

Meeting Challenges In Developing Nations: The Need For Entrepreneur Education

Entrepreneurs+Education Promotes Prosperity+Civil Society

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Introduction

I am a business lawyer by occupation. I have spent my entire career working with private, owner-managed businesses. Most of my clients have anywhere from a very few employees to just over a hundred employees. As you will see from the two charts below, these kinds of business are a key engine in the Canadian economy, one of the most successful in the present world. This is a group of people I have come to understand and respect.

In October 2005, my wife and I visited Kenya and Tanzania. We were guests of the Aga Khan University, and members in a group of Canadians investigating an education initiative the AKU was launching in East Africa. This was our first visit to under-developed countries. Some of the important conclusions we took away with us from that trip include the following:

- These countries need GDP. No matter how benevolent their governments might be, without GDP to provide a tax base for them to draw on they will never be able to make progress for their people.
- There is a large entrepreneurial spirit in these countries. The roads were literally lined with micro-businesses. The struggle to escape poverty fostered as much entrepreneurialism as we had experienced anywhere.

We reflected on these observations on our return to Canada. When combined with our experience of the owner-manager community in Canada, we developed five key propositions.

Proposition #1 - All countries need GDP growth, and the poorest countries need it most of all.

The following chart speaks for itself. The poorest countries in our world are not only desperately poor, they are getting poorer. Even those poor countries getting some traction have generations to go to significantly close the gap with the wealthier nations, who are not slowing down their own growth to let others catch up.

These trends must impact benevolence. It does not matter how benevolent a government is, without a tax base to draw from it will never be able to make progress for its people. Without

progress, how long before benevolence itself is questioned, at least by those with access to power? All countries need GDP growth, but the poorest countries need it most of all.

#1 – All countries need GDP growth, and the poorest countries need it most of all.		
	GDP Per Person in US\$ 2003	GDP Growth Rate 1993-2003
Ten Richest Countries	\$40,200.00	3.33%
Ten Poorest Countries	\$145.00	-0.05%
Ten Fastest Growing Countries	\$710.00 <i>(not including Ireland)</i>	11.30%
<i>The Economist and World Bank.</i>		

Proposition #2 – Small businesses are vital and important GDP drivers and job creators.

Small businesses are a vital component in developing and driving GDP. The chart below demonstrates the importance of small businesses in the economies of three very successful nations. Most importantly, small businesses are a key driver in job creation. Every society requires jobs. Poor and conflicted society needs them most of all. Jobs not only provide needed income to deal with life's needs, they provide a sense of worth and a stake in society. More importantly, the absence of jobs leads to poverty, declining living standards, crime, violence, and a sense of hopelessness. In addition to driving job creation, a vital few of the small businesses of today become the mega-businesses of tomorrow.

#2 – Small businesses are vital and important GDP drivers.				
Businesses with less than 100 Employees	Percentage of all Businesses	Percentage of all Jobs in Economy	Percentage of New Jobs	Percentage of National GDP
Canada	99% - more than 2,000,000	33% of all jobs, including 47% of all private sector jobs	80% of new private sector jobs in the past 10 years	24% of GDP
USA	99% of all firms, and 98% of all firms with employees	36% of all private sector jobs	60% to 80% of net new jobs over past 10 years	50% of non-farm GDP
UK	99% - more than 4,000,000	47% of all private sector jobs		37% of GDP
<i>Canada – Industry Canada. USA – United States Small Business Administration UK – UK Government Small Business Service.</i>				

Consider the following quotes from a major 2004 United Nations report on poverty and entrepreneurship, which we ran across after establishing our five propositions and while looking for research to back them up:

“The message is clear: sustained economic growth reduces poverty. The link is equally clear between economic growth and strong private investment ... But for output growth to contribute to poverty alleviation, it must translate into incomes for the poor ... Employment is thus the key link between output growth and poverty alleviation.”²

“Indeed, research indicates that economic growth in poor countries is accompanied by a more than proportional growth of the formal small and medium enterprise sector. In low income countries the share of formal small and medium enterprises in employment is about 30% and in GDP about 17%, while in high income countries the shares are about 60% and 50%.”³

Proposition #3 – Besides driving prosperity, small business owners are critical stakeholders in a peaceful, democratic and civil society.

Besides generating much needed prosperity, small business owners and their families are stakeholders in a peaceful, democratic and civil society. While we have not found the research to back us up on this, our intuition and experience is that business owners provide funding and volunteer support for countless benevolent organizations, including political parties, hospitals, churches, professional organizations, charities, and neighbourhood and youth clubs. They provide politicians and civic leaders. They have something to lose if a society takes a turn for the worse, and often have the means to do something about it. If a peaceful, pluralistic, democratic and civil society matters to us, then developing a vibrant and strong community of peaceful, tolerant, caring and successful business owners is a strategy that must be pursued.

Consider the following examples from the UN report referred to above:

“Corporate governance is a focal point in creating safeguards against the corruption and mismanagement ... while promoting the values of a market economy in a democratic society. The values include accountability, transparency and the rule of law – as well as fairness ...”⁴

“Separate from corporate governance ... is the growing interest in corporate social responsibility.”⁵

² Unleashing Entrepreneurship: Making Business Work for the Poor, Report to the Secretary-General of the United Nations, 2004, Commission on the Private Sector and Development - Co-Chairs: The Right Honourable Paul Martin, Prime Minister of Canada and Ernesto Zedillo, Former President of Mexico, page 7.

³ Unleashing Entrepreneurship: Making Business Work for the Poor, page 13.

⁴ Unleashing Entrepreneurship: Making Business Work for the Poor, page 34.

⁵ Unleashing Entrepreneurship: Making Business Work for the Poor, page 34.

Proposition #4 – Entrepreneurs do not start successful small businesses, technicians do.

Again, while we have not yet found the research to help support us on this, our own experience is that most successful small business owners became entrepreneurs after they acquired a trade, technical skill or profession. In fact, our experience has been that most successful entrepreneurs do not become entrepreneurs until *after* they go into business for themselves. It is not the effort to start a business that defines an entrepreneur; it is their ability to sustain a business that demonstrates what they really are. It is a trade or skill, combined with experience, independence, drive, necessity and the ability to learn and adapt that most readily defines a successful entrepreneur. By sheer numbers, it is those with a technical, trade or professional education who are most likely to establish successful small businesses, not MBAs or business professionals. It is these kinds of entrepreneurs, properly trained and motivated, including training related to both their trade or skill and their business acumen and civic spirit, that will ultimately provide the jobs and GDP necessary for benevolence to permanently root in our developing nations.

Further remarks from the UN report:

“A firm’s competitive advantage comes from its entrepreneurial capabilities; its management and technical know-how, including labour-management relations; and the skills, education and adaptability of its employees.”⁶

Proposition #5 –The education and development of entrepreneurs remains a poorly researched and uncoordinated activity.

Our final proposition is that the education and development of entrepreneurs, especially those key job creators who will build businesses from ten to one hundred employees, is a poorly researched and uncoordinated activity in both developing and developed countries. However, like many needs, this creates opportunity for initiatives with significant, self-sustaining, multiplying and long-lasting impact.

Some support and practical ideas from the UN report:

“The objective of poverty alleviation lead us to focus on developing business that create domestic employment and wealth – by unleashing the capacity of local entrepreneurs ... One of our key observations is the lack of knowledge about best practices and the great need for sustained research and analysis of what works and what doesn’t.”⁷

“Additional steps ... Build entrepreneurial networks and associations for peer-to-peer learning ... Tap the private sector’s potential to deliver on-the-job training and

⁶ Unleashing Entrepreneurship: Making Business Work for the Poor, page 19.

⁷ Unleashing Entrepreneurship: Making Business Work for the Poor, Foreword.

apprenticeships ... Develop institutions of management learning, including business schools, to develop a pool of local management talent ... Conduct additional research on entrepreneurship in developing countries to better understand the interplay of entrepreneurial characteristics and the business environment."⁸

Conclusions

Based on these five propositions, we offer several conclusions:

1. Educating and developing job creators in the local entrepreneurial community is of critical national importance, especially for countries looking to get ahead.
2. The need for education aimed at developing the job creators of tomorrow is not being sufficiently addressed.
3. Entrepreneur education must include a primary focus on technical skills and knowledge, but also include an important secondary focus on business skills, business leadership and civic responsibility.
4. The challenge for those of us in the world's wealthiest societies is to recognize and foster the entrepreneurialism in developing countries that we have developed and rely upon in our own.

The difference between aid and investment is understood all too well by most owner-managers. There is no better opportunity to demonstrate that understanding than by harnessing our entrepreneurial spirit in a way that supports the kindred spirits of men and women in less advantaged countries.

⁸ Unleashing Entrepreneurship: Making Business Work for the Poor, page 27.