

# The Role of the Caribbean Entrepreneur in Economic Development - Strategy and Process

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## Abstract

The Caribbean is a diverse group of countries, both culturally and economically. Most of them, however, face daunting development challenges, including pervasive crime, unemployment and an underdeveloped private sector. As Caribbean intellectuals and policy makers confront the question of how to create employment so that people can meet their basic needs they have increasingly endorsed the development of self-reliance through the creation of small business operations as the panacea for improving the economic marginalisation of the masses. The current academic debate focuses on the factors that are impeding the growth and development of the Caribbean region and what frameworks can be designed to augment an entrepreneurial culture whilst simultaneously engaging natural and other resources. These are the fundamental issues that this research paper will share perspectives and research, with the aim of identifying components that would leverage the resources of the region in a positive manner.

**Keywords:** Entrepreneurship Policy, Caribbean Development, Economic Strategy, Entrepreneur

## 1. Introduction

The Caribbean is a diverse group of countries, both culturally and economically. Most of them, however, face daunting development challenges, including pervasive crime, unemployment and an underdeveloped private sector. The rates of self-employment are very high in the region, ranging from 15% in Barbados to almost 45% in Dominican Republic and while these figures suggest a high level of entrepreneurial activity, most of the self-employed are involved in microenterprises, and most are entrepreneurs by necessity rather than opportunity. This negates the powerful and transformative impact that these entrepreneurs can have on the socio-economic development of the region. Nevertheless, experience elsewhere has shown that under the right conditions, business entrepreneurs can be a key driver of job creation.

George Beckford's (1974) description of the Caribbean socio-economic reality of poverty for the majority of the population remains true today as it was when written and reflects the enduring failure of the development strategies adopted by Caribbean societies to effect transformation. Today most of these societies are dealing with the effects of a severe decline in national income and social dislocation. This problem is further compounded by the persistent outflow of capital from the region to service heavy external debt. As Caribbean intellectuals and policy makers confront the challenging question of how to create employment so that people can meet their basic needs they have increasingly endorsed the development of self-reliance through the creation of small business operations as the panacea for improving the economic marginalisation of the masses. The current academic debate focuses on the factors that are impeding the growth and development of the Caribbean region and what frameworks can be designed to augment an entrepreneurial culture whilst simultaneously engaging natural and other resources. These are the fundamental issues that this research paper will share perspectives and research with the aim of identifying components that would leverage the resources of the region in a positive manner.

## 2. Historical Perspective of the Caribbean Entrepreneur

According to (Alvin 2003), the Caribbean society is a microcosm of the world-society and world-economy because it reflects the evolution of capitalist world-history. From its birth in the sixteenth century, historical capitalism needed and still needs for its very existence and nurturing and growth, a periphery. The Caribbean represents the oldest and most intensely penetrated part of this periphery. These statements from Alvin (2002) suggest a correlation with the academic theory of Gerschenkron (2000) who suggested that historical capitalism relied on entrepreneurship as a development mechanism and an open space to engage in capitalist activity and entrepreneurial behaviour.

The researchers who have written about development in the Caribbean have devoted scarce academic energy to the pivotal role of the Caribbean Entrepreneur as a catalyst for the promotion of economic growth and prosperity. The work of Danna (1994) has suggested that the attention has been given instead to structural factors, which either constrain or stimulate development within the region. The role of the individual in the productive process is often not considered nor is the retardation of the economies in the region attributed to the attitudes and values of the people. There has also been an aversion by Caribbean economists and other scholars of development to

treat entrepreneurship as a viable variable in the Caribbean development process. This is reflected in the dearth of theoretical and empirical evidence and discussions on the subject matter. However, as a result of his own research in the Caribbean region, Danns (1994) contends that there are five distinct and broad entrepreneurial types in the Anglophone Caribbean in the colonial and post-colonial periods of development. The characteristics of his proposed entrepreneurial typologies are illustrated as follows:

1. The expatriate entrepreneur: In the history of the Caribbean the entrepreneurs have been expatriate. The early planters established sugar, banana, coffee, and cotton plantations and this tradition of absentee ownership detracted from the development of a culture of entrepreneurship. The colonial state played a role in inhibiting the emergence of indigenous entrepreneurs since the colonized were intended as a work force and not permitted the kind of freedom, space and access to capital required for the emergence of entrepreneurship. The structuring and control of the economy by the ruling planter class marginalized the economic activities of the colonized.
2. The commercial entrepreneur- A local entrepreneurial class emerged in the Caribbean and consisted of white, Chinese and near white ethnic groups. The local entrepreneurial class focused their activities in the area of commerce and service sectors. However, they were limited in their thrust by the dominance and control of the expatriate ruling class. They were also restricted by their inability to generate wealth through manufacturing and energy production.
3. The family entrepreneur – The family entrepreneur is among the minority groups in the Caribbean where the family enterprise has developed successfully mainly as small business and some medium-sized businesses. They are involved in agriculture, light manufacturing, arts and craft and commerce. The problem with the family businesses is that their expansion is limited by the resources, will and competence of family members. Many family businesses are compounded with inefficiencies and less than rational and modern modes of operation.
4. The guerrilla entrepreneur- A thriving informal sector and an underground economy are breeding grounds for the “guerrilla entrepreneurs”. The features of these economic agents are that they are non-organizational and they avoid payment to the formal taxation structures. In the case of the underground economy the activities of guerrilla entrepreneurs are illegal. The problem with guerrilla entrepreneurship is its reliance on informal and non-organizational modes of generating wealth. This mode of production is not effectively developmental and these enterprises will not generate economic development.
5. The state entrepreneur - Several countries in the Caribbean Region have established state organizations that offer a blend of financial credit and business support services in order to develop nascent and existing entrepreneurs. However, it is mainly individuals who are interested in starting their business enterprises access these services. There is potential for growth, development and contribution to the wealth of the Caribbean region by state funded entrepreneurs.

### 3. Situational Context Of Caribbean Development

The Caribbean countries are at a disadvantage in today's global competitive environment because their comparative advantage in cheap labor or natural resource endowments has become outdated in a knowledge-based economy. For example, knowledge is the key to innovations in production that ultimately make products more competitive. Morris (2012) has suggested that the significant developmental challenges in the Caribbean Region include the following:

- Low living standards (i.e. low real income per capita) associated with high income inequality, poor health and inadequate education and limited life expectancy;
- Low levels of productivity; unskilled labour and weak management practices which hinder private enterprise development
- High population growth rate which increases the demand for support resources
- Large-scale unemployment and underemployment which contributes to social unrest in a vulnerable Youth Population
- A small industrial sector with outdated technology unable to employ large numbers of poorly educated workers.
- Large but neglected agricultural sector and migration from rural to urban areas
- Limited technology, infrastructure, and social and political institutions.
- Low social capital and social cohesion

The research of Warde (2010) also states that the main developmental challenges in the Caribbean Region centre on a weak entrepreneurial culture, high employment and import bills, low levels of research and innovation, the digital divide, poverty and crime. With specific reference to entrepreneurs and SMEs, Dwarka (2011) postulates that despite the awareness of the benefits of a well-diversified economy, history shows us that most Caribbean

countries, suffer from a lack of output and export diversification. He further contends that in the Caribbean most companies, entrepreneurs and other businesses are SMEs, producing different goods and services however these SMEs cannot compete with the large foreign companies nor so they always comply with international rules and laws since quality requirements such as ISO and HACCP standards and environmental rules are not always met. The final problem according to Dwarka (2011) is that the ability of Caribbean SMEs to invest in quality is very low which reduces competitiveness and potential innovation. However, leaving these SMEs without support can lead to large-scale failures in the economic tissue and unpredictable social consequences at the macro-economic level. The inclusion of an entrepreneurship component and the Caribbean Entrepreneur is viewed as a critical tool in the developmental strategy of the region.

#### **4. Identification Of Strategies And Models For Development**

There has been some interest in the concept of the inclusion of entrepreneurship and business enterprise creation in the economic model for the Caribbean region. The creator of one such model is the Government Enterprise Development Economic Model as proposed by Ken Blawatt of the University of The West Indies. According to Blawatt (1995) The Caribbean Economic Development Model should focus on providing access to markets, an enabling environment, with a free flow of information and individual incentives. Key among the following propositions is the aspect of dramatically reversing public attitude and overcoming cultural barriers to the entrepreneurial process. The following items serve as discursive propositions regarding an economy in search of positive transition.

- Proposition 1: Develop entrepreneurial education programs in schools, colleges and universities. Include Small business development centers and Venture Programs
- Proposition 2: Provide mandated enterprise and entrepreneurship awareness programs for governmental employees.
- Proposition 3: Conduct an active publicity program apprising the population of the importance of an enterprise society
- Proposition 4: An economy can be improved through the creation of opportunity analysis programs that identify market opportunities for entrepreneurs and small businesses.
- Proposition 5: An economy can be improved where individuals have access to technologies that may be applied to local markets and trade areas. Development of technology transfer stations allowing entrepreneurs and businesses access to technology and encouragement to market commercialize these initiatives.
- Proposition 6: Establish global opportunity identification programs to encourage export activities abroad for local producers.
- Proposition 8: Develop community based entrepreneurship development that would interface with the preceding programs and existing businesses to encourage the growth of entrepreneurial individuals.

Safford (2008) has also advocated a developmental model for the Caribbean region that is based on entrepreneurship and market differentiation. He states that Entrepreneurs are business leaders who bring together resources and people and create new capital markets. By developing new business markets for the global economy, the region will prosper through market differentiation. Safford (2008) further advocates that in order to develop a valuable entrepreneurial population within the region, a few remaining factors must be evaluated:

1. Land usage – Determining how can the limited natural resources be most valuable
2. Niche Markets – Finding where the limited human resources can get ahead
3. Future Trends – What advanced technology training can further differentiate the region from competition

Safford (2008) has provided a tangible demonstration of his hypothesis with respect to entrepreneurship in the Caribbean with the Tourism Industry. He argues that one of the earliest and successful forms of entrepreneurship in the Caribbean has been in the tourism industry. However, the tourism industry is far from effectively developed and has declined dramatically in recent years as other areas of the world have entered into the tourism marketplace. The determination of land usage then becomes important in redefining the Caribbean tourism industry. Differentiating within the marketplace means becoming a leader in niche areas of the tourism industry. Niche markets can include: agro-tourism, eco-tourism, and health tourism. Predicting future trends in the marketplace is a more difficult area of determination for entrepreneurship. Future technology development requires a stronger understanding of risk assessment and determination of what the real need for the technology will be in the marketplace. Safford (2008) emphasizes that this approach that focuses on the components of land usage, niche markets and future trends can be extrapolated to other significant sectors to model key intervention areas.

The USAID Caribbean Regional Strategy (2010) recognized the challenges “posed by globalization and the

resulting complex economic, trade, environmental, social and legal issues” and expressed concern about increasing transnational crime, terrorism, migration of scarce skills and social problems including male dropouts, violence against women and children, poverty and HIV/AIDS within the Caribbean. USAID (2010) has advocated a Caribbean Developmental strategy that focuses on economic transformation through agriculture, tourism, non-tourism services, financial services, manufacturing, transportation, and information and communications technology.

## 5. Conclusion

The role of the Caribbean Entrepreneur is significant and can provide an avenue for development as the Region grapples with challenges that impede its holistic growth. The research shift and attention to the strategy, process and transformational ability of business enterprise creation is positive although further research is needed to craft robust models of development. There must be a way in which other resources can be configured with economic, social and political benchmarks to bring about a development policy in the Caribbean which is truly multi-dimensional and beneficial for all its peoples. In such a process there should be comprehensive engagement with all the region’s peoples and a candid appraisal of what has and has not worked in the past. There are lessons that can be drawn from a rich historical past of the Caribbean and these need to be recovered and integrated within the development discourse and strategy in the region to provide the roots for a ‘grounded account’ of development against which more current models and proposals can be tested, and evaluated and then grafted on to experience to promote new and vigorous growth.

The research has suggested that entrepreneurial training and development would be a direction to support but the difficulty with generating commitment for training an entrepreneurial population is that it requires patience and long term commitment. However, the Caribbean region has yet to build a culture of true institutional collaboration, individual motivation, supporting financial instruments, institutional mechanisms and incentives to foster innovation and entrepreneurship. The Caribbean Region has to continue the march in the chronicles of economic history with its Entrepreneurs in leading positions of responsibility if there is to be an improvement in the quality of life for current and future generations.

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