

IMPLEMENTING PUBLIC POLICY FOR BUSINESS DEVELOPMENT: THE NATIONAL ENTREPRENEURSHIP DEVELOPMENT COMPANY

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Abstracts

Entrepreneurship creation has been supported by many entrepreneurship development policies which have been implemented with various cross-cutting mechanisms. Such policies have been designed and executed within the international arena with mixed results in shaping the entrepreneurial growth rate. There has been limited research in the operational process of implementing public policy for stimulating entrepreneurship within developing countries and this research paper addresses this gap with an examination of the experiences of a selected public sector organization called the National Entrepreneurship Development Company Limited (NEDCO) that has the mandate for implementing the entrepreneurship policy of Trinidad and Tobago. The research has revealed that central pillars for success in public policy implementation include public sector alignment, customer responsiveness, the adoption of market orientation in operations, establishing strategic alliances within the business enterprise eco-systems, and creating monitoring and evaluation frameworks that engage a wide stakeholder net with a benchmarking and 360 degree approach.

Research paper

Keywords: Entrepreneurship Development, Public Policy, Stakeholder Engagement, Customer Service

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Introduction

An important statement in the study of entrepreneurship development is that entrepreneurial activity promotes significant economic growth and wealth generation. This has created a substantial amount of interest in how government policies may be influential in encouraging entrepreneurial activity. According to McDonald (2005), the role of entrepreneurship as a vehicle for national development, generating employment, and creating wealth has gained international acceptance. He further states that entrepreneurship expansion has been given a high priority within the context of the Third World Strategy to foster socio-economic development.

In the last decade, several governments have paid collective attention to entrepreneurship and have implemented policies aimed at fostering it within their countries. These policies centre on key areas of increased access to financing, reduced taxation, regulations on trade, and the encouragement of innovation activities at local intervention access points. However, there are limited research studies that have been undertaken on the evaluation of the impact of these policies in a developing country context. Such evaluation would generate significant insights on the linkages between policy and entrepreneurial development, and can provide critical information on the key performance indices to measure the success of entrepreneurial initiatives. The purpose of this paper would be to examine the entrepreneurship policy of the developing country of Trinidad and Tobago and evaluate the implementation strategy within a public sector framework of a state implementation agency. The lessons learnt from this process will also be articulated to inform public sector agencies to foster a robust entrepreneurship

development implementation and collaboration strategy and to understand what can be success points in execution of public policy strategy.

Review of the Entrepreneurship Development

Entrepreneurship development is a very important component of societal development. The contribution of SMEs to economic growth, job creation, and innovation has been globally acknowledged and recognized (Darren and Conrad, 2009). Due to the nature of operations, capital requirement, and employment generation effects, SMEs remain the focus of most business enterprise creation efforts in less developed countries particularly in view of their capacity as engines of economic development.

The relationship between entrepreneurship and economic development has been studied extensively both at the local and state levels (Minniti, 2008). It has been established that entrepreneurship is a vital ingredient for economic development and job creation for both rural and urban citizens (Freidman, 2011). Okpara and Wynn (2007) also reported the general worldwide recognition of the potential contribution of entrepreneurship development to employment and income. In line with this, previous studies have indicated that they provide 20% to 45% of full employment and 30% to 50% of rural household income (Okpara and Wynn, 2007).

A study done by Kumar and Liu (2005) revealed that entrepreneurial sector contribution to employment and Gross Domestic Product is on the increase. Further to this, Sriram and Mersha (2010) reported that effective government policy is crucial in encouraging successful business enterprises, with Minniti (2008) observing that government policy adds dynamically to

the development of an institutional setting that encourages productive entrepreneurship.

In the case of government support policies, it is assumed that since government is in the lead for entrepreneurial development, it should provide the much needed resources within its capability. Such resources include the provision of an environment conducive to business that will encourage entrepreneurship. Governments can inspire prospective entrepreneurs to establish business enterprises by providing them with the various incentives and concessions to offset the initial costs involved in establishing enterprises.

Government policy in this context is any course of action which seeks to improve and regulate the conditions of SMEs with respect to implementation, supportive and funding policies by the government. In other words, government policy as it relates to entrepreneurial practice should be targeted at boosting entrepreneurship by making a favorable environment for the entrepreneurs, as entrepreneurship is the bedrock of a nation's path to industrialization. Stevenson and Lundstrom (2005) have defined Entrepreneurship Policy as policy measures that are designed to stimulate entrepreneurship. These policies target the pre-start-up, start-up, and early post start-up phases of the entrepreneurial process and address the areas of Motivation, Opportunity, and Skills. They further suggest that entrepreneurship policies are crafted with the primary objective of encouraging more people to consider entrepreneurship as a viable life option to move into the nascent stage, and then proceed into start-up and early phases of a business.

Governments of developing countries have in the past invested a significant amount of effort and resources in establishing policies intended to uplift entrepreneurship (Oni and Daniya, 2012). Cases in point are in

Brazil, Saudi Arabia, and Malaysia (InfoDev, 2010). For example, the Brazilian entrepreneurship movement has grown as a result of government policies geared towards developing the low-tech businesses as well as high technological oriented firms (Etzkowitz, 2002). In a research study, Salem (2014) reported that in 2010, the Kingdom of Saudi Arabia established a ten year entrepreneurial effort to put the Kingdom on an equal playing field with high economic competitive nations globally. In the context of Malaysia, in efforts to develop Malaysia through the growth of technology entrepreneurship, the government has established various technology funding organizations with the aim of giving full support to technology businesspersons (Ajagbe and Ismail, 2014). This includes the formation of venture capital firms by the government with the aim of encouraging investments in high growth firms that face difficulties in raising adequate financing at the early growth stage.

Additionally, there have been many highlighted examples of selected policies and initiatives used in various countries to specify goals and set priorities for Entrepreneurial Development (UNCTAD, 2012). For example, in its Vision 2020, the Prime Minister of Malaysia identifies entrepreneurship as a key element of economic policy that is necessary to generate economic growth in order to achieve the goals premised on higher income, inclusiveness, and sustainability. Entrepreneurship measures and programmes are identified under two main pillars of the Malaysia Plan 2011-2015, Creating an Environment for Unleashing Economic Growth, and Moving Towards Socio-Economic Development. Alongside various support measures for the development of SMEs, these include supporting the creation of an entrepreneurial culture, and strengthening the entrepreneurial capabilities of select

priority groups in the society for economic empowerment (UNCTAD, 2012).

Costa Rica's Government has also developed a National Entrepreneurship Policy 2010–2014. The policy highlights an overall strategy for entrepreneurship development, identifying national priorities that the Government seeks to contribute to through entrepreneurship including the preservation of the environment, intercultural integration, and regional brand development. Key areas of action include promoting entrepreneurship, information and monitoring, innovation and technological development for entrepreneurs, financial instruments for entrepreneurs, guidance to entrepreneurs, and encouraging entrepreneurs to export (UNCTAD, 2012).

One of the key pillars of Rwanda's Vision 2020 is the development of an efficient private sector, spearheaded by competitiveness and entrepreneurship. Entrepreneurship is well embedded in the country's Economic Development and Poverty Reduction Strategy 2008–2012, which identifies a lack of entrepreneurship as one of the key challenges for sustainable economic development. Among the measures included in the strategy are the provision of capacity building in entrepreneurship for farmers, the development of innovative credit packages for entrepreneurs, and the creation of enterprise units within vocational training centres (UNCTAD, 2012).

In South Africa, the City of Johannesburg developed a Youth Entrepreneurship Strategy and Policy Framework in 2009 with a vision to aid South Africa in becoming the leading country in entrepreneurship development in the developing world by 2025. The Strategy is in line with the Government's priority to deal with high rates of youth unemployment, and with the activities of the National Youth Development Agency of the Department

of Trade and Industry, which offers a range of services to aspiring young entrepreneurs including mentorship, training, and access to finance (UNCTAD, 2012).

Despite Government's efforts, many challenges have been met in the pursuit of entrepreneurial development. For example, in Nigeria, different administrations at various times have geared their efforts towards developing its entrepreneurship. Several developmental and financial assistance instruments were employed (Oni and Daniya, 2012). However, such government plans were terribly unsuccessful as a result of overbearing bureaucratic procedures, corruption, and insufficient and ineffectual infrastructural amenities (Ihugba et al., 2014). They mentioned inconsistent government policies as one of the challenges faced by entrepreneurs in Nigeria.

Another challenging task for Governments is the alignment of the entrepreneurship strategy with the broader private sector development agenda. Although all types of entrepreneurial activity are valuable for economic development—generating value added, fiscal revenues and employment opportunities, startup companies are particularly valuable for private sector development strategy when they enhance competitive advantages of their home country. Therefore, entrepreneurship policy becomes an integral part of the overall national competitiveness policy. This highlights the need for a coherent policy approach that links different areas of private sector development, including industrial policy, investment promotion, trade facilitation, export promotion, SME promotion, as well as fiscal policy.

Furthermore, accessibility of monetary services is one of the significant factors for the continued existence of new business enterprises. Governments need to employ the use of direct subsidies, tax incentives, and

government procurement to inject large amount of resources to the entrepreneurial process. Support programmes must be continuously funded for the attainment of economic development through entrepreneurship in order to bring economic development through SME development, job creation, as well as wealth creation. Another key stakeholder in the development of strong entrepreneurship policy is the University sector. Guerrero et al. (2015) have suggested that Universities are a major driving factor for regional, economic and social development. They further indicate that Entrepreneurial universities can act as business enterprise incubators and provide a platform in which the university community (e.g. faculty, students and staff) can recognise and exploit inventive ideas that could be launched as new business enterprises. In addition Guerrero et al. (2014) further elaborate that in developing countries the primary interventions to nurture entrepreneurship within universities are entrepreneurship educational programmes due to the positive relationship between entrepreneurship education and the increase in the overall level of entrepreneurial activity. They conducted an in-depth analysis to understand the entrepreneurial conversion process of entrepreneurial universities in developing countries. Their significant research findings revealed that Universities that are currently developing their entrepreneurial strategies should consider how to promote an active entrepreneurial culture in society and strengthen entrepreneurial attitudes. Other key considerations are that plans should be designed to create stakeholder relationships with national and regional industry leaders and for Universities to be an advocate for reinforcing the regulations that guide the business eco-enterprise system of their country.

On an overall basis it can be determined that government sponsorship and administration of entrepreneurial support programmes is paramount especially in developing countries. This support represents a proclamation from the government as it relates to entrepreneurship, that it will go a long way to ensuring sustainability, positive entrepreneurial practice, and increased competitiveness.

The Entrepreneurship Development Strategy of Trinidad and Tobago

The Entrepreneurship Development Policy of Trinidad and Tobago 2013-2016 was designed to respond to the current lack of cohesiveness among the support systems of entrepreneurs, and deficiencies in the quality of tools that support business growth. The Policy aims to integrate the existing business support services in Trinidad and Tobago to create a cohesive ecosystem for supporting both entrepreneurship and small business growth. A strategic decision was taken to categorize the needs of entrepreneurs into four (4) key areas: the business environment, financing, business development and support services, and governance and advocacy.

The objectives of the entrepreneurship development policy are as follows:

1. To create opportunities and reduce obstacles for entrepreneurship.
2. To reduce the barriers between formal and informal sectors.
3. To apportion equitable treatment to Micro and small enterprises as to that of medium and large enterprises.
4. To expand opportunities for entrepreneurs to access financial and business development support.
5. To improve the national and international market network for entrepreneurs.

6. To encourage productive and innovative entrepreneurs in the interest of economic diversification and wealth creation.

It is expected that an entrepreneurial culture will fuel the drive for innovative business development, which subsequently will stimulate employment, diversification, and successful business growth.

The Experience of the National Entrepreneurship Development Company Limited (NEDCO) as an agency for Entrepreneurship Development in Trinidad and Tobago

The National Entrepreneurship Development Company Limited (NEDCO) is a state owned limited liability company established by the Government of Trinidad and Tobago in August 2002, as a micro finance institution (MFI) with a mandate to assist in the development of a sustainable small and micro enterprise sector, and to be the implementing agency for government's policy on small and micro enterprise development.

NEDCO promotes and develops entrepreneurship through the provision of dynamic and diverse products and services, and acts as a catalyst in the development of an entrepreneurial culture in Trinidad and Tobago, by employing strategies that attract the young and traditionally disenfranchised sectors of the populace towards business activities. In addition to loan financing, NEDCO delivers training in business and lifestyle disciplines, advisory services, mentoring, and business incubation development services. In support of entrepreneurial development in Trinidad and Tobago, NEDCO provides funding for Start-ups, existing businesses, and expanding businesses at an interest rate of 8% per annum. Over the last 12 years the company has established a loan portfolio of 11,281 with the value of 45 Million Unit-

ed States Dollars (USD) as of December 31st 2015. Of these loans, females comprise 48.34%, males 45.32% and companies 6.3%. The loan repayment rate is 60% and 9,500 entrepreneurs have accessed their training and support services. There is an accumulated deficit of USD \$ 25 Million from the past twelve (12) years of operation, which represents the excess of NEDCO's expenditure over revenue grants received from the state and other income over the period. NEDCO is endeavouring to become more self-sufficient and eventually reduce the dependency on Government grants to meet operating and administrative expenses.

NEDCO has also experienced several challenges in the field of entrepreneurship development over the last twelve years. Firstly, is the challenge of high levels of delinquency among its clients due to the high risk nature of lending to business enterprise start-ups, and entrepreneurs falling off the business pathway. NEDCO also faces the challenge of developing a culture of entrepreneurship among the traditionally disenfranchised community, where a predominant preference for informality exists. Thirdly, NEDCO is faced with threats from competitors due to the entry of commercial banks with specialized small business loan products and services which erodes market share, and attracts the bankable sustainable clients.

Nonetheless, NEDCO has made a significant impact on the entrepreneurial climate within Trinidad and Tobago, encouraging entrepreneurs to start small businesses, which make the most of indigenous resources and innate talents in non-traditional areas. These businesses in turn are able to contribute further to the MSE value chain, also exhibiting high export potential, as products are an indigenous, uniquely Caribbean brand.

Successful Strategies towards Entrepreneurial Development – Lessons Learnt from the National Entrepreneurial Development Company Limited

During the last twelve years NEDCO has been the public sector agency that has been charged with the mandate of entrepreneurship development in Trinidad and Tobago. Drawing upon its experiences and performance metrics while implementing policy, the following observations are made with respect to lessons learnt from the policy intervention process:

Alignment with Public Sector - Any implementation agency for the state must orient its strategy, systems, and structure to the philosophy of the public policy that it is trying to implement. This alignment will ensure adherence to Government development strategy, and allocation of resources to the state agency to fulfil its mandate.

Development of Customer Responsive Operations - The process of entrepreneurship development via direct support to nascent and existing entrepreneurs is complex and dynamic, where developmental needs have to be balanced against resource constraints by the state. As a result, public sector agencies must develop an operations orientation that has a strategic customer perspective and strategy, and is capable of responding to policy shifts, and communicating same to their customer segments. When there is a reduction of state intervention due to financial shortages or budget restrictions, the customer communication

system must also be robust to response and offset any negative connotations or dissent within the customer base.

Market Orientation – The Public sector implementation agency must ground their product and services menu in a market oriented approach in order to understand the needs of the targeted customers, while building a flexible component to evolve with the complex business eco-system. This approach must be supported by the creation of a market intelligence information system that can capture internal and external market information to inform the decision making process.

Strategic Alliances – The adoption of a collaborative approach among public sector agencies is important if mass development is to occur. When facing the challenges of dwindling resources and expanding customer needs, it can be prudent to establish strategic alliances from the private, public, and non-governmental organizations (NGOs), to bridge gaps and offer a seamless flow of upstream and downstream services.

Monitoring and Evaluation Frameworks – A performance management system that is configured to conduct a variance analysis against expected outcomes from a macro and agency perspective should be designed to assess the effectiveness of public policy implementation. The internal performance management system for corporate governance within the state agency

is critical from a transparency, integrity, and efficient management of resources nexus. However, policy constructs are often developed to embrace a wider stakeholder net from a country perspective so it is equally important to integrate national indices of performance and alignment with policy outcomes when implementation agencies are underdoing evaluations. A 360-degree approach can be constructed, and benchmarking can be undertaken while incorporating best practices in the field.

Future Research Directions

As a result of this overview of the impact of entrepreneurship development policy and the experiences of implementation of public policies by the selected state agency of NEDCO, a proposed agenda for future research can be based on conducting research to strengthen the internal competencies of agencies that are responsible for the execution of policy, and the development of criteria to evaluate potential strategic partners for mutual collaboration.

Another avenue for research can be conducted from the perspective of the developers of public policy, where a structural framework for the configuration of implementing agencies can be designed to ensure an efficient use of resources, and output that has an impact at the national level.

Finally, an investigation into public sector policy failures can be undertaken to determine the origination of point zero with the objective to design a check point list to safeguard against implementation variations.

Conclusion

The rise in the rate of entrepreneurship policy has made a significant and positive contribution to stimulating the rate of entrepreneurship notwithstanding the challenges facing the implementation of policy across complex business enterprise eco-systems. There has been an increased interest in the creation of robust structures to accomplish policy objectives, but limited research into the operational process of state agencies that have a mandate or governance responsibility for entrepreneurship policy execution. This research paper investigated the experiences and lessons learnt from NEDCO, and has revealed central pillars for success in the areas of public sector alignment, customer responsiveness, the adoption of market orientation, establishing strategic alliances, and creating monitoring and evaluation frameworks. Similar to the finding of this research paper, Sriram and Mer-sha (2010) also found that effective government policy is crucial in encouraging successful business enterprises. Related research done by Minniti (2008) also observed that government policy adds dynamically to the development of an institutional setting that encourages productive entrepreneurship. Research done by Hernandez (2010) also revealed findings in support of this paper's conclusions on the importance of strategic alliances from private, public and non-governmental organizations (NGOs). In his research on the role of government in enhancing entrepreneurship of small and medium enterprises for economic growth, Hernandez (2010) concluded that the public sector should identify potential alliances between government, business and academia to enhance and support entrepreneurship. From this research paper's finding and the findings of similar research works done, it can be

concluded that encouraging entrepreneurship is an essential role of any public sector concerned with the future economic wealth of their country.

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