



# GLOBAL ENTREPRENEURSHIP MONITOR BARBADOS 2012 SUMMARY REPORT

## THE STATE OF ENTREPRENEURSHIP IN BARBADOS

The level of entrepreneurial activity in Barbados appears to be on the increase and those who engage in entrepreneurial activity are generally taking this path to take advantage of an opportunity they perceive in the market. 130 entrepreneurs have confirmed that over the last 12 months they have been engaged in the process of starting a business and the majority of entrepreneurs are starting business ventures to achieve greater independence. Innovation amongst the majority of businesses is low as most of them are not offering products that are new or using new technologies. In the age group 34 years old or younger, less than 5% are interested in being employed by someone else over the long term, the majority started their businesses by utilizing their own savings and most of them have been inspired by a family member to become an entrepreneur. This document is a summary of the highlights emerging from the analysis of the data collected for the Global Entrepreneurship Monitor's (GEM) Adult Population Survey (APS) and the National Experts Survey (NES) for 2012. The full details of the findings will be contained in the comprehensive GEM 2012 Barbados National Report.

### Potential Entrepreneurs

To identify the percentage of potential entrepreneurs in a population, the survey examines three areas: (1) whether individuals have the requisite skills and knowledge to start a business, (2) if they perceive that there are good opportunities to start a business in the near future and (3) whether or not the fear of failure would stop them from starting a business.

In Barbados 47% of the population perceives there to be opportunities present in the economy. 70% of the population believes that they have the skills and knowledge to take advantage of the opportunities available and only 17% of the population would allow fear of failure to stop them from starting a business. In total therefore, that shows that approximately 24% of our population fit the description of being Potential Entrepreneurs.

### Intentional Entrepreneurs

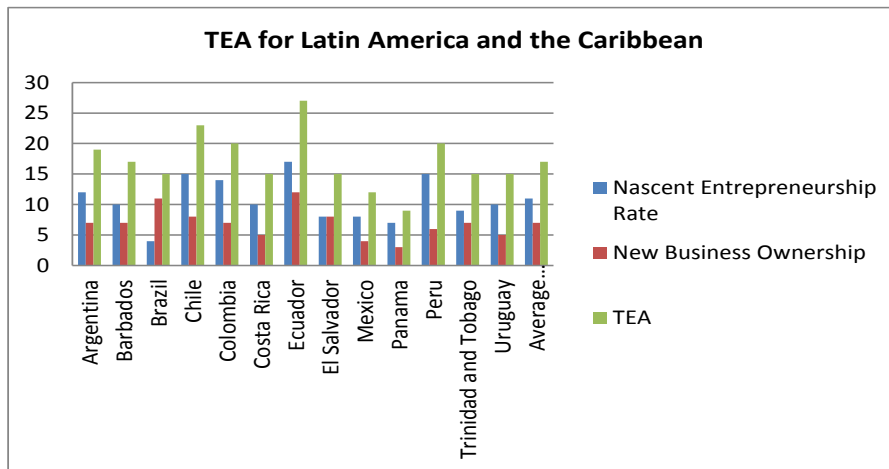
To assess the percentage of individuals who fall into this category, participants are asked if they are planning to start a business alone or with others within the next three years. In this year's GEM survey 23% of respondents indicated that they were planning to start a business within the

next three years. This is among one of the lowest in the region, ranking Barbados 10<sup>th</sup> out of 13 countries in the Latin America and Caribbean Region.

### Total Early-Stage Entrepreneurial Activity

The primary measure used by GEM is the Total Early-stage Entrepreneurial Activity (TEA) Index. This gauges the level of dynamic entrepreneurial activity in a country by combining data on the number of nascent or start-up businesses i.e. those that have initiated a business and have paid salaries to employees and/or themselves for 3 months or less and the number of new businesses (those that have continued operations for up to 3.5 years).

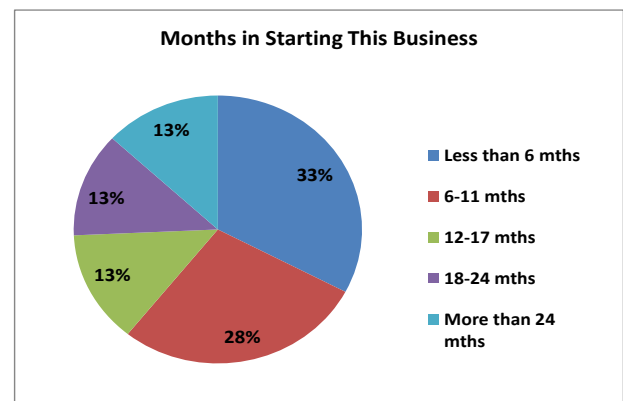
For Barbados, the data shows that 10% of the population are nascent entrepreneurs and 7% are engaged in running new businesses. This gives the nation a TEA of 17%. Our data also shows that



63% of those who start businesses do so to capitalize on an opportunity they see around them. In addition, these individuals are seeking to either improve their level of independence or increase their income and in the GEM Model, they are identified as improvement-driven opportunity entrepreneurs (GEM Global Report 2012).

In Barbados 52% of individuals engaged in TEA indicated that their motive for starting a business was to achieve greater independence, 33% wanted to increase their personal income, 13% wanted to maintain their income and 2% indicated other reasons which they did not identify.

The majority of people engaged in starting up businesses have been doing so for 24 months or less. This therefore suggests that there is a growth in the number of businesses coming into being in the nation. There are a total of 214 persons who have been identified as currently being in the 'starting-up' phase and out of these 70 have been starting a business for less than six



months, 60 have been engaged in start-up activity for 6-11 months, 29 have been undertaking the activity for 12-17 months, 27 have been pursuing it for 18-24 months and 28 have been engaging in starting their business for more than 24 months.

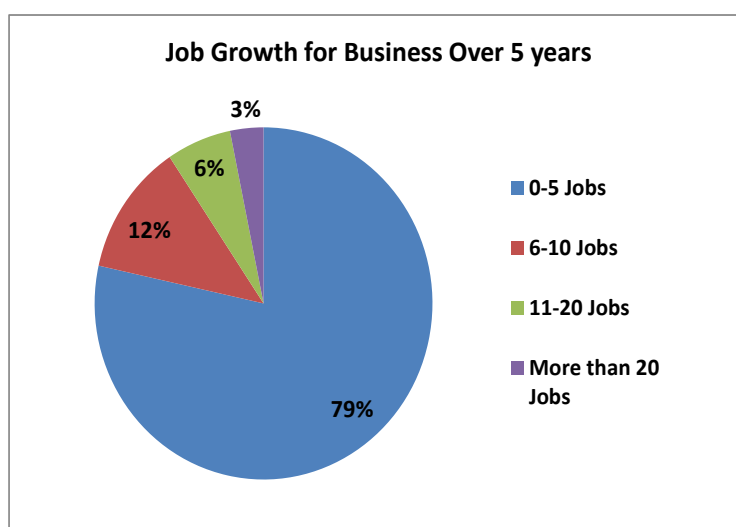
- **Gender**

In terms of gender there was no marked difference between the percentage of males (8.77%) and females (8.33%) who reported being engaged in TEA. This, however, was very different from the established business stage where out of 252 businesses, 66% were owned/managed by males. In looking at the perceptions of the respondents, the individuals who indicated that they had the knowledge and skills to start a business were almost evenly divided between males and females. However, of those who did not think they had the capability, the majority were women. This could be partly responsible for the larger percentage of females who indicated that they are not currently engaged in business startup activity.

- **Growth Expectations**

In the GEM data globally, nearly 50% of all startups do not expect to create any jobs within the first five years. Only 10% of all startup attempts expect 20 or more jobs, and these are responsible for 75% of the expected total number of jobs.

Similarly, in Barbados, only 1% of businesses indicate that they expect to provide more than 20 job opportunities within the next five years while 79% indicated that they expect 0-5 job opportunities to be created.



### **Established Businesses**

To ensure its economic development a nation must also have a thriving cross section of businesses that are able to survive beyond 3.5 years. In Barbados, the data shows that an estimated 12% of businesses fit this mould while around 3% of them discontinue operations. This compares favourably with the average for the Latin America and the Caribbean region where the numbers were 8% for Established Businesses and 5% for Discontinued Businesses.

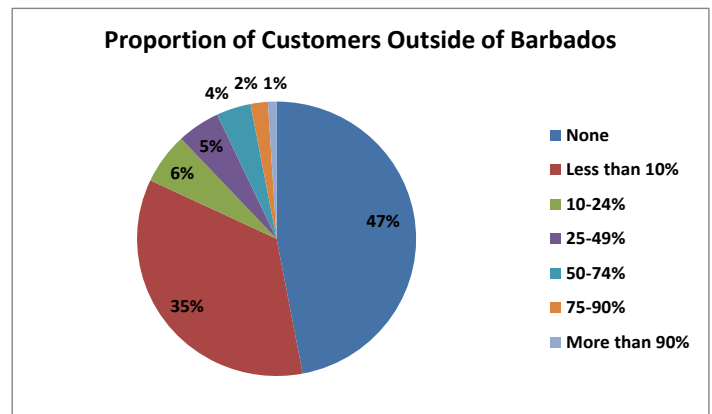
The data also shows how long these businesses have been contributing to the economy by providing salaries, profits or other funds for their owners or managers. In one company contributions began in 1968. However, the majority of businesses (170) began providing contributions between 2000 and 2009 and the second largest group (78) between 2010 and 2012.

- **Quality of Business Activity**

The World Economic Forum’s (WEF) Global Competitiveness Index (GCI) assumes that as a country becomes more competitive, productivity will increase and wages will rise with advancing development. Countries then move from being factor-driven into the efficiency-driven stage of development where they must begin to develop more efficient production processes and increase product quality. Barbados is identified as being within the efficiency-driven stage of development.

At this point, competitiveness is driven by higher education and training, efficient goods markets, well-functioning labor markets, developed financial markets, the ability to harness the benefits of existing technologies, and a large domestic or foreign market. Consequently, in order for Barbados to move into the innovation-driven stage of development, businesses will need to be able to compete by producing new and different goods using the most sophisticated production processes and by innovating new ones.

In the data for 2012, just over half of the entrepreneurs (53%) have some proportion of their customers outside of the island while 47% indicated that none of their customers came from outside of the country. The largest category of individuals (35%) have less than 10% of their business coming from exports while 7% of individuals have 50% or more of their business coming from customers outside of Barbados.

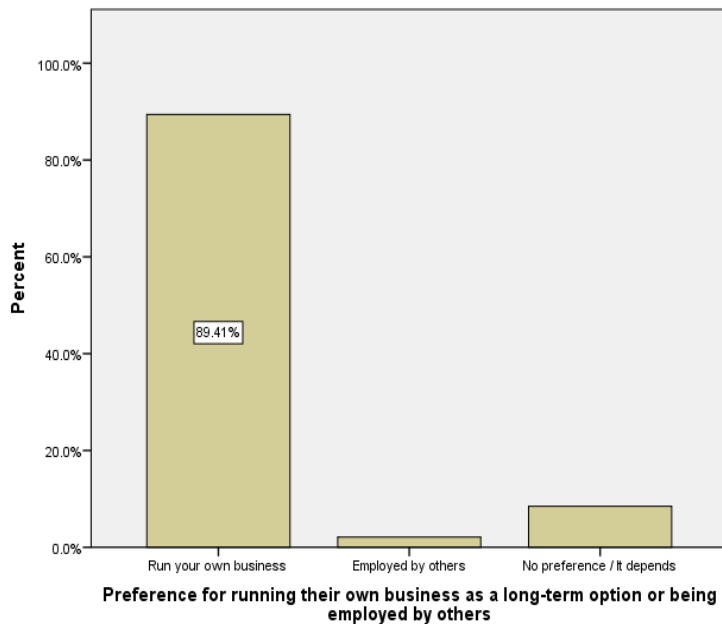


When it comes to innovation, the majority of businesses (56%) identify their company as having many competitors who offer the same services as they do and 82% of entrepreneurs indicated that their customers do not consider their products to be new. In these highly competitive markets with no new products, it is not surprising then, that 93% of entrepreneurs stated that the technology they are using in their businesses is more than 5 years old.

## Youth and Entrepreneurship: Special Topic

This year's special topic for the GEM APS Survey was "Youth and Entrepreneurship". In addition to assessing the desire to pursue entrepreneurship among the youth, the GEM Survey also assessed some of the factors that influence a young person's decisions to pursue their own business.

Among the young persons who were interviewed, 90% stated that they would prefer to run their own business on a long-term basis rather than be employed by others. This finding suggests that there is an increase in the entrepreneurial mindset among the young population. In addition, this



preference may also be a result of the increasing desire of younger persons to chart their own course in the business world.

The findings from the GEM Survey indicated that 54% of young persons engaged in TEA were influenced to start their own business by some member of their family, 35% were influenced by their friends and the remaining 11% cited other influences. 62% of them started their business with their main source of financing coming from their personal savings.

Further, 72% of the participants also indicated that their current business is not similar to businesses already owned by their family and the majority of respondents indicated that at least half of their sales would be coming from amongst their friends and family members

## THE GLOBAL ENTREPRENEURSHIP MONITOR (GEM) MODEL

The Global Entrepreneurship Monitor (GEM) conceptual model is built on a comprehensive socio-economic approach. This approach identifies the level of entrepreneurial activity, as well as different types and phases of entrepreneurship along with the entrepreneurial support within a country. It concentrates on studying the relationship between entrepreneurship and economic growth and outlines factors that are key to that relationship including the Entrepreneurial Framework Conditions (EFCs) that need to be present to enable entrepreneurial capacities and opportunities which can result in successful new businesses.

GEM therefore gathers two sets of data; the Adult Population Survey (APS) to examine individualistic responses and the National Experts Survey (NES) to get data on Framework Conditions.

### The Entrepreneurship Pipeline

Entrepreneurship can best be defined as a pipeline that starts with perceiving potential opportunities. The journey is not always a linear one, however, and individuals may step away from the process at any time.

1) **Potential Entrepreneurs:**

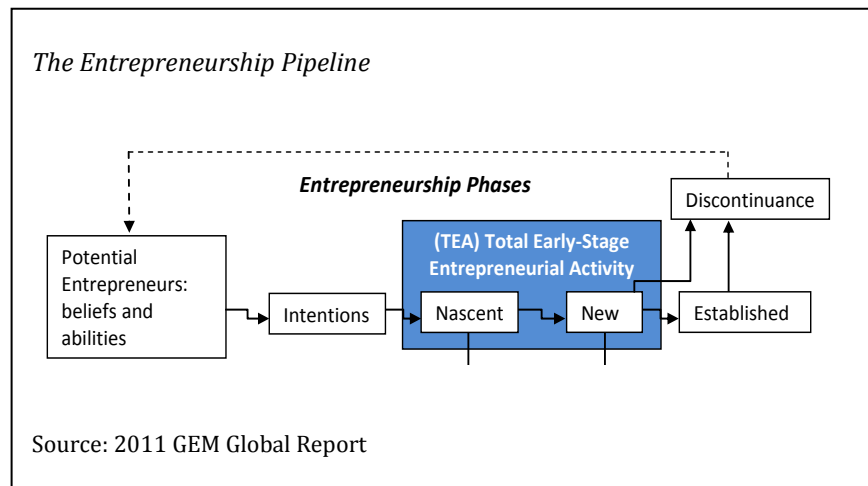
Individuals who believe that they have the requisite capabilities to start their own business and who are not dissuaded simply by the fear of failure.

2) **Intentional Entrepreneurs:**

Individuals who expect to start a business in the next three years.

3) **Total Early-Stage Entrepreneurial Activity (TEA):**

- a) **Nascent Businesses:** Those who have moved beyond the intention to start a business and are in their first three months of operations.
- b) **Running a New Business:** Businesses that have survived their challenges during the first three months and continue on for up to three and a half years.



- 4) **Running an Established Business:** Established businesses are those enterprises that have been in operation for more than three and a half years.
- 5) **Discontinuing a Business:** This provides data not only on sale of established businesses as an ongoing concern, but on reasons for the discontinuance of the business.

## Research Methodology: How The Process Took Place In Barbados

By utilizing a standardized instrument and a standardized process of data gathering all around the world, GEM is able to compile a comprehensive picture of entrepreneurs and entrepreneurship around the world. The GEM questionnaires are designed to measure the attitudes of a population to entrepreneurs and entrepreneurial activities as well as examining the activities and attributes of individuals participating in the phases of entrepreneurship. The study also takes into consideration the aspirations of these entrepreneurs regarding their businesses.

GEM recognizes that there are several individuals who may have an entrepreneurial attitude and may be engaged in setting up or running their own businesses but who may opt not to formally register the operation. These unregistered businesses can, in fact, comprise as much as 80% of economic activity in developing countries (GEM 2010 Global Report).

During 2012, Barbados administered the Adult Population Survey (APS) to 2,055 individuals aged 18 – 64, using face to face and telephone interviews. Face to face interviews were used in the nine (9) smaller parishes while the telephone was used in the largest two (2) which account for approximately 50% of the island's population. The introduction of the face to face element is expected to enhance the speed of data collection while simultaneously increasing the response rate and representativeness of the data collected.

During the data collection phase, strict quotas were applied by parish, gender and age to avoid any bias in the data collection process. Respondent quotas from each parish were calculated based on the percentage of males and females within a particular age range of the overall population who reside in that parish. The process was designed to have 943 surveys collected using the face to face method and the remaining 1,057 collected using the telephone. Both of these approaches allow the team to employ best practices in data collection as well as using integrated interview software which would minimize the chance of interviewee error and ensure that valid and reliable data is collected.

## ACKNOWLEDGMENTS

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- Participants of the Adult Population Survey
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- Ms Lois Stevenson for her input into the final version of this report.
- Systems Consulting Ltd for conducting the APS for 2012