

Any discussion on the degree to which the needs of the region's small businesses are met - is in essence an evaluation of the quality of the region's Business Environment.

The Business Environment is needed to sustain and nurture, the operations of businesses, of all sizes, and at all levels of development. Whether they are:

- emerging micro-entities;
- developing small and medium-sized establishments; or,
- large established conglomerates.

Regardless of their size or level of development, every entity will be impacted, positively or negatively, by the quality of the business environment.

Large and established businesses, because of their size, amount of resources and level of contacts, are able to reduce significantly any negative effects resulting from an adverse business environment. Upstarts and small and medium sized entities, on the other hand, because of their small size, limited resources and lack of contacts, will normally find that an adverse business environment will significantly limit growth potential and survival possibilities.

The converse is also true. An environment that facilitates and encourages trade, will see an exponential growth in new and diverse business start-ups; it will see micro entities developing to become small; it will see small expanding to become big; and our big players, creating even greater impact on the world's stage.

So what of our business environment? What shape is it in? Is the environment within the Caribbean (or region), supportive of, or a hindrance to, the facilitation and encouragement of trade? Does it provide the necessary financial, legislative, economic and cultural mechanisms that support and address the needs of our small and medium-sized enterprises?

I don't think so. Mr. James Moss-Solomon, president of the Caribbean Association of Industry and Commerce, in his opening remarks, at the second meeting of the Caribbean Chambers of Commerce and Industry, held in Jamaica, a couple weeks ago, stated that if Bill Gates had been born in one of the CARICOM countries, he would never have become a billionaire! Clearly, Mr. Moss-Solomon doesn't think that our region's business environment engenders success.

And I agree with him. So too does Earl Jarrett, VP of the Private Sector Organization of Jamaica. He stated, just a few weeks ago, that more needs to be done by the region's governments to create the environment that fosters the growth of the SME sector and that of an entrepreneurial culture.

And others, from practitioners to politicians, have in the past, said essentially the same thing: more needs to be done.

But the fact that more needs to be done, to make the Business Environment more facilitative; more supportive; more encouraging of the diverse needs of the regions small and medium-sized enterprises, is not news. We all know this. Every businessman and woman within the region knows this. Every entrepreneur; every executive; every politician; every bureaucrat...We all know this. The issue is not that more needs to be done. It is what else needs to be done.

For we have to give credit where credit is due. Several programs, geared towards meeting the needs of the Micro and Small business sector, have been implemented by the various governments, agencies and NGOs within the region.

In Jamaica, for example, there are several facilities available to provide credit (and some degree of business support and training), primarily for the Micro and to a lesser extent the small business sector. These are good programs. Worthy of commendation. The work done by HEART Trust National Training Agency, in training and certification; and the facilities available through the Jamaica Business Development Centre for product development, marketing and training – have made tremendous differences in the marketability and viability of numerous micro enterprises. The Jamaica Exporters Association, of which I am a proud member, have a range of programs and services geared towards meeting the needs of its members.

And there are others.

Here in Trinidad, in addition to the various credit and guarantee schemes available, the fact that there is a Ministry of Labour and SMEs, speak volumes as to the degree of importance placed on the needs of businesses within the small and medium sector.

And I could go on. I am fairly certain that the majority of the countries within our region have some program or facility, designed to facilitate the needs of the members of its small business class.

Yet, despite this...despite our countries individual and collective approaches (through CARICOM, CDB, Caribbean Export, etc), despite or focus on the issue of SMEs, we are still found wanting. We are still short of the mark. We still have too many businesses, with good potential going under. We still have too many of our brightest and best entrepreneurs, migrating North, because of the limited opportunities for wealth creation, that is perceived to exist regionally.

So...what else needs to be done? What other programs or policies do we, as a people, or as a region, need to implement; so that the untapped potential of our micro, small and medium-sized enterprises can be realized?

For clues the opinions of two of the world's best known entrepreneurs, Michael Dell and Sir Richard Branson, are of significance.

Let's start with Michael Dell from Dell Computers.

Michael Dell started Dell computers with US \$1,000 in 1984. Last year the company had revenues in excess of \$52 billion. In any language, that is phenomenal. In 2002 at the University of Florida, he had some reflections on issues surrounding entrepreneurship. Among other things this is what he said:

“...I think we have a great thing going in [the] culture in the United States where risk taking has generally been appreciated and admired as opposed to in other cultures around the world where...if you take a risk and you fail, then you're kind of an outcast. You're considered a failure, and nobody will talk to you. Whereas in [the USA], generally, if you fail, it's kind of like, well, he learned something. You know, it's good experience. He'll try something else. He'll go again... I think [this] is something that's very valuable in [our] culture.”

**Michael Dell Remarks
University of Florida
Businessperson of the Year and Presidential Achievement Award**

Gainesville, Florida, October 9, 2002

I think Michael Dell's views on the important role that culture plays in facilitating and encouraging entrepreneurship is spot on. You see an entrepreneur is nothing but a risk taker. Someone who sees opportunities, where others see only problems. As a risk-taker, there is acceptance on the part of the entrepreneur that his venture may fail. He doesn't want it to fail, but if it does, he'll just try again.

Sir Richard Branson, founder and chairman of the Virgin Group, received his knighthood in 1999 for “services to entrepreneurship”. He had this to say on the issue of risks in business:

“...It is impossible to run a business without taking risks. Virgin would not be the company it is today if risks had not been taken...The very idea of entrepreneurship not only conjures up thoughts about starting up businesses and building them, but also the more frightening prospect of taking risks and failing...

...The amount of time that people waste on failures, rather than putting that energy into another project, always amazes me. I have fun running the Virgin businesses, so a setback is never a bad experience, just a learning curve. ”

Sir Richard Branson
Virgin Group

To an entrepreneur, failure is a part of business. It is not the end of business, but rather a vital component of the learning curve, on which successful enterprises are built.

A culture that does not support this, that is does not appreciate or admire risk-taking, but rather ostracizes, penalizes and withdraws support, because of a perceived risk of failure (or failure itself); is one that makes it difficult for new entrepreneurial activity to emerge. Difficult, not because of the risk of business failure – no, an entrepreneur by definition expects this – but difficult, because of the threat of being ostracized, in the event of failure.

Entrepreneurial activities will not flourish, in a culture that does not encourage second and third chances.

You will not have an abundance of world class business success stories (our own Michael Dells...our own Bill Gates...our own Richard Bransons), in a culture that penalizes and makes it virtually impossible for the entrepreneur to try and try, and to try again.

Business endeavors are not short term activities –they are not sprints. They are marathons. Entrepreneurs can not survive; will not survive, in a culture that treats business endeavors, as sprint events instead of marathons.

Micro, small and medium-sized businesses can not reasonably expect to see any significant growth and expansion, if the culture favours short term profits over long term development.

I can't speak with any authority on the business culture that exists in the region as a whole, but certainly in Jamaica, my experience is of a culture that does not support, does not appreciate, does not admire risk taking.

...A culture where failure can, and often will mean the end of business financial support, for the small and medium-sized entrepreneur.

...A culture where second-chances and comebacks are rare occurrences; because the likelihood of a comeback is based almost entirely on the strength of capital. Something that the average small and medium-sized entrepreneur, has little or none of.

In my opinion the prevailing business culture, is the primary obstacle to the growth and development of the Small and Medium-sized business sector in Jamaica. I would not be surprised, if this isn't also the case with the other countries in the region.

But changing the business culture isn't easy. It is a long term project, requiring the full commitment and support from all the major stakeholders, along with a policy focus by government that is representative of the sector's potential economic and social impact.

While a full and complete change in the business culture may not happen in our lifetime, we can start the process, by making the following specific changes and improvements:

1. Expand Financing Options to SMEs.
2. Expand Technical and other Support to SMEs; and
3. Aggressively Promote and Develop new enterprises

These changes will in my opinion bring much needed support to the sector, and improve not only the quantity of SMEs but also the quality and export potential of their output.

Let us now examine each in turn, in more detail.

1. Expand Financing Options

Most MSMEs are financed either from their own resources, or from one of the various credit schemes available. Most credit schemes however place a far greater emphasis on the strength of financial collateral, rather than the soundness of the business idea. This almost total reliance on collateral based financing, disenfranchises large numbers of SMEs, who cannot meet the collateral requirements. Programs such as government loan guarantee schemes and more lenient/flexible collateral requirements, have helped to some degree, but are still not far-reaching enough.

In addition to the problems of collateral requirements, loan payback obligations and the overall management of debt, pose a serious challenge to the average entrepreneur. Owners of some small and medium-sized entities with excellent growth potential, also face another dilemma: how to raise further capital, to properly capitalize and grow their business, without increasing the already high debt-burden they currently carry.

To rectify this I propose the following:

1) Introduce/Expand the use of Equity Financing

I submit that what is needed is the inclusion of equity based models, in the mix of financing options available. Programs such as Venture Capital Funds and Angel Investment Networks allow for greater private-sector participation, in the development and expansion of the Small and Medium-sized Business sector.

Equity based schemes removes the problems of adequate or appropriate collateral, and the disadvantages of high debt burdens from the financing equation. Since investors have a vested interest in the success of the business, the entrepreneur aside from funds can benefit from valuable management advice and important contacts. This is true especially of Angel type schemes, where because, the entrepreneur is interfacing directly with the investor, the possibility of mentoring arrangements can be established, providing the entrepreneur with full use of the experience and network of the investor.

2) Expand/Restructure Loan Facilities

The capacities of government credit schemes and private lending institutions should be strengthened and expanded to make proper lending arrangements to SMEs. Generally government should provide (or expand) guarantee for loans against approved business plans. Specifically loans to SMEs should feature:

- More flexible or No collateral requirements.
- Longer repayment periods.
- Lower interest rates
- Access to loans should be based primarily on the strength of the business plan.

2. Expand Business Support Services

Business support is critical for maximizing the development potential of SMEs. The proposal is that the existing support facilities be expanded with a focus on the following: (1) Improving quality of support; (2) broaden the range of support, and (3) improve access to support.

1) The Quality of support can be improved through:

- The use of retired executives and/or angel investors as advisors and consultants.
- The promotion of mentoring and monitoring programs.
- Allowing university graduate students to provide consulting and business assessment services for qualified projects, as a part of their course requirements.

2) Broaden the Range of support. The aim should be to have support centers become a one-stop-shop for all the tools and services that an entrepreneur needs to be successful, for example:

- Provide Market studies and Feasibility studies
- Product testing
- Human resource development and training
- Business plan development
- Provided Financial evaluation and support of business ventures.

3) Improve Access to support, by increasing the number of business support centers. The aim should be to have support centers in all major towns and districts. Support centers could for example be based in:

- Chambers of commerce
- Libraries
- Post offices

3. Promote the Development of New Enterprises

The Global Entrepreneurship Monitor (GEM) is an annual cross-national assessment on entrepreneurship, spearheaded by the London Business School and Babson College of the USA. Their 2004 report identified two types of entrepreneurs. (1) Those who engage in entrepreneurial activities to exploit a perceived business opportunity (referred to as opportunity entrepreneurs) and (2), those who start businesses because all other employment options are either absent or unsatisfactory, (we call these necessity entrepreneurs).

Opportunity entrepreneurs tend to be individuals who possess relatively good levels of education, training and skill.

This classification of entrepreneurs is instructive on two counts:

- 1) Generally speaking, as a percentage of the total entrepreneurs within a country, more developed economies have higher proportions of opportunity entrepreneurs; while less developed economies have higher proportions of necessity entrepreneurs.
- 2) Opportunity entrepreneurs tend to produce more start-ups, with export potential.

The implications of these findings are significant. In that it now allows us to create strategies aimed at one specific sub-group of entrepreneurs. This is critical since resources are limited and our overall intent is to maximize the number of high potential export oriented businesses that are developed. As such, we should:

Place special emphasis on the encouragement and development of opportunity entrepreneurs. Obviously, since high potential export ready, projects will most likely occur, from this group.

This initiative would mean a rethink of our present education culture. Our current system, in my opinion, trains its people primarily to be employable, rather than to create employment. The school system focus' exclusively on the academics but ignores almost completely technical and vocational training; to the extent that a stigma is attached to the term 'skills training', and it has now become a synonym for under performance.

Our aim would therefore be to create graduates, whose focus is on creating businesses rather than simply becoming employees. Employment would be seen as a means to gain practical experience that would be useful when their venture becomes a reality.

There are several practical steps that would need to be implemented, such as,

- A tighter integration of technical and skills training in the education curriculum;
- Providing, incentives and rewards to stimulate the development of project ideas and proposals;
- Highlighting and promoting best practices and success stories;
- A tighter integration between universities R&D, and consulting facilities and capabilities and industry needs;

- Creating a fast-track window, for high potential projects. That is, provide special incentives, grants, loans, guarantees, market access, promotional support, etc - whatever is required - to get high potential projects off the ground.

I'm sure there are other areas that would also need to be addressed. Our education experts and social planners, will I'm sure be better able to explore these areas fully.

Let us recap.

I started by attempting to address the issue of whether the Needs of SMEs are being met and to suggest what's missing. I concluded that despite the commendable work being done, we still have a culture that is not supportive of the development of the sector. As such my proposal is that focus be placed on,

- 1) Expanding the financing options available to SMEs. We do this by introducing/expanding the use of equity financing; and expanding/restructuring existing loan facilities to make them more entrepreneurial friendly.
- 2) Expand support services to SMEs, by improving the quality of support; broadening the range of support; and improving access to support.
- 3) Aggressively promote the development of new enterprises, by placing special emphasis on the encouragement and development of opportunity entrepreneurs.

These three steps are certainly not exhaustive. They merely represent the viewpoint of a member of the region's small business class, and is intended to continue and contribute to, the on-going discourse on the development of the Small and Medium-sized Business sector.

Let's continue the dialogue.

My friends I thank you! Good-evening.