

The Caymans, The Dual Economy and Education in Entrepreneurship

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Introduction

The Caricom Single Market and Economy will likely come into effect on or about 2005. It will place most businesses into the mainstream of competitive activity even as it affords new opportunities in the larger market. In the expansion and move toward a global orientation, the enterprises of the independent island states will need to be more creative in satisfying customers and more diversified in matching opposing competitive forces. The new era of globalization will have an effect all industries, the financial services industry as well, including those companies as in the Caymans who have enjoyed the security of their niche position and insulation from the rest of the world. As the barriers to globalization are removed even larger enterprises will see new competitors, particularly those that will have mastered Information Age technologies to extend their competitive offers.

The immediate effect may not be evident to the Caymans since the country has a niche economy built on financial services and a tourism industry directed to a specific up-market segment. However both these industries are subject to the same worldwide market forces that demand change and innovation. The Internet and digitized services offer new and entrepreneurial ways to provide financial services world-wide and this medium can best be mastered by entrepreneurial managers and enterprising individuals.

But to meet that standard there is the need to train young people, the future managers of enterprise, in the ways of business and entrepreneurship. The remarkable fact is that there is a large reserve of keen young people who are willing to assume that role.

The Dual Economy

The wealth of nations comes from the business base that creates employment and builds the economy. Within most economies there are two sectors that produce a country's wealth. The first is comprised of older, often larger firms that account for much of the employment and GDP in the country. However, this sector, referred to as the 'managed economy' is subject to market forces that cause these enterprises to eventually die. The offsetting part of the economy is the second sector the 'entrepreneurial economy' that creates the new jobs and wealth and more than compensates for jobs lost by the managed economy. If the entrepreneurial growth is strong, then the economy as a whole prospers and grows.¹

The marketplace is driven by the motivations of buyers, rather than some notion of supply and demand, which influences economic activity. These factors lead to a process of constant change. New products and services come into the market as a consequence of new needs and technologies. The persistent and pervasive push for betterment and improvement forces a life cycle process on to any service or product such that it moves through a number of stages from introduction, to growth to maturity to decline. The life cycle of the product or service becomes the life cycle of the enterprise as well unless the company re-invents its products or services, improves technologies and the facilities that produce the goods and services.

Entrepreneurship is the mechanism that creates the entrepreneurial sector in the economy. Studies in the US and Europe report that entrepreneurship has, and will continue to have, an accelerating effect on the economic future of nations and economies.² Many developed nations accept that entrepreneurship is foremost in public policy initiatives,³

and that while the creation of jobs is important, entrepreneurs are also the source for knowledge and innovation too since the small firm, home of the independent entrepreneur and the independent inventor is the primary source of the technologies and the innovations that are the foundation for growth.⁴

The economics that define the economy are based on factors noted by Kirzner,⁵ for example, and leads to the development of a model that explains the dual economy. Applying market forces to the examination, a model of a dual economy is developed⁶ wherein the *alpha* economy, is a summation of all the entrepreneurial activities taking place. As the alpha type enterprise reaches maturity it has expands to its greatest size. It then experiences the effect of competition where it becomes a part of the managed economy, a *beta* enterprise. It begins to cut costs and employment through economies of scale and productivity and seeks ways of maintaining growth often by exporting to other nations. In time it becomes less competitive, less in demand and it passes from the scene.



The Cayman Islands Economy: Alpha or Beta?

The evidence supports the thesis that the Caymans for the most part tend toward a beta type economy. The implications of a dual economy extend directly to any national setting and there is the constant need to improve and change the structure and content of the enterprise. Entrepreneurial managers and latent entrepreneurs in the economy are the principle agents who bring about change and activate innovation.

The financial services industry is no less prone to the effects of globalization and the need to improve or change operations. According to accenture,⁷ one third of the world's largest financial services companies have gone global. There is an oversupply of financial services companies around the world generally and in the offshore sub-sector there are any number of new and expanding services in Belize, Vanuatu, Bahamas as well as European operations in the Jersey, Guernsey, Monte Carlo, and Liechtenstein principalities that are competitively offering specialized service.

While the need to change in this context is a drive to improve efficiencies and economies of scale, an activity consistent with beta activities, there are more and more activities centered on creating new products and services to meet the needs of corporate clients as they expand globally to say nothing of the needs of individuals. In this respect the Information Age has removed many of the barriers to offshore banking advantages and offers a new venue for creative financial services. One only has to recall the Charles Schwab model to understand the enormous potential for individualized personal services

At the centre of this new world stands the entrepreneur or entrepreneurial manager, a new class of professional person who is an agent of change in the economy. But unfortunately there is little activity in the Caribbean, including the Caymans, that addresses this issue in terms of education and training. A recent study at the University of the West Indies Cave Hill campus has determined that there is a burgeoning need to begin an educational program that teaches entrepreneurship.

Youth Training and Entrepreneurship

The developed nations of Europe and North America have made significant strides toward educating and training young people in entrepreneurship. Most colleges and universities teach a number of courses on the subject, many have undergraduate degrees in entrepreneurship and the larger institutions have post graduate degrees. Youth entrepreneurship is an active movement in most countries and there is a wide variety of textual and manual literature on youth education and new venture creation.

The reasons for this focus are threefold. Firstly there is recognition of the need to stimulate creativity and innovation in the economy and what better way then to produce a flow of motivated and skilled people into the business world. Secondly the global trend in the workplace is to self-employment. There are a number of studies that point to half of the workforce being self-employed in the next decade or two. Finally, the youth segment of many populations is large and governments perceive the need to educate these people, to prepare them for participation in an entrepreneurial economy.

The Cave Hill Study

The Cave Hill Campus of the University of the West Indies in Barbados has 4,000 students taking courses in five faculties; Social Sciences, Pure and Applied Sciences, Medical Sciences, Humanities & Education and Law. In the last year there has been a dramatic surge in student enrolment in Business Studies, a department in the Faculty of Social Sciences. A research project was initiated to determine the latency of entrepreneurship in the student population at large and the business school in particular.

The study surveyed a sample of 164 students using a questionnaire that included sections from an entrepreneurial self-efficacy test developed by De Noble et al.⁸ There were three objectives for the study. The first was to determine the amount of interest students had in the concept of entrepreneurship, as measured by a desire for more courses and future intentions as to employment. Secondly the study sought out the career expectations of students, including entrepreneurial activities and finally the study wanted to measure the latency or entrepreneurial aptitude students may have in regard to the subject.

Student Interest In Entrepreneurship

The student desire for additional courses in the business discipline shows a strong preference for more courses in Entrepreneurship followed by International Business, Table 1 below. Cross tabulations show that one third (33%) of those in the Management program were inclined to more courses in Entrepreneurship followed by Accounting (28%) and the rest of the sample at 39%. It is interesting to note the strong measure from those not in the business studies program, suggesting an acknowledged need or desire to have access to courses in Entrepreneurship.

Table 1: Desire for Additional Courses

Desired courses	Mean Score	Std. Dev.	First Rank Selection (Standardized)
Marketing	4.13	2.01	10.5%
Accounting	4.94	2.23	13.1%
Tourism	4.73	2.22	10.0%
Finance	4.27	2.10	10.2%
International Business	3.60	2.11	18.1%
Human Resources	3.74	2.02	15.4%
Entrepreneurship	3.14	2.05	22.7%
			100.0%

Business and non-business students seem to have an appetite for Entrepreneurial training and courses, since they indicate a need for more courses in Entrepreneurship as their number one preference. However while business students show a stronger desire for Entrepreneurial courses, the independent sample t-test establishes there is no statistically significant difference between them and non-business students, (Table 2). This strong disposition for business and entrepreneurship courses is furthered by the fact that both groups show either a second or third preference for more courses in Marketing and International Business.

Table 2: Descriptive Statistics and Independent Samples t-test for Business and Non-Business Students on Subject Preference

	Business Students		Non-Business Students				
	(n = 117)		(n = 47)		t-test for Equality of Means		
Subject Areas	Mean	SD	Mean	SD	t	df	p
Marketing	4.09	1.963	4.23	2.139	-.427	162	.670
Accounting	4.84	2.255	5.19	2.153	-.920	162	.359
Tourism	4.66	2.241	4.91	2.185	-.668	162	.505
Finance	4.24	2.144	4.34	2.014	-.278	162	.782
International Business	3.32	2.149	4.30	1.852	-2.723	162	.007
Human Resources	3.80	1.971	3.57	2.134	.657	162	.512
Entrepreneurship	3.06	2.027	3.34	2.098	-.794	162	.429

Career Expectations

Students were asked about their post-graduate intentions with respect to employment. As would be expected, almost half (46.4%) indicate a preference for going into government or large business. (Table 3.) On the other hand a combined 18.9% would choose self-employment and small business and 36% regard their future as professional, which assumes an independent employment practice. In effect a majority of students see their future in an independent, non-bureaucratic enterprise.

Table 3: Post-Graduate Employment Expectation

Post Graduation Employment	Mean Score	Std. Dev.	First Rank Selection (Standardized)
Government	3.51	1.85	17.7%
Small Business	4.45	1.54	5.5%
Large Business	3.04	1.90	28.7%
Self-Employed	4.13	1.85	13.4%
Professional	2.87	1.95	36.0%
Charitable Organization	5.29	1.22	1.8%

A follow-up question asked students if they expected they would one day own their own business. The question was introduced as a control question to compare with the earlier expectations as to career choice. The results were compiled in a correlate linkage structure that confirmed and validated the expectations of students who indicated their preference for an entrepreneurial career, Figure 2.



The figure represents a cluster around the expectation of being self-employed on graduation and owning ones own business in the future. This is the strongest association that is significant at the 0.01 level. The cluster is completed with association to increasing the number of courses in entrepreneurship, working in small business and negatively in seeking governmental employment, which serves as a control variable since bureaucracy is anathema to entrepreneurship. (All data were significant at the 0.05 level or less)

Entrepreneurial Aptitude

The survey relied on the De Noble Self Efficacy Test questionnaire so that a cross-cultural comparison could be made between Caribbean and American students. Table 4 presents the data indicating a close relationship in regards to entrepreneurial aptitude and intention. It would seem there is some ability of Americans to develop an innovative environment in contrast to UWI students who scored marginally lower in that aptitude. Similarly the US students were able to accommodate more ably to unexpected challenges. Both these factors are readily recognized as due to the educational exposure of Americans to entrepreneurship as compared to the comparative dearth of innovative education in the Caribbean.

Table 4: Comparison of Entrepreneurial Efficacy Between U.S & University of the West Indies Students

Item	De Noble Mean	Std. Dev.	UWI Mean	Std. Dev.
Developing New Opportunities	3.85	0.56	3.57	0.95
Innovative Environment	4.03	0.62	3.71	0.81
Investor Relations	3.67	0.78	3.77	0.88
Core Purpose	3.81	0.72	3.73	0.81
Unexpected Challenges	4.06	0.67	3.72	0.79
Entrepreneurial Intention	3.72	1.11	3.67	0.49

The comparison would be better served with the data from the US study since correlative evaluations and t-test values could be placed in the discussion. Nevertheless in regard to being aware of new opportunities, developing investor relations, promoting the core purposes of the enterprise and expressing entrepreneurial intentions, UWI students were very much comparable to those examined in the De Noble study.

Entrepreneurial Aptitude - Business and Non-Business Students

It is interesting to note that the results of the study reveal there is no statistically significant difference in Entrepreneurial Self-Efficacy between business and non-business students, (Table 4). Both business and non-business students are not statistically significantly different in their measurement of the five variables of (a) being aware of new opportunities, (b) unexpected challenges, (c) developing investor relations, (d) building an innovative environment, and (e) promoting core purpose, (Table 3). This was somewhat different from the De Noble Study as there was a significant difference between Entrepreneurial majors and Non-Entrepreneurial majors on overall Entrepreneurial Self-Efficacy, and Entrepreneurial Self-Efficacy subscales that included Developing new opportunities, and Unexpected challenges.

Table 5: Independent Sample t-test on Entrepreneurial Self-Efficacy Scale

	Business Students		Non-Business Students				
	(n = 117)		(n = 47)		t-test for Equality of Means		
Variables	Mean	SD	Mean	SD	t	df	p
Entrepreneurial Self-Efficacy Scale	3.6113	.53281	3.6161	.37173	-.056	162	.955
Developing new product and market opportunities	3.5214	.62673	3.6505	.51577	-1.251	162	.213
Building an innovative environment	3.7372	.60426	3.6436	.43534	.965	162	.336
Initiating investor relationships	3.6296	.63242	3.5957	.62530	.311	162	.756
Defining core purpose	3.7635	.63242	3.7163	.51065	.421	162	.675
Coping with unexpected challenges	3.4957	.64567	3.5248	.59687	-.267	162	.790
Developing critical human resources	3.5983	.65877	3.5106	.62497	.782	162	.436

Conclusion

The study indicates a strong argument favouring increased entrepreneurial education in the University system, if not the educational system in the Caribbean. The initiating argument is that the dual economy requires entrepreneurial individuals to energize that sector and create national wealth. This aspect takes on some importance given the imminent conclusion to the CSME agreement for the Caribbean. A second factor is that within established companies there is the critical need for entrepreneurial managers, as opposed to administrative managers, who can renew operations, products and services thereby giving new life to those enterprises. A third issue is that students recognize the need for new courses and the direction they will assume in the future. It would be a serious omission on the part of Caribbean educators to overlook this need. The study finds that the disposition to an increase in entrepreneurial education is not confined to business students but across the entire student body.²

The International Trade Centre makes the following observation, "Small and medium-sized enterprises (SMEs) represent up to 95% of all businesses in developing and transition economies. They account for up to 90% of employment in the industrial sector; 60% to 70% of manufacturing output; and 75% to 80% of national export earnings. Clearly, it is essential to nurture the SME sector in order to drive and maintain growth."¹⁰ The Centre's findings reinforce the need to train people for the small business, entrepreneurial sector in the Caribbean developing economies.

A recent Gallup poll¹¹ quotes that 69% of American youth want to establish their own businesses even as they strongly support (84%) more entrepreneurship education in their schools. Given the foregoing information can the Caymans and the University of the West Indies do less?

Endnotes

¹ Blawatt, Ken R., "Entrepreneurship, Political reality and the C.S.M.E." paper presented to the 5th Annual Conference, SALISES, University of the West Indies, Trinidad, March 31 - April 2nd, 2004.

² William B. Walstead and Marilyn Kourilsky, "The Findings From a National Survey of Entrepreneurship and Small Business," *Journal of Private Enterprise*. Vol. XI, No. 2 (Spring 1996) pp 21-32.

³ Global Entrepreneurship Monitor, 1999, Executive Report, Paul D. Reynolds, Michael Hay, S. Michael Camp, Babson College, Kauffman Center for Entrepreneurial Entrepreneurship, London School of Business.

⁴ William J. Baumol, Entrepreneurship, Innovation and Growth: The David-Goliath Symbiosis, a Talk based on *The Free-Market Innovation Machine: Analyzing the Growth Miracle of Capitalism*, Princeton, Princeton Press, 2002.

⁵ Kirzner, Israel, Entrepreneurial Discovery and the Competitive Market Process: An Austrian Approach', *Journal of Economic Literature*, March 1997.

⁶ Blawatt, Ken R. "Defining the Alpha Economy; The Role of Entrepreneurship in Creating National Wealth", Working Paper, Department of Management Studies, University of the West Indies, Cave Hill, March 2004.

⁷ "Outlook: Ideas That Create the Future," www.accenture.com Accenture 2000-2001.

⁸ Alex F. De Mable, San Diego State University, Dong Jung, San Diego State University, Sanford B. Erlich, San Diego State University, "[Entrepreneurial Self-Efficacy: The Development Of A Measure And Its Relationship To Entrepreneurial Action](http://www.babson.edu/entrep/fer/papers99/I/I_C/IC.html)" http://www.babson.edu/entrep/fer/papers99/I/I_C/IC.html.

⁹ The sample did not include members from the Law Faculty nor the Medical Sciences Faculty. It was assumed these would be accounted for through the response of the other faculties. In time a larger study might be made that would include these groups.

¹⁰ International Trade Centre, UNCTAD/WTO, Enterprise Competitiveness, <http://www.intracen.org/ec/welcome.htm>.

¹¹ 11 Kauffman Foundation Centre Report, Babson College, 2003.

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