entrepreneurship classes and where Entrepreneurs rated such courses as having a high impact on their subsequent venturing decision (Charney and Lidecap, 2002; Menzies and Paradi, 2003; Clouse, 1990). In Trinidad and Tobago, entrepreneurship education is not part of the curriculum at the primary school level and exists on a very limited scale at the secondary school level. According to the European Commission (2012) students who went through entrepreneurial programmes and activities display more entrepreneurial attitudes and intentions, get a job earlier after finishing their studies, can innovate more even as employees in a firm, and start more companies. There is therefore need to stimulate the entrepreneurial mind-set of young people and to create a more favourable societal climate for entrepreneurship. In addition, the findings from the Global Entrepreneurship Monitor (GEM) National Report Trinidad & Tobago (2010) indicate that there is the need for a shift to needs/competencies based training and education for the promotion of entrepreneurship and business creation within Trinidad and Tobago. The GEM National Report on Trinidad and Tobago (2010) further advocates that there needs to be a change from a generic approach and recommends that entrepreneurial education and training programmes must:

1. Have specific industry problem-solving orientation;
2. Be structured in such a way that all participants must identify and assess an investment opportunity/need;
3. Institute a system of rewards for creativity and innovativeness among technical and vocational students.

This approach will lead to the design and delivery of programmes which is more experiential, stressing more doing, and giving the participants the opportunity to actually develop and start a business within the security of a learning programme (institution). It will bridge theory and practice and be much more useful for business start-up. The integration of diverse entrepreneurial education channels is therefore an essential policy approach in Trinidad and Tobago.

C. Support a Public Private Sector Partnership Approach in Public Procurement

The rationale and process for this approach arises from the increasing trend of Public Private Sector Partnerships (PPPs) in diverse spheres of engagement.

Loxley (2007) has suggested that the trend of PPPs will increase dramatically as public sector cost increases and the private sector begins to fully appreciate the benefits of this type of cooperation. The OECD (2011) also recommends that a review of procurement policies of the public sector in order to open up the possibility of more small firms tendering to supply goods and services. What this approach suggests is that as part of a public sector entrepreneurship policy objective, deliberate strategies should be employed to expand business opportunities to SMEs/entrepreneurs via a central subcontracting policy to include SMEs in selected PPPs. To achieve this, specific strategies should include the promotion of creativity, subcontracting on major projects, technology transfer, competitive import substitution and local research and development efforts that are linked to the sector. In addition, the private and public sector can play a role in defining collaborative projects and make the necessary linkages to allow for the input of the local enterprise sector. Further research can be undertaken to develop an entrepreneurial based PPP system/model that will allow for the expansion of and increased quality of business opportunities for the Small Business Sector sector in Trinidad and Tobago.

D. Foster the Development of National Entrepreneur Teams and Networks

The creation of dynamic enterprises requires a level of group effort. In addition, a team of entrepreneurs with complimentary specialized skills, a network of contacts/social resources is needed to complement the knowledge, skills, and resources of new entrepreneurs. Networking plays a critical role throughout the entrepreneurial process in identifying the business opportunity, accessing technology and resources, and managing the company during its early years. The social strategy can be infused in entrepreneurship development policies by focusing on the promotion of entrepreneur teams that forms the basis of networking communities. Misner (2010) has suggested that networking can play a crucial role in generating new businesses and is a solid foundation for a business enterprise. Similarly the work of Rauch and Watson (2006) emphasises the importance of clustering and bridging in spawning successful entrepreneurship within national communities.

Chell E. and Baines S (2000) also confirm that a high proportion of entrepreneurs use their trading contacts as sources of useful additional information and they use "weak ties" for purposes such as recruitment. The research undertaken by Martiz (2010) places emphasis on entrepreneurial networking and connecting within a common space as a source for creative solutions and competitive advantage. Martiz (2010) also contends that the role of social interactions and networking has been investigated increasingly in recent years as a useful resource in the form of cooperative behaviour that is engendered by the fabric of social relationships. This concept has been applied to solve many problems in societies since its appearance in the literature, with applications such as education entrepreneurship development, public health, economic development, community life, youth behaviour problems and general problems of collective actions. To take this aspect of the approach further, research can be undertaken to devise a mechanism to measure and evaluate the success of entrepreneurial networking and business enterprise productivity in Trinidad and Tobago.

E. Adopt a Systematic Methodology based on Complementary Needs

A comprehensive strategy for supporting entrepreneurship must be devised with strong levels of coordination between the programmes comprising it and between the different agencies and institutions involved in carrying it out. The strategy should be articulated and linked with educational, innovation, tax and production development policies. The importance of such an approach is suggested by Steinberg (2010) who argued that an entrepreneurship development framework needs to be supported by government policy initiatives and private sector collaboration. He further states that research should be done within business development niche areas/sectors to investigate the needs of business enterprises and communicate the needs to government in order to design targeted intervention strategies. Coordination and coherence are essential in order to achieve a positive impact, to benefit from the synergies of these policies, across ministries, in partnership with the private sector and other civil society stakeholders, including academia, NGOs, and community organizations. In an effective entrepreneurial ecosystem, multiple stakeholders contribute to facilitate entrepreneurship. It is a system of mutually beneficial and self-sustaining relationships involving institutions, people and processes that work together with the goal of creating entrepreneurial and innovative ventures. Promoting entrepreneurship should be conceived as a long-term strategy and entrepreneurs must be socially valued as "strategic human resources." Hence, fostering the emergence of dynamic entrepreneurs ought to be regarded as a long-term social investment. There must be efforts to engage all relevant stakeholders in the process in order to encourage buy-in and consistency in efforts.

Recent research work by the OECD (2011) also indicates that a clear and mutually agreed strategy for entrepreneurship needs to incorporate the aspirations and co-operation of key stakeholders. The development of any policy /strategy should be the product of public debate, deliberation and consensus building amongst relevant local institutions, as well as consultation amongst relevant communities, and seek to develop a comprehensive approach in enhancing entrepreneurial activity. Further research in this area can include the development of a collaborative model/structure to facilitate the implementation of an integrated approach to entrepreneurship development policy.

5. Conclusion

The successful implementation of an Entrepreneurship Policy can result in economic transformation and wealth generation. However, policies should be aligned with the gaps in the localized business enterprise eco-system and should be broad and varied in scope. The five suggested approaches and points of consideration for Trinidad and Tobago provide a distinctive menu of initiatives that can be developed for the national benefit and allow for a diversity of intervention ranging from niche policies, public and private sector partnerships, Entrepreneurial Networking and Entrepreneurship Education. The proposed approaches in this paper are critical for the Government of Trinidad and Tobago to develop sustainable business enterprises and entrepreneurs.

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