

Module 9 Entrepreneurship

Unit 9.1 Entrepreneurship for Development

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Rationale

A considerable section of the employment base in the Caribbean is provided by small business and entrepreneurial activity, particularly as it applies to self-employment. Many of the trainees that are within your care will leave you with skills that will enable them to become self-employed or develop small businesses together with like-minded colleagues.

While many Governments actively encourage this development by recognition of this sector of the economic base, and with the provision of loans, there is little training offered that would impact on the success of these initiatives. A high percent of new entrepreneurial activities fail, not because there is no demand for the product or service, but through lack of knowledge of sound business practise.

But those of you who have a mandate to provide the training in the skill and knowledge level of the occupation area, also have an opportunity to impart some knowledge of the requirements of successful business practise to your students. Although this may not be part of their curriculum at the present time, if you yourself are equipped with the knowledge, you will be in position to offer them valuable guidance, even if it is in an informal manner.

The units within this module are designed to provide you with a general understanding of entrepreneurship, so that you will be better equipped to offer guidance and advice to your trainees.

Introduction

About this unit

Welcome to the first in the series of units on Entrepreneurship.

In this unit you will focus on the concept of ***Entrepreneurship***, the forces that impact upon it and how it affects the economic development of a country.

The unit consists of three (3) sections. Section 1 discusses the concept of entrepreneurship and provides a generic definition of the concept as well as outlines some change agents that determine the extent to which people are entrepreneurial. Section 2 discusses the impact of entrepreneurship on economic development, and Section 3 examines forces that impact on entrepreneurial activity.

How to use this manual

In addition to the information on the nature of entrepreneurship and the impelling forces, the unit includes some activities as well as three assignments.

The activities will not be considered as a part of your final assessment. Their purpose is to help you to check your progress as you go through the unit.

Answers to these activities are provided at the end of the unit, so that you can check your work at the end of each.

An assignment appears at the end of each section. These are to be completed and submitted to your tutor.

Please note: Your assessment for these assignments will determine if you have achieved the required competency for the unit.

How you will be assessed

You will be assessed on three assignments, which will be graded as follows:

Assignment 1:	30%
Assignment 2:	30%
Assignment 3:	40%

Please note: Each assignment is to be completed and submitted to your tutor.

These assignments will require research on your part, and will be presented as written reports. Contact your tutor regarding the time allowed for completing and submitting these assignments.

Finding your way

As you work through the unit, you will see symbols ('icons') in the left margin of some pages. These 'icons' will guide you through the text.



Read



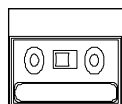
Important- take note!



Activity



Assessment task



Listen to Audio Tape



Competency

The competency for each unit is expressed as a number of **learning outcomes and assessment criteria**.

Assessment criteria specify what you must be able to do to show you have gained the knowledge and skills needed to achieve each learning outcome.

Each unit has its own assessment criteria specified. Recognition of prior learning is encouraged. If you feel confident that you have the necessary level of competence to successfully complete the elements shown below, you may be able to take the assessment without studying the unit.

Learning outcomes

On completion of this unit you will be able to:

- Explain the nature of entrepreneurship
- Outline the change agents which drive entrepreneurship
- Discuss the impact of entrepreneurship on economic development
- Discuss forces which impact on entrepreneurship activities

Assessment criteria

- Explain in no more than 150 words, the concept of entrepreneurship and how social and economic forces can impact upon it.
- Describe, in accordance with given information, the impact of entrepreneurial activity on employment generation and economic development in the formal sector.
- Describe, in accordance with given information, the impact of entrepreneurial activity on employment generation and economic development in the informal sector.
- Identify, in accordance with given information, the conditions necessary for the development of small businesses.

Other resources you may find useful

You will be required to explore other learning resources to augment the material in this module. Other important sources of information may be found in your local Library or resource centres of your local:

- Chamber of Commerce
- Small Businesses' Association (SBA)
- Industrial Development Corporation (IDC)
- Manufacturers' Association
- Exporters' Association
- National Development Foundation (NDF)
- equivalent organisation

Section 1



Entrepreneurship

Definition

Entrepreneurship refers to the variety of activities that lead to the creation of new value, wealth, commercial enterprises and profits.

In a more generic sense, entrepreneurship can be defined as that driving force that causes people to see and act on opportunities. This invariably means that persons who are entrepreneurial are able to gather the resources necessary for taking advantage of these opportunities and are willing to initiate appropriate action to ensure success.

To a large extent, entrepreneurship is influenced by change. The generation of ideas by entrepreneurs and their willingness to take calculated risks to implement these ideas against all odds is quite often a response to changes they have observed. For instance, entrepreneurs in the Caribbean have responded to changes in people's eating habits by launching 'health food' stores and vegetarian restaurants.

Entrepreneurs could also be described as agents of change, since by not merely generating the idea, but by taking the necessary steps to implement these ideas, they often bring about new products or new ways of doing things.

It is important to note, however, that entrepreneurship does not always manifest itself in new or unique products and services, but also in the generation and implementation of ideas that lead to improvements in products and services as well as the way we perform our jobs. For instance, when Bill Gates introduced Windows '95 to his customers he was being entrepreneurial, similarly, the many instances of persons in the Caribbean who implement new ways of designing and packaging their products resulting in increased demand, are examples of entrepreneurship in action.

Entrepreneurship has been with us ever since people realised that in order to survive there has to be exchange of goods and services. This exchange brought about the transfer of value and the creation of wealth. Many individuals saw the opportunity and need to establish enterprises in an effort to provide for the needs of others while generating income for themselves. This thinking has fostered the 'spirit of entrepreneurship'.

The concept of entrepreneurship in the Caribbean took on new meaning in the 1980's when governments, international funding agencies and local support agencies began to recognise that in order for businesses to succeed, it was not enough to provide business operators with capital but that it was also important to provide them with training in business management. Later, a number of these bodies also realised that whereas business management training focuses on technical activities such as preparing business plans (including market planning, cashflow planning, analysis of financial data and legal matters), it was equally important to expose business operators to the *soft skills* which enable individuals to launch and manage a successful enterprise. These soft skills include the ability to think creatively, to lead effectively, to inspire teams (employees) for greater performance, a propensity to take risk and the ability to solve problems. In essence, recognition was given to the need for entrepreneurship training. This awareness led to the launching of training programmes that include elements of entrepreneurship as well as **enterprise development** for persons contemplating business as well as those already in business. Today, these programmes have continued to expand throughout the region as more Caribbean governments and agencies become aware of the need for this focus.

Entrepreneurs as Agents of Change

To say that entrepreneurs are agents for change is an understatement. How else do we explain the great innovations of our time? The computer is but one of such inventions. An increasing variety of software is being developed to facilitate greater productivity and an easier way of carrying out tasks that would have been otherwise laborious and time consuming. Communication through the Internet, for instance, is allowing companies to advertise their products and services globally, while others are able to make speedy purchases. The revolution taking place in the toy industry is also a sign of entrepreneurship at work. Here in the Caribbean, entrepreneurs have brought improvements to our hospitality and tourism sector through the introduction of eco-tourism, all-inclusive accommodations and various forms of entertainment. Other entrepreneurs have engineered changes in the way we do things. An example of this is the solar water heater, which started as a small project in Barbados and is now widely used in other parts of the Caribbean. The solar water heater is a great energy-saving device so its increasing usage holds special significance in our effort to conserve energy and save vital foreign exchange.

Driven by an idea, the challenge of doing something different and undaunted by the risk of not succeeding, entrepreneurs have been able to find answers to problems and new and better ways of doing things. In so doing they have introduced new methods as well as new and improved products and services. In our society, entrepreneurs are agents of change, which keep the wheels of industry turning.



Activity 1 Check your progress

Outline your impression of entrepreneurship and the concept of the entrepreneur as a change agent. Can you think of other examples of entrepreneurship in your country?



Business Ideas and Business Opportunities

We have defined entrepreneurship as the ability to see and act on opportunities. However, entrepreneurs must first generate ideas before saying these opportunities. We have defined entrepreneurship as the ability to see and act on opportunities. However, entrepreneurs must first generate ideas before seizing these opportunities. For example, consider the success of Gordon (Butch) Stewart, owner of a chain of hotels in Jamaica and the Easter Caribbean.

This entrepreneur started his first enterprise selling small appliances on a door-to-door basis. Through a visionary idea, creativity and willingness to take risks, he saw and acted on opportunities, which gave rise to the Sandals Resorts chain of hotels in the Caribbean. We will now explore the difference between **ideas** and **opportunities**.

The Oxford dictionary defines an idea as a mental impression, or vague belief or fancy. It could also be defined as a notion, and it is therefore logical to conclude that an idea does not necessarily represent a possibility or real potential. Similarly, a *business idea* is not necessarily 'workable' nor does it necessarily have the potential to be successful.

A *business opportunity*, on the other hand, is a business idea that has the potential to be viable. Viability is the degree to which an opportunity is practical or feasible. It can be determined against several criteria, but some general ones include:

Marketing: Is there a substantial market for the product/service? i.e. will people buy it?

Production: Will you have the capacity and technology to produce goods that will meet the requirements of the market and enable you to make a profit?

Financial: Will you get returns on your investment?

Individuals who believe that they could establish a food processing company specialising in canned meats for example, have merely conceived an idea. This idea represents an opportunity only when there is evidence that it has the potential to be viable. Research and evaluation are usually the means of determining viability.

Creative persons are usually able to generate a number of business ideas through methods such as brainstorming, observation of events and research. However, for any of these ideas to be successfully implemented, there has to be a market, available technology and capacity for producing the product or service. Finally, the returns on investment must be rewarding, allowing for levels of profit that can sustain the business activity.

*I was seldom able to see an opportunity
until it had ceased to be one.*

Mark Twain



Summary

- Entrepreneurship refers to the variety of activities that lead to the creation of wealth and value in our society. It is the ability to see and act on opportunities, with the entrepreneur being the actor, innovator, initiator and risk taker.
- Generally, when a business is launched it creates investment opportunities for other supplementary businesses including suppliers of raw material and retailers of finished products. Entrepreneurship therefore spawns entrepreneurship or has what is sometimes called the demonstration effect.
- Entrepreneurship does not always lead to the introduction of new products and services. It can also lead to improvements in existing products and services.
- Entrepreneurs can be regarded as agents of change. It is through their creativity, innovation and initiative that new products and services are developed, old products enhanced, and new and improved methods of doing things are born.
- Entrepreneurial activities begin with an idea. For this to be successfully implemented, it must be viable; meaning it must represent a business opportunity. Not all ideas are business opportunities. A business opportunity is a business idea which has the potential to be viable. Viability can be determined in terms of the existence of a sustainable market, capacity for the required levels of production and financial returns.



Assignment No. 9.1-1

Unit 9.1 Entrepreneurship for Development

You are now required to do the Assignment 9.1 – 1 that will be found at the end of this unit or distributed by your tutor.

Section 2



Entrepreneurship at the formal and informal levels

The formal and informal sectors

Formal Sector

The formal sector is basically comprised of enterprises which are registered under the laws of the country in which they operate. These could be registered as partnerships or limited liability companies. Generally these enterprises have membership in a formal secondary body such as the Chamber of Commerce and Manufacturers' Association. They also have greater access to funding, technical assistance and education.

Informal Sector

The informal sector is comprised of enterprises that generally operate as sole proprietorships. They may or may not have registered business names. They generally do not belong to any formal secondary business association. Due to poor socio economic background, they usually have limited access to funding and educational opportunities. These enterprises are often micro enterprises that usually operate for self-employment only. Where they provide employment for others, this is usually on a very small scale because their informal status does not allow them to operate on a larger scale. Examples of these enterprises include traders and artisans in areas such as wood products, sewn goods, small appliance repairs and handicraft items.

Enterprises operating in the formal sector on the other hand, tend to operate on a larger scale and therefore often move beyond self-employment to employ several people. Many are involved in garment manufacturing, technical service activities, equipment repairs, construction and retail trade.

It should be noted that entrepreneurs in both sectors contribute successfully to the welfare of the economy. However, whereas the contribution of the formal sector can usually be determined, it has proven difficult to measure the contribution of the informal sector. Consequently, its contribution is often overlooked. It is generally accepted, however, that both sectors contribute to employment and the general economic development of Caribbean economies.



Activity 2

Explain the nature of the formal business sector in the Caribbean and identify two examples of formal business activities in your country.

Explain the nature of the informal business sector in the Caribbean and identify two examples of informal business activities in your country.



More on the Informal Sector

Some characteristics of the informal sector, as described by the International Labour Organisation (ILO) are:

- easy entry
- use of locally produced resources
- family owned
- small-scale operations
- labour intensive
- skills developed outside of the formal education system
- unregulated operations

Examples of informal economic activities include:

Food production and vending (fresh agricultural produce; cooked food including barbecued meats, jerked chicken and black pudding; refreshments and confectioneries, beverages, ice cream, sweets, jams and jellies and pastries)

Clothing (fabric retailing; retailing of clothes, footwear, cosmetics and jewellery)

Services (car washing, gardening, appliances and motor vehicle repair, plumbing, carpentry)

It is important to note that informal activities do not always operate on a small scale. Some large-scale activities also exist in the informal sector. For example, some street vending or informal commercial activities as well as furniture manufacturers operate in the informal sector.

Informal activities operate locally, across national boundaries of the Caribbean and internationally, often in North America and, to a lesser extent, Europe.

Informal activities contribute to economic development in that they have often provided the opportunity for Governments and Policy Makers to provide services for greater economic development and improved standard of living. For instance, in 1990, the Guyanese Government legalised the black market for foreign exchange by permitting the operation of “cambios”. Jamaica later followed a similar path. In both instances operators being able to operate freely, created employment for others and contributed to the improvement of the foreign exchange system. In another instance, the Jamaican Government, recognising the major contribution of the “robot” (minibus) system in easing transportation problems, used this system as the basis for introducing a regulated bus system.

It has also been argued that during times of recession, when the formal sector shows signs of decline, the informal economy could actually be growing at a faster rate. This occurs because the latter is not regulated by the bureaucracy terms of taxation and other government regulations that reduce profit and sometimes productivity.

For Caribbean economies as a whole, the informal sector is an integral part of the economy, contributing to employment and economic development through the provision of products and services aimed at satisfying needs and wants.



Impact of Entrepreneurship on Economic Development

Economic development is manifested in variables such as the level of employment prevailing in a country, the quality and variety of goods available to the citizens and the general standard of living that prevails.

Impact of Entrepreneurial Activities on Economic Development

Statistics have shown that entrepreneurial activities contribute significantly to the development of an economy. While the absence of an efficient database sometimes makes it difficult to quantify the contribution of entrepreneurial activities to some Caribbean economies, there is no doubt that the economic contributions include the following:

- job creation
- increase in Gross Domestic Product (GDP) as distinct from Gross National Product (GNP)

- technology development and the use of local raw materials
- foreign exchange benefits and import substitution
- development and improvement of local industries

Job Creation

Countries in the Caribbean region have been grappling with the problem of employment for a number of years. Consequently, some governments have encouraged economic activities through policy positions designed to assist with the widening of the employment base as well as increase overall economic output. There is also the recognition that many unemployed persons have launched businesses as a last resort with the primary aim of creating their own sources of income. There is however no doubt that entrepreneurship has responded to the challenge of creating jobs.

In terms of the impact of the formal sector on job creation in Caribbean economies, surveys have indicated that the sector makes a significant contribution. The jobs created by tourism in the hospitality industry are indicative of this contribution. Governments and agencies have, however, not been able to quantify the contribution of the informal sector although estimates have been made.

The Caribbean Community Secretariat (CARICOM) has estimated that small-scale enterprises, variously defined, account for about 45% of the jobs created in the Caribbean. The Secretariat also estimates that in the area of agriculture, small-scale enterprises account for over 70% of the main export crops and an even higher proportion of domestic food crops.

In Jamaica, the Statistical Institute's (STATIN) labour force survey reported that exclusive of the owners, approximately 150,944 people were employed by the small business sector during 1992, and this accounted for 16% of total employment. According to the Green Paper, "Towards a National Industrial Policy", published by the Government of Jamaica in 1994, this figure had risen to 22.3% of the employed labour force.

Further analysis revealed that 63% of the number employed within the small and micro business sector were women. This holds special significance in the Jamaica context since unemployment among women has traditionally been at least one and a half times the rate for men. This imbalance is changing. It could be concluded that entrepreneurial activities have had a positive impact on employment in terms of the attempt to ensure gender balance, as well as addressing employment generally.

(Sources: CARICOM Secretarial Report STATIN, Labour Force Survey, 1975 - 1992)

With regards to employment generation in the informal sector, there is again very little data to indicate the actual impact in this area. It is worth noting, however, that entrepreneurial activities in the informal sector tend to operate on an “own account” basis, meaning that they tend to involve just the business operator. Where others are involved, the number does not usually exceed two (2) and very often these persons are family members. The informal sector therefore contributes to employment generation but in a less significant way than the formal sector.

Increase in Gross Domestic Product

The Gross Domestic Product (GDP) of a country refers to the total value of goods and services produced in that country over a given period, usually a year. The heightening of entrepreneurial activities (resulting in goods for which there is a demand) has a positive impact on a country's GDP. This occurs because when more goods and services are being produced, the monetary value of these goods and services will cause GDP to increase.

Technology Development and the use of Local Raw Materials

Since a significant number of small and micro business entrepreneurs are users of local raw materials, they foster the development of indigenous industries and the use of local technology. For instance, the technology of solar drying has been used to develop the local industry of food preservation. The solar drying of fruits is one example. Solar ovens are also being produced as an option to gas and electric ovens, while solar water heaters are becoming more popular. The result of this technology results in cost savings to the users and by extension to the growth of the economy as a whole.

Similarly, the use of local inputs in entrepreneurial activities could result in a reduction or elimination of certain items of import. This in turn results in foreign exchange savings. Industries that heavily utilise local inputs include the craft industry, which obtains close to 100% of its inputs from local sources, and the hospitality services, which use vegetables and other local fruits.

Foreign Exchange Benefits and Import Substitution

Entrepreneurial activities provide goods and services needed in both the domestic and foreign markets. However, although most of the output is consumed in the domestic market, the positive impact on the

foreign exchange situation is hardly reduced. This is so because exported goods and services earn foreign exchange, while production for the domestic market could result in foreign exchange savings. So in either situation, the country's foreign exchange situation is augmented since any increase in the level of entrepreneurial activity will have a positive effect on its foreign exchange portfolio. It is important to note, however, that the higher the import content of entrepreneurial output, the lower will be the net savings or earnings in foreign exchange. According to the CARICOM Secretariat, entrepreneurial activities in the area of agriculture account for over 70% of the main export crops. One only needs to analyse the positive impact of the well-developed local business activities in the area of natural juices in Barbados and Belize and it becomes obvious that local entrepreneurial activities can result in foreign exchange savings.

Import substitution refers to the situation where local raw material and manufactured goods are used in place of imported items. As stated previously, this practise results in foreign exchange savings.

There is also the consideration that goods and services produced locally can prevent or reduce the development of a market for those goods and services. The furniture industry, for example, is one in which a number of small and medium-sized businesses are involved. The industry has grown over the years by producing a large quantity of high quality goods using several varieties of local woods including pinewood, mahogany, cedar, guango, wicker and blue mahoe. The region is now a net exporter of furniture. It is one of the non-traditional areas that are steadily increasing its contribution to foreign exchange earnings. Full credit for this success must be given to entrepreneurs for their creativity and genius in this area of business.

Development and Improvement of Local Industries

The local skills of our entrepreneurs have significantly enhanced the development of domestic industries such as garment manufacture, poultry production, and machine repairs. Although these industries still have significant import contents, the fact that their activities are locally based, and to a great extent, labour intensive, their contribution to the economy has been positive.

There is now an increasing emphasis on the introduction of appropriate technologies in the Caribbean. It is anticipated that this trend will foster the development of local industries and result in new and exciting business opportunities for enterprising individuals.



Summary

- Statistics from various countries in the Caribbean have shown that entrepreneurial activities contribute to the development of these economies.
- Entrepreneurial activities often result in the employment of others. Through this creation of jobs, entrepreneurial activities contribute to an improvement in unemployment statistics. There are also situations where the use of indigenous raw materials and the use of appropriate technology result in the development of local industries. Foreign currency is earned when entrepreneurial activities lead to export and saved when goods are produced for the local market or when local materials are used in production.
- Overall, entrepreneurial activities result in the creation of wealth and value and therefore increase the Gross Domestic Product of a country and the general standard of living. As indicated, GDP is one of the variables used to measure economic growth.



Assignment No. 9.1-2

Unit 9.1 Entrepreneurship for Development

You are now required to do Assignment 9.1 – 2 that will be found at the end of this unit or distributed by your tutor.

Section 3



Forces which impact on entrepreneurship activities

The forces that impact on entrepreneurship have been discussed from several perspectives. In this section we will discuss these forces under two broad categories; *social* and *economic (including government policies)*.

Influences of social forces on entrepreneurship

As suggested earlier, entrepreneurship exists when there are individuals who see opportunities that are sometimes not apparent to others and take action to turn these into productive activities, therefore creating wealth for themselves and others. To do so, these individuals need to possess certain characteristics such as risk taking, persistence, goal-orientation and problem solving. These characteristics and traits are part of one's personality. Therefore, since it has been established through research that personality is influenced by the environment in which one is moulded, it is easy to understand that the extent to which people are entrepreneurial will also be influenced by their environment.

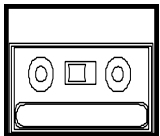
It has been established for instance, that a child is more likely to develop an entrepreneurial attitude when it is nurtured in an achievement-oriented and creative environment; is encouraged to set goals and to work towards them and is exposed to positive attitudes towards value and the creation of wealth.

The social structures in our society can foster the development of qualities such as independence, confidence, risk taking and an orientation towards hard work and can therefore play a positive role in supporting and sustaining entrepreneurship. Similarly, these structures could hinder or restrict entrepreneurship by unintentionally stifling creativity and problem solving and by creating an environment in which dependency is accepted and initiative is discouraged. Therefore, the social forces in our society that are largely responsible for moulding individuals can play a key role in the spawning of entrepreneurship.

In the Caribbean, some governments and educators, recognising the important role of education in the fostering of entrepreneurship, have taken steps to include entrepreneurship training in various educational programmes.

Across the region these include:

- An entrepreneurship course for trainees of the Human Employment and Resource Training (H.E.A.R.T. Trust/NTA) in Jamaica.
- A required course in entrepreneurship for diploma students of the University of Technology, Jamaica.
- The School's Laboratory project in Trinidad & Tobago that is carried out in secondary schools. This project is integrated into the curriculum and involves both theory and practise.
- The Entrepreneurship courses that have been introduced into the curriculum for trainees of the Bahamas Technical and Vocational Institute (BTVI).
- The training of technical and vocational teachers of the Barbados Vocational Training Board.
- The revision of the curriculum of secondary schools in Jamaica to include entrepreneurship training.



Listen to the audiocassette entitled ***What is Entrepreneurship***. The cassette is 13 minutes and 43 seconds in length.



Activity 3

List and discuss three factors that influence entrepreneurship.

Give your impressions of the role of the education in the development of entrepreneurship in the Caribbean.



Impact of Economic Forces and Government Policies

Entrepreneurship does not happen in a vacuum. It has been argued that entrepreneurship flourishes in countries where government policies and economic conditions are most favourable. In such circumstances individuals are encouraged by supportive government policies and are motivated by their ability to maximise returns on their investments. On the other hand, unfavourable government policies and economic conditions discourage entrepreneurship.

Economic Forces

Economies of Scale

One of the factors affecting viable production is that entrepreneurial activities in the Caribbean tend to be small in comparison to counterparts in Europe, Asia and North America. Therefore, it is difficult to achieve economies of scale. This affects the ability of small businesses to compete (in terms of price) with imported goods. At a time when most Caribbean governments are pursuing free trade, it becomes increasingly difficult for local entrepreneurs to sell their products in a market that is often flooded with cheaper imports. This has a direct effect on the ability of enterprises to grow. Often the entrepreneur's ability to be creative in marketing and explore diversified activities enables survival and growth.

Government Policies

Government policies include all the practises of government aimed at regulating or influencing the economy. In very broad terms, government policies could be categorised as:

Legislative

- labour laws
- laws effecting the operation of enterprises, such as trading hours

Fiscal

- rates of taxation
- duties payable on raw materials
- duties payable on finished goods

Monetary

- interest rates
- government incentives

Administrative

- access to information

There is usually a strong emergence of entrepreneurship where government policies are favourable. The heightening of entrepreneurship in Singapore was a direct result of deliberate government intervention. In the Caribbean, the twin islands of Trinidad & Tobago have experienced an increase in entrepreneurial activities and significant growth in its manufacturing sector.

This too has been the result of deliberate action on the part of the government to influence and support entrepreneurial activities through favourable policies.



Activity 4

Write your own ideas on the role of government in the fostering of entrepreneurship.



Automation

Automation involves the utilisation of technology that allows tasks to be carried out mechanically. The use of special machines, such as surgeons in the garment sector and the computer to create architectural designs, are examples of automation at work. Appropriate automation enables the small business to conduct more efficient business operations in terms of the speed with which tasks are carried out and in some instances this results in cost savings. Automation could also result in improvement in the quality of output.

To automate can, however, be a costly activity and is therefore dependent on the profitability of the enterprise as well as financing available. Lack of profitability could adversely affect the ability of small businesses to automate. The inability to automate has an adverse effect on productivity. This undesirable situation could, in turn, affect the growth of entrepreneurial activities in an economy. On the other hand, where small businesses are able to use their profits to grow and where financing is available for re-tooling, a country could experience growth in entrepreneurial activities.

Foreign Imports

In the past, successive governments in the Caribbean practised policies of protecting local enterprises. However, this is rapidly disappearing as more Caribbean countries move towards free trade. This situation represents a challenge for entrepreneurs in that it forces them to be innovative in exploring activities for which they have a comparative advantage. Examples of these include services such as hospitality and tourism. Under these circumstances, because of their size, small businesses are often more adaptable to changes in the economic environment and therefore have the capability to survive and grow. However, this is dependent on the training of entrepreneurs, and the extent to which they are creative and innovative and are willing to take risk, as well as the support services available. These support services include availability and access to capital, technical assistance and marketing information.

Unemployment and Displacement by New Technologies

In circumstances where persons who were formerly employed are faced with unemployment, many look to entrepreneurship as an option. These circumstances include downsizing exercises by large companies, which result in persons being made redundant, as well as situations where the introduction of new technology results in the specific jobs being displaced.

There is an increasing tendency in most countries, for example, for companies involved in downsizing exercises to sponsor entrepreneurship training and business opportunity guidance for workers who are affected. Governments also make this type of training available to public sector workers affected by retrenchment programmes. The result has been that a number of persons faced with the prospect of unemployment have embarked on entrepreneurship activities as a viable alternative to wage employment.

It has also been argued that because of downsizing and a decline in the establishment of large businesses, there has been a dwindling in the job market. This, coupled with the fact that each year an increasing number of skilled and unskilled workers seek entry to an almost saturated job market has forced a number of persons to enter into entrepreneurial activities.

From another perspective, the creative and innovative individuals in society have identified business opportunities geared at catering to the needs of the newly unemployed. These include career counselling services, training services for those interested in new careers or in broadening their skills, and desktop services including the preparation of curriculum vitae.

It is fair to say that unemployment often challenges affected people to take risks and be enterprising. It also stimulates entrepreneurial activities as others see opportunities to service the unemployed. These actions on the part of individuals serve to increase entrepreneurial activities.

Recession

A recession could be broadly described as a situation in which a country experiences severe and prolonged downturns in its economy.

When an economy is in recession the purchasing power of individuals is eroded causing a decrease in demand for goods and services. The viability of entrepreneurial activity is therefore adversely affected because many enterprises have to reduce their scale of activities, while others are forced out of business.

The contraction of the economy that occurs during a recession also tends to result in higher levels of poverty. In an effort to fight this poverty and generate income, many individuals establish small-scale commercial activities such as vending and informal commercial importing. The number of micro enterprises therefore tends to increase during periods of recession. These activities could be regarded as entrepreneurial in nature where individuals seek and find creative

solutions to their problems while creating value and wealth in the society. On the other hand, such activities could be regarded as mere income replacement where individuals embark upon this route solely as a means of income generation and poverty alleviation.

For instance, the rise of street vending in both Guyana and Jamaica, was a function of the recession in the 1970's. Through creativity in locating cheap sources of imports and by identifying viable markets for the trading of local products such as herbs and spices, these ICT's have grown from being micro enterprise to larger scale activities creating wealth and value in the economy.



Summary

As discussed, entrepreneurship is influenced by several economic and non-economic factors. These include social forces, government policies and economic forces such as foreign imports, automation, recession and unemployment. These forces can either impede or enhance entrepreneurial activities. In the final analysis, it is the entrepreneur with the positive attitudes and capability including perseverance, creativity, efficiency-orientation and the ability to attract the right people and financial and other resources, who will be able to survive and grow when impeding forces prevail.



Assignment No. 9.1-3

Unit 9.1 Entrepreneurship for Development

You are now required to do the Assignment 9.1 – 3 which will be found at the end of this unit or distributed by your tutor.

Appendix 1 Answers to Activities

Activity 1 – page7

Refer to information on page 13 of this module

Activity 2 – page12

Refer to notes on page 20 of this module

Activity 3 – page 20

Use the information on audiocassette and page 31 of this module as a guide

Activity 4 – page 22

Refer to the notes on page 34 of this module

Glossary

Communication

The practise of transmitting information, whether non verbally, verbally, using the written word in all its forms and including the Internet.

Creative

Inventive or imaginative

Development

A process of growth or advancement, usually referring to the economic and social status when pertaining to a country.

Entrepreneur

A person who undertakes an enterprise or business.

Entrepreneurship

A variety of activities that lead to the creation of a new value, wealth, commercial enterprise and profits.

Formal Sector

The sector comprising enterprises that are registered under the laws of the country in which they operate.

Informal Sector

The sector that comprises enterprises that are often operated as sole proprietorship (often Self-employed), are unregistered and have limited capital. Street vending is an example of an enterprise in the informal sector.

Gross National Product (GNP)

The market value of all final goods and services produced by resources supplied by a particular country, regardless of location, within a given period, usually a year.

Gross Domestic Product (GDP)

The market value of all final goods and services produced by resources located within a country, regardless of who owns those resources, within a given period, usually a year.

Viability

Viability can be described as the potential to succeed. It can be determined by whether:

- there is a market
- available technology and capacity for production or provision of service
- the business can generate a reasonable profit



Assignment No. 9.1-1

Unit 9.1 Entrepreneurship for Development

To be completed and returned to your tutor for assessment.

This is an open book assignment and you may refer to whatever references you have at your disposal.

Name: _____ **Due Date:** _____

This assignment requires you to interview an entrepreneur in your community. The responses you receive will be the basis of further assignments, so it is important that you ensure that you obtain as much pertinent information as possible.

It is also important that you establish a good relationship with the person you are interviewing and be very appreciative of the time they are spending with you. Mostly, people will be pleased to tell you of their business successes and you will learn a lot from them.

A list of possible questions has been provided for you, but it is only a guide – the tone of the meeting and responses will set the pattern of the interview. It is a good idea to use a tape recorder, but *do ask permission to do this*.

Question 1.1: Select an entrepreneur who is operating a successful business and make an appointment to meet with this person. Allow an hour if the person can spare it.

1.2 Conduct an interview using a series of open-ended questions to determine how the entrepreneur spotted the business opportunity and the actions they took to evaluate the opportunity and to plan for its implementation.

1.3 Document and discuss your findings in a report of up to 1000 words. Your report should include:

- background information on the company
- nature of the business activity

- when it was launched
- number of persons employed
- how the opportunity was first spotted
- what actions were taken to evaluate the opportunity
- how the implementation was planned for

Question 2.1: Distinguish between a business idea and a business opportunity

2.2 Identify a business idea and discuss three criteria for determining its potential/viability.

2.3 Entrepreneurship leads to new products and services as well as the improvement of existing products and service or methods.

Give an example of a product or service that is a rehash of an old idea and one that is a new idea or slight modification of a new idea.

Question 3: Change is regarded as being important to the stimulation of entrepreneurship and the entrepreneur is often viewed as an agent of change.

Cite and outline an example of the entrepreneur acting as an agent of change in your country or the wider Caribbean.

Suggested Questionnaire for Interview

1. Tell me something about yourself:
Before you got started in the business, what education and work experiences did you have?
Were any of these particularly helpful in the establishment of your current business?
2. How did you get started in business?
What made you decide to start this particular business?
How did you first spot the opportunity?
2. What goals did you have for your life?
How did these fit with the business opportunity?
4. Did you assess the business idea in terms of whether it had potential to be a success?
Size of market?
Competition?
5. What planning did you do?
Did you have a start-up business plan of any kind?
How many hours a day did you have to spend working on the business idea in order to implement it?
What did you perceive to be the strengths and weaknesses of your business venture?
6. What did you perceive to be your personal strengths and weaknesses?
How have these either helped or hindered you?
7. How long did it take you to get started?
What were the main difficulties in getting the business started?
How did you deal with these?
8. What happened after you got started?
What are some of the difficulties you have faced since?
How did you deal with these?

What has been your most triumphant moment in the business?

What did you do to achieve this?

9. Describe an incident when you had to work hard to convince someone to do something pertaining to the business.

What did you do?

How did you eventually convince this person?

10. What has contributed to your achievement to date?

What would you say is your most valuable attribute, the one thing that enabled you to accomplish what you have?



Assignment No. 9.1-2

To be completed and returned to your tutor for assessment.

This is an open book assignment and you may refer to whatever references you have at your disposal.

Name: _____ Due Date: _____

Question 1 Explain how entrepreneurship can help to create jobs and raise the standard of living of a country?

Question 2 Discuss the impact of entrepreneurial activity on employment generation and economic development in the *formal sector* in your country.

Question 3 Discuss the impact of entrepreneurial activity on employment generation and economic development in the *informal sector* in your country.

Where possible, your answer should include information from the Public domain such as:

- Unemployment figures
- Gross National Product and Gross Domestic Product
- National deficit
- Relativity of income prospects
- Free trade zones



Assignment No. 9.1-3

To be completed and returned to your tutor for assessment.

This is an open book assignment and you may refer to whatever references you have at your disposal.

Name: _____ **Due Date:** _____

Question 1

Identify two forces which impact on entrepreneurship
State how these two factors have impacted on entrepreneurial activities in your country at any time during the past 20 years.

Question 2

Entrepreneurship is stimulated by challenges. Conditions such as unemployment, recession, scarcity of raw materials, and cheaper foreign imports pose challenges for entrepreneurs.

Study the attached Case Study and write an essay of no less than 500 words discussing the following:

- Forces that impacted on the situation to generate an entrepreneurial venture.
- What were the challenges that drove this initiative?
- How the opportunity was spotted or initiated.
- What was the motivation behind the activity?
- How was it financed?
- How many people were involved.
- Impact on the people involved – standard of living, employment.
- The potential for this venture to move from the informal to formal sector.
- What were the problems faced.
- What were the benefits?
- What characteristics of an entrepreneur did Ms. Wilmot display

Case Study

Title: Jamaica Solar Cooking Project¹

Story Presenter: Claudette Wilmot

The cost of cooking gas had skyrocketed in Jamaica and placed a substantial burden on households, given the dire economic condition of the country. People had few alternative fuels and were depleting the forests for firewood. The Ministry of Energy had not encouraged solar energy use because of the limited use to which they had been put – to heat water. Not only were the solar water heaters expensive, they were sold only with an accompanying “backup” electric water heater. This approach was not a suitable solution to cooking needs. Ms. Wilmot, a teacher at the School of Hope for mentally and physically handicapped students in Kingston, Jamaica, decided to take action. She learned of the solar box cooking technology and obtained a small sum of money from the Jamaica Flour Mills to build and introduce the first cookers into the community.

Ms. Wilmot, along with six handicapped students, one senior handicapped teacher and two other teachers, implemented the project. After receiving the initial grant, students at the School of Hope constructed a number of the boxes and displayed them to leaders of women’s and consumer groups and government representatives. Ms. Wilmot began to collaborate with the Women’s Bureau (a department of the Ministry of Labour) to develop a series of “do-it-yourself” workshops to teach rural people how to use solar cookers.

The cooker technology used is similar to other solar box technology – a simple insulated box with a window on top to capture the sunshine and a shiny metal surface to act as a reflector. Sunlight shines through the window onto the dark covered pots placed in the cooker and is transformed into heat. The insulated box traps the heat in the pot – thereby cooking the food inside. The cooker supplements traditional cooking facilities, as it use depends on the seasonal availability of sunshine and the time of day. Many different types of materials (wood, cardboard, plastic) can be used to construct the boxes – in this particular case, wood was used. The cooker eliminates the need for cooking gas and/or firewood, and is therefore a cheaper cooking alternative.

¹ Women: Key Partners in Sustainable Development, 1994, Vancouver, The Commonwealth of Learning

Two problems arose with regard to the use of these box cookers. First, was the fear of theft of food left in the boxes in the absence of owners. As a response to this concern, locks were devised for the boxes. Second, was the concern expressed by the Bureau of Standards, when testing the boxes, that the use of black paint containing lead to coat the outside of cooking pots might present a health hazard (the boxes are black to maximise heating). The response to this concern was to use wood fires to “blacken” the cooking surfaces, rather than using paint that might contain lead.

Solar cookers can also be used to boil and pasteurise water, a very effective response to the 80% of diseases in the developing countries that, according to the World Health Organisation (WHO) are caused by contaminated water. A follow-up campaign was designed to educate rural women to use the solar box cookers to sterilise drinking water. This is particularly important when, in the event of a hurricane or other natural disasters, regular water supplies are disrupted and other fuel sources are frequently contaminated. The project faces financial constraints, and Ms. Wilmot is seeking help from women’s groups and elsewhere to cover costs of printing material and demonstrations. The Jamaican entity set up to encourage investments, JAMPRO, offered assistance in introducing the project to possible investors.

Positive reception of the technology has led to mutual benefits for all: the students at the School of Hope were employed to produce the cookers and the members of the community gained access to inexpensive cooking technology. The Ministry of Labour has assisted with workshops and educational material and the Ministry of Education has discussed the possibility of including the teaching of solar cooking as part of the school curriculum. The project has received wide publicity and the workshops across the country have gathered “packed houses”. Ties between grassroots organisations and government agencies have been strengthened for future collaboration on environmental problems.