



CREATING SPACE FOR ENTREPRE- NEURSHIP TO BECOME A DRIVER OF GROWTH IN BARBADOS – A POLICY IMPERATIVE



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At a glance – Key findings:

–Compared to the other GEM countries, there are many weaknesses in the Entrepreneurial Framework Conditions in Barbados that will impede full development of its entrepreneurial potential.

–Societal attitudes towards entrepreneurship compare favourably to the average for Latin American and Caribbean (LAC) countries, but fewer Barbadians consider entrepreneurship as a good career choice. They have a relatively high level of confidence in their abilities to start and run a business, but many fewer than average for LAC countries see good opportunities for starting a business in the next six months. The intent to start a business rate is very low.

–Barbados has a relatively high level of early-stage entrepreneurial activity, but a low ratio of nascent entrepreneurs to new business owners. The gender gap is low and young adults are participating in early-stage entrepreneurial activity at a relatively high level.

–The vast majority of early-stage ventures are low in innovativeness and have relatively low growth ambitions.

–The key to growth in Barbados will be implementing policies and programmes to help move more people through the entrepreneurial pipeline, improve the quality and innovativeness of their business ideas, and foster higher growth ambitions.

Major policy recommendations

- Improve strength of the Entrepreneurial Framework Conditions to create a more favourable environment for the emergence of entrepreneurship.
- Implement the policies and strategies already enumerated in the government's strategic development plans, specifically, accelerating integration of entrepreneurship throughout all levels of the education system, promoting innovation activities, and improving government services to entrepreneurs and growing businesses.
- Encourage the pursuit of higher-potential and innovative business ideas that will contribute to economic growth.
- Craft a national entrepreneurship policy adopting an entrepreneurial pipeline approach and seeking better coordination and effectiveness of entrepreneurship support organisations and programmes.

Prepared by Lois Stevenson with input from Marjorie Wharton, Donley Carrington and Jason Marshall. This policy brief and the full GEM reports can be found at: www.gemcaribbean.org

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This policy brief presents findings from an investigation of the level and nature of entrepreneurial activity, intentions, and aspiration in Barbados and draws implications for policy to strengthen the role of entrepreneurship in the economy.

INTRODUCTION

The Global Entrepreneurship Monitor (GEM) is the largest global study of entrepreneurship.¹ GEM started in 1999 with 10 participating countries and in 2013 covered 70 countries. Whereas most related studies and data collection efforts focus on firms, GEM focuses on the attitudes, activities and characteristics of individuals who participate in various phases of entrepreneurship. The objectives of the GEM research are to: (1) measure differences in the level of entrepreneurial activity between countries; (2) uncover factors determining the levels of entrepreneurial activity; and (3) identify policies that may enhance the level (and quality) of entrepreneurial activity at the national level.

The "GEM Caribbean" initiative (www.gemcaribbean.org) is a four-year project, supported by Canada's International Development Research Centre (IDRC), to establish, train and strengthen entrepreneurship research teams in Barbados, Belize, Colombia, Jamaica, Suriname, and Trinidad & Tobago. The research by these teams applies the GEM methodology to measure the levels, underlying factors, and environmental constraints of entrepreneurship within each national environment, and comparatively within the region. The project seeks to provide policymakers with a stronger empirical foundation to inform actions and monitor progress in the promotion of entrepreneurship and job creation in the Caribbean.

This policy brief is based on findings from the GEM research studies in Barbados conducted by The Cave Hill School of Business at the University of the West Indies, a partner in the GEM Caribbean regional initiative since 2011. It is further informed by an analysis of national level

¹ See: <http://www.gemconsortium.org/>

policies, programmes and initiatives aimed at supporting the development of entrepreneurship and micro, small and medium (MSME) enterprises in Barbados. Findings from the GEM project provide an evidence base for entrepreneurial policies in Barbados and offer important policy implications for the government and other

CONTEXT FOR ENTREPRENEURSHIP IN BARBADOS

Barbados is a small, high-income country ² with a population of about 277,000 and gross domestic product (GDP) per capita of \$15,666 ³(in purchasing power parity). The economy is largely driven by tourism and financial services sectors. The public sector plays a strong role in economic activity, employing about 28% of the employed labour force ⁴ and ownership of 20 statutory corporations and agencies (oil terminals, hotels, the airport, etc.).

Data on the MSME sector are not very comprehensive, but suggest there are about 11,500 (registered or incorporated) small companies, which account for more than half of GDP (MEHRD & Ministry of Labour, 2010, p. 14).

According to the Barbados Small Business Association, SMEs employ about 24% of the workforce. ⁵ However, the informal sector is also large, accounting for close to 25% of GDP. Many enterprises operate on an informal basis, unable to access government support programmes.

The Barbados economy has yet to recover from the impact of the 2008-09 global financial crises with near zero annual growth in GDP since then. Foreign capital inflows have fallen dramatically. The unemployment rate rose from 8.1% in 2008 to 13.2% in the second

quarter of 2014⁶ and the youth unemployment rate (19-24) has scaled to over 30% (from 19.5% in 2008). With a shrinking economy and a large public sector wage bill, the government has assumed a high level of debt and has been cutting public sector jobs

The inability of the public and private sectors to create sufficient productive employment for Barbadians is a major policy challenge. Stimulating entrepreneurship and diversification and growth of the MSME sector is critical for revitalising and reshaping the economy.⁷ However, realising the potential of entrepreneurship and MSME development will require greater efforts to foster an entrepreneurial (and innovation) mind-set, remove administrative complexities and hurdles to starting a business and entering the market, and creating more space for the private sector to expand the economy by addressing the high incidence of monopolistic and oligopolistic behaviour in the domestic market.

Good macroeconomic framework conditions are important pre-conditions for productive entrepreneurship, but are insufficient by themselves to produce higher levels of entrepreneurship (Reynolds et al., 1999). Many other failures may exist in the market for entrepreneurial activity. These include imperfections in the market for information (asymmetries); uncompetitive market structures; economies of scale in the supply of goods and services (for example, shortcomings in the supply of debt and equity to new and small firms); shortages in physical premises, business development services and training; and the systematic failure of markets to properly allocate resources to new firms and entrepreneurs. Such market imperfections will affect the ability of new entrepreneurs and small firms (at an acceptable investment of both time and money) to access the information, skills, financing, advice and technical assistance that would improve their start-up, survival and growth probabilities.

Barbados has developed policies to promote small business development, such as those embedded in the Small Business Development Act (SBDA) passed in

² As classified by the World Bank (<http://data.worldbank.org/about/country-and-lending-groups/>).

³ World Development Indicators database, data for 2012.

⁴ 2013 data from the Barbados Statistical Service.

⁵ "The SME Sector in Barbados", Barbados Small Business Association (Powerpoint prepared by L. Holder, 6 May 2010).

⁶ <https://labour.gov.bb/statistics/dynamic/>

⁷ According to GEM, "Entrepreneurship is believed to contribute to economic development because entrepreneurs create new businesses, and new businesses create jobs, provide people with a variety of products and services, intensify competition, increase productivity through technological change and positively impact individual lives on multiple levels" (Amorós and Bosma, 2014, p. 11).

1999 (and amended in 2006). However, the Act has been subject to criticism by stakeholders in Barbados for being too rigid in terms of the requirements for a small business to be approved for status under the Act.⁸ In addition, the SBDA does not give any attention to and lacks direction and guidance for the fostering of entrepreneurship.

Recent government strategy documents emphasise the importance of placing a stronger emphasis on MSME development and nurturing entrepreneurship and innovation as critical to the country's economic renewal and growth. This is evident in the Barbados Growth and Development Strategy 2013–2020 (MFEA, 2013) and the Barbados Human Resource Development Strategy 2011–2016 (MEHRD & Ministry of Labour, 2010), both of which state objectives to stimulate a stronger culture of entrepreneurship and innovation and enhance the level of the entrepreneurial capacity of Barbadians, starting from an early age.

However, the government does not have a national policy on entrepreneurship and MSME development, the need for which was recently debated in the Senate, with support given for the strengthening of local small business management skills, technology, and entrepreneurship in all sectors as an important factor in realising economic revitalisation, growth and stability.⁹ This situation is currently being remedied through the new initiative of the Ministry of Industry, International Business, Commerce and Small Business Development and the Ministry of Labour, Social Security and Human Resource Development, in collaboration with the Small Business Association, to develop a comprehensive framework on SME development.¹⁰

The Barbados Entrepreneurship Foundation has proposed the vision to make Barbados the No. 1 Hub for Entrepreneurship in the world by 2020. This is an ambitious goal but at least puts the limelight on the importance of building a stronger entrepreneurship culture in the country and “unlocking the island’s

entrepreneurial talent”¹¹. To achieve this will require a focused and strategic policy push that considers factors related to entrepreneurial motivation, opportunity and skills, each of which has the potential to influence entrepreneurial activity levels and is influenced by the prevailing culture, the set of institutional arrangements and the socio-economic environment that is either more or less favourable to the emergence of new entrepreneurs (Stevenson and Lundström, 2002). The paucity of official data on the MSME sector and its performance trends, as well as on the nature of entrepreneurial activity in Barbados, is a limitation to effective policy development. GEM Barbados data can help fill the gap and provide insights on future policy directions. This will be particularly helpful given the government’s recent initiative to develop a national SME policy framework.

FINDINGS FROM THE GEM BARBADOS STUDIES

Weak Entrepreneurial Framework Conditions

One of the conceptual prepositions of the GEM research is that the national level of entrepreneurial activity varies with a set of Entrepreneurial Framework Conditions (EFCs)¹² (Levie and Autio, 2007). The premise is that governments with superior EFCs should expect higher national rates of entrepreneurial activity, but even more importantly, higher rates of growth potential entrepreneurship, and thus higher rates of economic growth.

The first thing to note about the GEM Barbados data is the limited strength of the EFCs, none of which are assessed as being particularly strong. In 2013, the only two EFCs receiving a mean average score of 3 or more (out of 5) from national experts were the physical and commercial infrastructures.¹³

⁸ For example, to qualify under provisions of the SBDA, a small business has to be incorporated under the Companies Act (see Holder, 2011). To date, only a limited number of enterprises have been qualified as a “small business” under the Act.

⁹ “New level of entrepreneurship needed in B’dos”, The Barbados Advocate, 3/8/2014.

¹⁰ “SME framework to be developed”, Nationnews, 5 January 2015. Online at: <http://www.nationnews.com/nationnews/news/61692/sme-framework-developed/>.

¹¹ <http://www.barbadosentrepreneurshipfoundation.org/about-us-2/>.

¹² EFCs are structural conditions that regulate the allocation of effort into entrepreneurship at the population level and are mediated by individuals’ perceptions of opportunity and start-up skills (Levie and Autio, 2008).

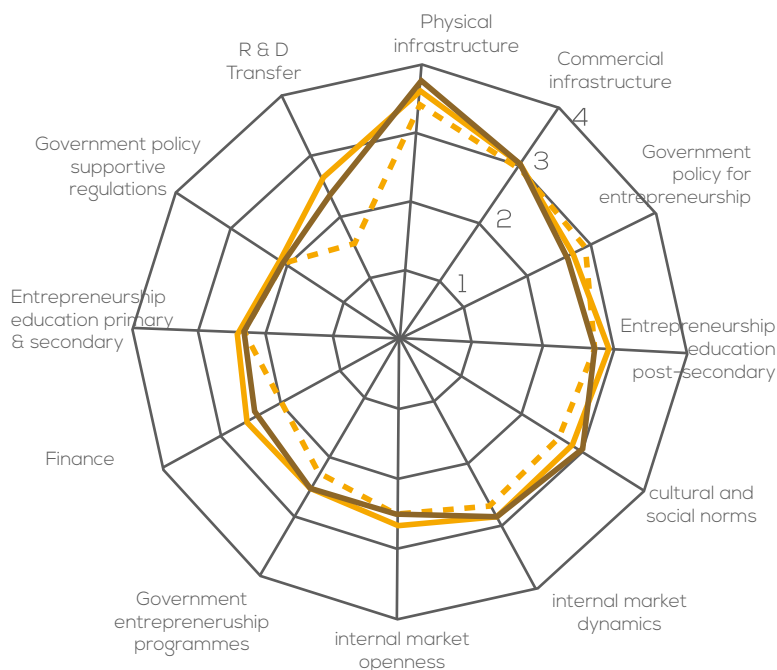
¹³ Physical infrastructure refers to the ease of access to utilities, communications, transportation, land or space at a price that does not discriminate against SMEs.

Commercial infrastructure refers to the presence of property rights, commercial, accounting and other legal and assessment services and institutions that support or promote SMEs.

Barbados lags most behind comparator countries on the strength of R&D transfer, finance¹⁴; and internal market dynamics¹⁵. Notable gaps also exist between other Caribbean countries¹⁶ and Barbados on the assessed strength of cultural and social norms that foster entrepreneurship and the presence and quality of government assistance programmes to support entrepreneurs and SMEs.

Overall, the results suggest a weaker environment for entrepreneurship in Barbados than in comparator country groupings, except regarding one of the EFCs – “government policy that recognises entrepreneurship as a relevant economic issue”.

Fig 1. National experts' views on Entrepreneurial Framework Conditions, 2013*



*Based on results of the National Experts Survey: 5=strong agreement with a set of statements regarding the adequacy of the Entrepreneurial Framework Condition; 1=strong disagreement with the set of statements.
Source: Data from Amorós and Bosma (2014), Table 3.2, p. 46.

¹⁴ The availability of equity and debt for new and growing SMEs, including grants and subsidies.

¹⁵ Internal market dynamics refers to the level of changes in markets from year to year. Internal market openness is the extent to which new and growing firms are free to enter and compete in existing markets.

¹⁶ The other Caribbean countries include: Columbia, Guatemala, Jamaica, Mexico, Panama, Puerto Rico, Suriname, and Trinidad & Tobago.

At the domestic level, Barbados was assessed by its national experts as weakest on financing support for new and growing firms, entrepreneurship education at the primary and secondary school levels, government policy-supportive regulations¹⁷, and R&D transfer.

Regarding the finance EFC, the lowest assessments were given to the provision of equity financing (availability of venture capital and angel investment, and through initial public offerings). The national experts agreed to a greater extent that sufficient debt financing and government subsidies were available for new and growing firms, but the average scores were still below 3 out of 5. Although various funding schemes exist, such as FundAccess and the Enterprise Growth Fund, they are not filling the financing gap (underfunded, limited in scope, bureaucratically difficult to access, especially for start-ups) which is essential if entrepreneurs are to get their businesses off the ground and pursue growth.

On government policies, the national experts gave more favourable assessments to “support for new and growing firms” being a high priority for policy at both the national and local government levels (scores of above 3 out of 5), but gave very low ratings regarding the efficiency in being able to obtain the required licenses and permits, being able to cope with government bureaucracy, regulations, and licensing requirements, and the tax burden for new and growing firms (scores of below 2 out of 5). The government is aware of the need to remove disincentives to enterprise activities and reduce the costs of doing business (e.g. of creating companies, registering property, obtaining licenses and permits, paying taxes). It proposes to tackle these constraints in the Barbados Growth and Development Strategy 2013–2020 through adoption of a business facilitation approach that will promote the application of existing, affordable solutions to reduce administrative barriers and improve administrative efficiency (MFEA, 2013).

¹⁷ Taxes and regulations being either size-neutral or encouraging new start-ups and SMEs.

The national experts viewed teaching at the primary and secondary education level as not providing adequate attention to entrepreneurship, market economic principles, and encouragement of creativity, innovation and personal initiative. The proposal for integrating entrepreneurship across the curriculum at all levels of education, as set out in the Ministry of Education’s Human Resource Development Strategy 2011–2016, will hopefully address these deficiencies. At the post-secondary level, national experts were more likely to agree that colleges and universities were providing good and adequate preparation for starting and growing new firms (although still with an average score of only 2.3 out of 5). Higher ratings were given to the adequacy of these efforts in the vocational, professional and continuing education systems (average score of 3.1).

However, given the low scores on EFCs generally, policy attention and follow-on actions are warranted in all areas in order to facilitate a more enabling environment for entrepreneurial development.

Comparatively low perceptions of the adult population regarding opportunities to start a business, coupled with a moderately high level of confidence in their skills and abilities to start and run a business and a very low fear of failure

The Barbados Growth and Development Strategy recognises that its weak entrepreneurial culture is a limitation to Barbados’ development (MFEA, 2013). The GEM research measures the strength of entrepreneurship culture (societal attitudes towards entrepreneurship) by the degree to which the adult population considers that entrepreneurship is a desirable career choice, entrepreneurs have high status in the society, and there is media attention for entrepreneurship. In this regard, fewer Barbadians than adults in the Latin American and Caribbean (LAC) countries perceive entrepreneurship as a good career choice, but have similar perceptions on the two other

societal attitude indicators. It is interesting to note that all three indicators were higher in the 2013 GEM Barbados results than reported for 2011 (Carrington and Wharton, 2012), which may indicate a strengthening of societal attitudes towards entrepreneurship.

Table 1. Societal attitudes towards entrepreneurship and individual perceptions of their entrepreneurial potential, 2013

	Barbados	LAC Country average
	(% of the adult population agreeing)	(% of the adult population agreeing)
Societal perceptions		
Entrepreneurship is a good career choice	68.0%	76.4%
Entrepreneurs are accorded high status	72.0%	72.9%
Lots of media coverage of entrepreneurship	62.0%	62.6%
Entrepreneurial perceptions		
Sees good opportunities for starting a business in the next six months	45.6%	55.9%
Has the skills and abilities to start and run a business (perceived capabilities)	74.5%	63.7%
Fear of failure would NOT prevent from starting a business	83.0%	71.1%
Intend to start a business within the next three years	18.4%	33%

GEM research finds that, relative to the general adult population, individuals who are involved as owners of early-stage or established businesses generally tend to be more confident in their own skills to be able to start and manage a business, are more alert to the existence of opportunities, and are less likely to allow the fear of failure to prevent them from starting a new venture. Thus, these are key indicators of the potential level of

entrepreneurial capacity in a country and reflective of an entrepreneurial “mind-set” (Arenius and Minniti, 2005). Compared to adults in the LAC countries, Barbadians have higher perceptions of their entrepreneurial capabilities and a lower “fear of failure”, but fewer see good opportunities for starting a business.

The skills indicator is very positive for Barbados because, according to GEM global studies, individuals who are confident in their skills to start a business are four to six times more likely to be involved in entrepreneurial activity. Also, only 17% of Barbadian adults would let fear of failure prevent them from starting a business, one of the lowest percentages among all GEM countries.

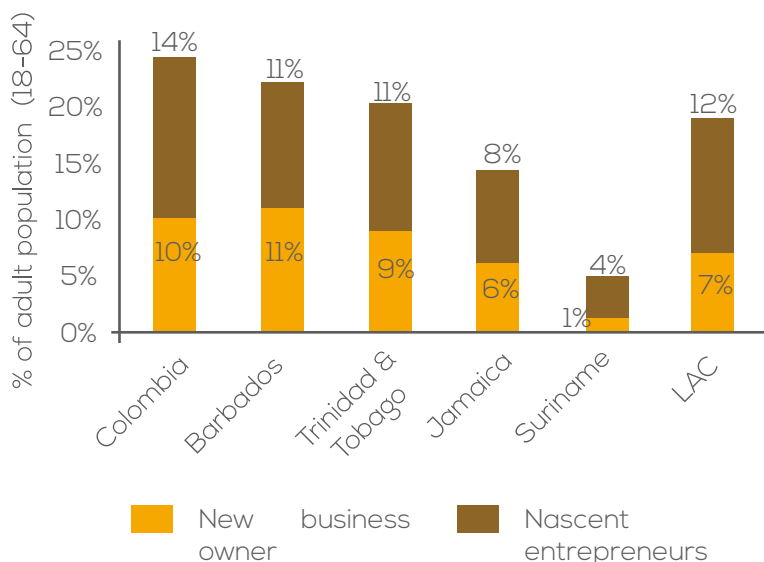
Given the low fear of failure and relatively strong level of confidence in their skills and ability to start a business, one might expect a higher percentage of adults indicating an intent to start a business in the next three years (18.4% reported in 2013). This is much lower than the 33% average both for adults in the LAC countries and in efficiency-driven economies. The low level of intent may be strongly related to the low level of perception of good opportunities to start a business, which could be further linked to the weak economic environment over the past six years.

In any event, these results suggest that efforts should be made to promote business opportunities among the population and make them aware of possibilities for entrepreneurial ventures. The Barbados Growth and Development Strategy has identified a number of sectors for development, such as cultural and creative industries, information and communications technology (ICT), the green economy, tourism attraction and products, and agro-processing for export markets. Creating public awareness of these sector opportunities may have a stimulating effect on the rate of intention to start a business, which is the first step in the entrepreneurial pipeline.

Even though the level of future intent to start a business among the Barbadian adult population is quite low for an economy at its stage of development, other indicators of entrepreneurial activity do not seem to be affected.

In 2013, 11.1% of the adult population was activity involved in trying to get a business started (nascent entrepreneurs) and 10.7% already owned a young business that was less than 42 months old (new business owner/entrepreneur). Although the nascent entrepreneur rate was up only slightly from 2012, the new business owner rate rose from 7.2%.

Fig. 2. Early-stage entrepreneurial activity rates in Barbados and selected countries, 2013



Combined then, 21.8% of the adult population was involved in early-stage entrepreneurial activity in 2013 (representing an estimated 44,863 nascent and new entrepreneurs)¹⁸. This rate compares very favourably with LAC and efficiency-driven economies. Among the 14 LAC countries, Barbados ranked 8th on the nascent entrepreneur rate, 4th on the new business owner rate,

¹⁸ Conversion of the early-stage entrepreneurial activity rates into projected number of entrepreneurs was performed by the GEM-Caribbean team leader (see Varela et al., 2014). GEM studies find that early-stage entrepreneurs start their businesses in average teams of two people, so the number of businesses will be fewer than the number of entrepreneurs.

and 5th on the total level of early-stage entrepreneurial activity (Amorós and Bosma, 2014).

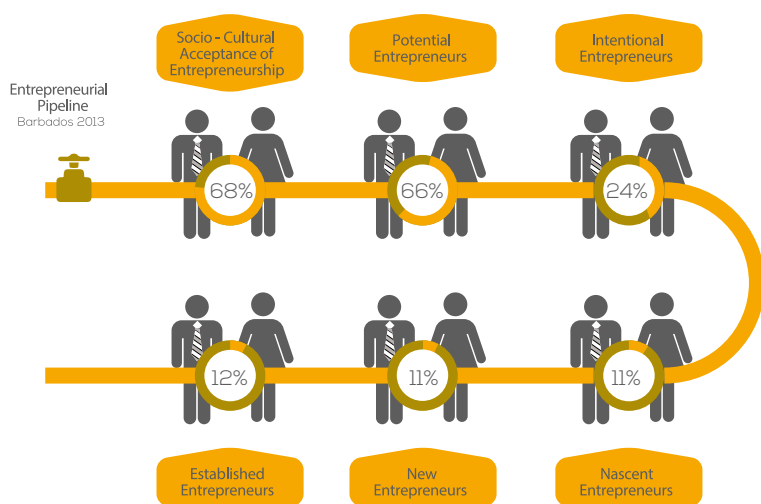
In most GEM countries, there are a higher percentage of nascent entrepreneurs in the adult population than new business owners. For example, in the United States, the ratio was 2.5 nascent entrepreneurs for every new business owner (2013 data); in Canada, the ratio was 1.66 to 1; in Ecuador, it was 1.8 to 1; and across the LAC countries, the ratio averaged 1.68 to 1. This is not the case in Barbados where the ratio is about 1 to 1. The issue is that not all of the nascent entrepreneurs will succeed in actually getting their businesses started and operational in the marketplace, so there will be some leakage in the transition from nascent to new business owner. While efforts can be made to increase the likelihood that nascent entrepreneurs will make the transition, it would be wise to have a larger percentage of nascent entrepreneurs. In countries where the nascent rate is lower than the new business owner rate, there could be a shortage in the supply of new businesses.

Of course, leakages also exist in other phases of the entrepreneurial pipeline. Not all adults with perceived capacities are interested in becoming an entrepreneur; not all adults with the intent to start a business will take the necessary steps; and not all new business owners will see their businesses survive the first three and half years of greatest vulnerability and become an “established business”¹⁹.

To reduce these leakages, policy should focus on broad promotion of entrepreneurship to encourage more people to become entrepreneurs, and on ensuring ease of access to information, training, advisory, counselling, mentoring and financial services by nascent entrepreneurs and new business owners so they have a better chance for start-up success and greater possibilities for rapid and sustainable growth into established businesses.

Gains to be made in the entrepreneurial activity rates of women and young adults....

Fig. 4. Entrepreneurial pipeline 2013



Women

The early-stage entrepreneurial activity rates for adult women are generally lower than for men across GEM countries, but compared to the average, the gender gap in Barbados is relatively small. In 2013, there were 1.2 adult males engaged in early-stage entrepreneurial activity in Barbados for every 1 adult female, suggesting that women’s share was about 48%, which is more or less in line with their share of the employed workforce.²⁰ The male-female ratio across LAC countries was higher – averaging 1.5 to 1 (Varela et al., 2014). However, gender gaps are larger in other phases of the Barbadian entrepreneurial pipeline. Women in the adult population are less likely than men to see good opportunities for starting a business and to believe that they have the skills and abilities to start and run a business. This suggests fewer women among the cohort of “potential” entrepreneurs and manifests itself in a

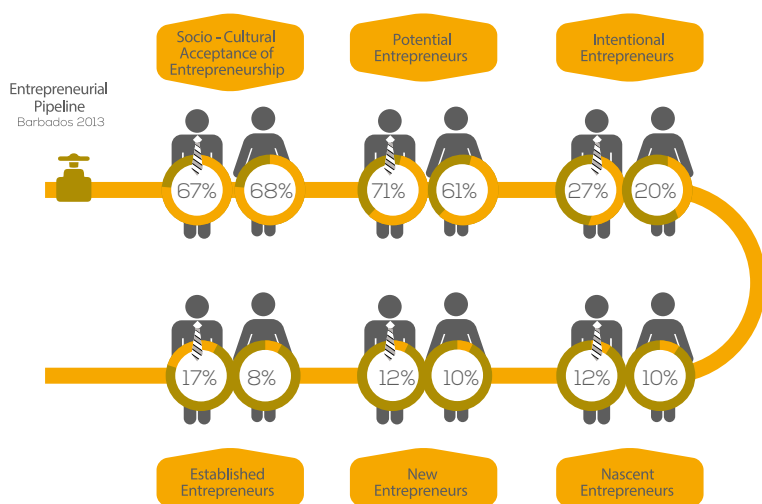
¹⁹GEM defines an established business as one in operation for more than 42 months old.

²⁰According to data from the Barbados Statistical Service, females account for about 46% of the employed workforce.

lower “intent” to start a business in the future. Interestingly, Barbadian women indicate a lower fear of failure than men, which is contrary to the general results across GEM countries (Kelley et al., 2013), so this does not appear to be a factor in their lower intention rates. More effort focused on targeting women for entrepreneurship promotion activities and entrepreneurial training programmes and exposing them to female entrepreneurs as role models would help to enhance the level of confidence women have in their entrepreneurial capabilities.

The gender gap is also apparent in the established business owner rate. In 2013, 17% of adult males claimed to be the owner of an established business, compared to only about 8% of adult females, a male-female ratio of 2.1 to 1, higher than the average 1.7 to 1 ratio across LAC countries. Thus, the female share of established business owners in Barbados was only 38%, compared to the 48% of the early-stage entrepreneurs. This gap could be due to recent growth in the number of women choosing to start a business who have not had time yet to grow it beyond 42 months, or it could be that women entrepreneurs have more difficulty sustaining their businesses over time. If the latter case applies, then it might imply the need for support structures and mechanisms to assist early-stage women entrepreneurs in transitioning to the established business stage of the entrepreneurial pipeline.

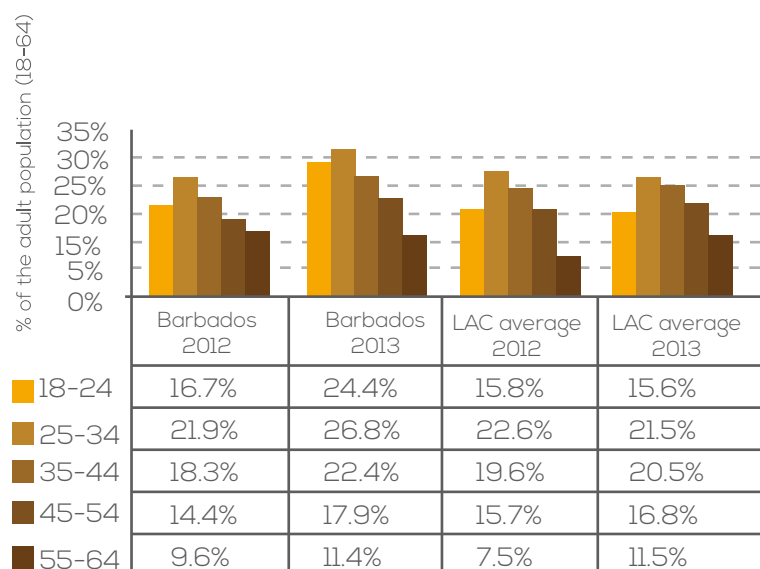
Fig. 5. Gender differences in the entrepreneurial pipeline



Young adults

The GEM data provide an indication of which demographic groups in the adult population have the highest propensity for entrepreneurial activity. In most GEM countries, the highest early-stage entrepreneurial activity prevalence rates (as a percentage of the adult population) are in the 25-34 and 35-44 age groups. This stands true for the average in LAC countries and for Barbados in 2012. But in 2013, the 18-24 age group had the second highest early-stage entrepreneurial activity rate in Barbados – over 24% were either trying to start a new business or already owned one that was less than 42 months old. This was a considerable change over 2012, although it is difficult to comment on the significance of this without a longer time series of GEM Barbados data. The jump could be due to the high and rising unemployment rate in the 15-24 age cohorts as reported by the Barbados Statistical Service. As well, it could be a response to policy and programme efforts to promote entrepreneurship in the colleges and universities and to target young people with support such as by the Barbados Youth Business Trust (BYBT) and the Youth Entrepreneurship Scheme (YES).

Fig. 5. Early-stage entrepreneurial activity rates by age group - 2012, 2013



In any event, the potentially growing participation of young Barbadians in entrepreneurial activity points to an opportunity to further capitalise on the momentum by increasing efforts to assist young people in getting their business started, including through the early post-creation phase to better ensure the sustainability and growth of their businesses. As well, some assurance should be made that they are able to acquire the knowledge, skills, and guidance they need to succeed, such as through advisory and mentoring services and business management training, especially since, many of them may not have had any previous exposure to entrepreneurship education/ training and have limited business management skills, in spite of existing programmes focused on the development of young entrepreneurs. As well, access to financing is expected to be a major issue for young entrepreneurs without collateral and a track record in business.

Low quality of early-stage ventures in Barbados

While increasing the number of entrepreneurs is an important policy objective in terms of creating jobs and absorbing new workforce entrants, an equally, if not more important objective is to foster the creation of higher value-added and innovative businesses with greater potential for growth and economic impact. A higher level of innovativeness is expected to add value to the enterprise and enable it to become a market leader or to exploit market niches that will promote growth.

However, according to the 2013 GEM Barbados results, early-stage ventures:

- Exhibit a low level of innovativeness. Fewer than 10% of the early-stage entrepreneurs stated that all customers would consider their products/services new or unfamiliar. More than two-thirds reported that this would not apply to any of their customers. The level of product/service innovativeness of their enterprises is lower than the average for both LAC and efficiency-driven economies (see Varela et al., 2014).
- Operate in markets where there are many businesses already offering similar products/ services. This applied to almost 60% of the early-stage ventures

and is above the average for other Caribbean countries.

- Make limited use of new technologies. Four out of five are using technologies that are more than five years old; only 5% are using new technologies in the operation of their businesses.

- Have a relatively low level of international orientation. Over a third of the ventures have no customers from outside the country, although over half of them estimate that up to 25% of their customers are, which is just below the average for LAC countries.

- Have low job creation aspirations for the future. In 2013, only 1.3% of the early-stage entrepreneurs had more than 20 employees - the vast majority (76%) expected to still have no more than five employees in five years. While 7.8% expected to create more than 20 jobs, this is low compared to the GEM average of 10% or higher in all regions, excluding Sub-Saharan Africa (Amorós and Bosma, 2014, p. 39). GEM studies stress the importance of high-ambition entrepreneurs to an economy because high-growth enterprises make a disproportionate contribution to overall job growth. In this regard, Barbados is lagging, signalling that more needs to be done to increase the growth aspirations and potential of early-stage entrepreneurs.

The GEM Barbados data support the claim, as noted in the Barbados Growth and Development Strategy 2013–2020, that Barbadians are not prone to taking risks with innovative ideas, have an inward orientation towards business expansion, and fail to exploit market opportunities in regional and international markets (MFEA, 2013, p. 15). The relatively low level of innovativeness and job growth aspirations of Barbados' entrepreneurs can have a negative impact on the likelihood of early-stage enterprises making the transition to established businesses.

The level of innovativeness of new enterprises is an important policy issue if Barbados is to transform into a more entrepreneurial and innovative economy. GEM indicators of innovativeness could be improved by ensuring that creativity and innovation are taught in the curriculum of educational institutions; information on higher value-added business and market opportunities is made widely available to aspiring entrepreneurs; young people and potential entrepreneurs are provided with courses on business opportunity recognition as part of education and training programmes; and

early-stage entrepreneurs are assisted in thinking about their business ideas and models in more innovative ways and of possibilities for exploring international market opportunities.

POLICY IMPLICATIONS AND RECOMMENDATIONS

If the government is to achieve its goal of transforming Barbados into an “entrepreneurial economy” that is invigorated by SMEs and entrepreneurs, it must seek to improve the set of EFCs, which show many weaknesses. Key to this will be reforming bureaucratic structures that constrain the business creation process, creating a more effective and entrepreneur-friendly environment for new firms to form (and grow) and promoting a new public mind-set to accompany regulatory improvements to ease barriers on entrepreneurs trying to explore opportunities in new sectors.

In addition, the government should accelerate implementation of strategies and policy measures to strengthen the entrepreneurial and innovation culture, such as outlined in the Barbados Growth and Development Strategy and the Human Resource Development Strategy. Based on GEM Barbados results, the proposed national SME development framework should include a strong entrepreneurship development component that aims to stimulate and support entrepreneurial activity and improve the rate of transition of Barbadians through various stages of the entrepreneurial pipeline, including efforts to increase the rate of intent to start a business and the prevalence rate of nascent entrepreneurs. The implementation of the SME development framework should also focus on tailoring support mechanisms to the different phases of entrepreneurial process (see example in Fig. 6).

More specifically, the framework and its implementation strategies and actions should seek to:

- Vigorously promote entrepreneurship as a highly-valued cultural activity;

- Provide relevant educational, orientation, and training opportunities by accelerating efforts to integrate entrepreneurship as a formal part of the curriculum at all levels of the educational system, including in vocational and university programmes;
- Remove regulatory, administrative and market barriers to the entry of new businesses and their growth;
- Provide start-ups and young businesses with access to the financing needed to adequately capitalise their operations (e.g. seed funds, micro-credit, and government-backed loan guarantee schemes); particularly important for new entrepreneurs, women and young people who have more difficulty accessing commercial bank financing because they lack collateral and track records;
- Broaden access to growth capital for promising, high-potential enterprises (e.g. venture capital and equity funds);
- Develop the ability of potential and nascent entrepreneurs to recognise higher potential, innovative business opportunities by offering workshops on business opportunity recognition, providing information on sector and market opportunities (in line with the government’s priorities), and supporting activities such as Startup Weekends that encourage the development of higher value added business ideas;
- Ensure the broad-based provision of business development support services such as information on business and market opportunities, advice, counselling, and other forms of technical assistance to start-ups and early-stage growth firms (with consideration given to adopting the model of establishing Entrepreneurship/ Small Business Development Centres in strategic locations throughout the island);
- Develop mentorship programmes to assist in shepherding potential and early-stage entrepreneurs through stages of the entrepreneurial pipeline;
- Tailor specific initiatives to support the creation of high-growth enterprises, such as the establishment of start-up and growth accelerators, with special emphasis

on programme support to enhance the growth potential of women-owned enterprises;

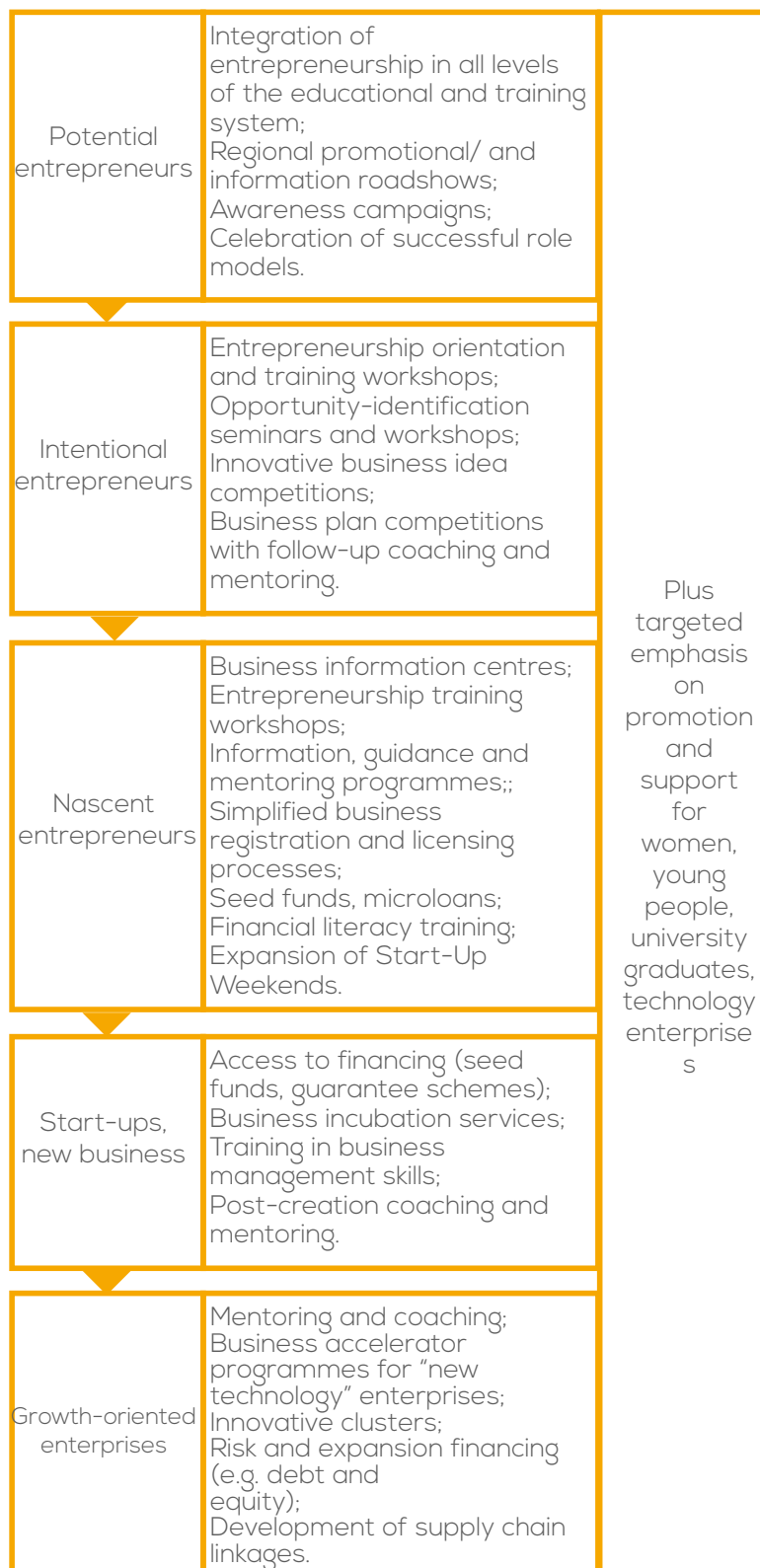
- Provide incentives and programmes to encourage more innovative enterprises, such as through R&D incentives and the facilitation of linkages between public research centres, universities and the private sector to facilitate the transfer and commercialisation of R&D; and
- Address the needs of segments of society that are under-represented in various phases of entrepreneurial activity, including young people, women, and university graduates.

Barbados already has a number of support programmes and initiatives to promote and nurture new entrepreneurs and improve their managerial capacities. The goal should be to ensure a broader range of support organisations to meet the needs of entrepreneurs at all stages of development and develop a higher degree of coordination and integration of the various activities to support movement through the entrepreneurial pipeline and produce more innovative and growth-potential entrepreneurs and enterprises.

Consideration should also be given to amending the Small Business Development Act to make provision for promoting and supporting the development of entrepreneurship and the creation of new businesses, as well as for broadening the requirements for existing small businesses to qualify for benefits under the Act.

The government should furthermore implement systems to collect data on developments within the MSME sector in order to track its performance and monitor the impact of policy initiatives. A critical part of this system should include on-going funding support for the annual production of GEM research, analysis and national reports. GEM data will be highly beneficial in the government’s efforts to benchmark progress in attaining policy goals to improve the level and quality of entrepreneurial activity.

Fig. 6. Example of and integrated entrepreneurial pipeline approach



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