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# The Entrepreneurial Ecosystem in the Caribbean

Inshan Meahjohn<sup>1</sup>

<sup>1</sup> University of Trinidad and Tobago

## Abstract

The research study was conducted to analyse the entrepreneurial ecosystem in the Caribbean. The aim of this research study was to investigate the impact of education, industry and government on the entrepreneurial ecosystem's development. The research study utilised a secondary research method as well as a critical review of the literature. The research method proved to be helpful in investigating the research issue, and I critically analysed the findings of prior authors. This study found that educational institutions, as well as strategies followed by the government, play a key role in developing the entrepreneurial ecosystem within a country. The ecosystem of entrepreneurship can be viewed as a combination of monetary, educational, and social environments that can either promote entrepreneurship or influence the way entrepreneurship evolves in the area. The evaluation of different educational institutions based on environmental structure, internal key capabilities, research, growing reputation, entrepreneurial activities, and teaching methods, along with the availability of financial resources, showed that the educational institutions in the region are on the right path. However, the lack of quality entrepreneurial education, internationalisation, and exposure to worldwide export markets are some of the factors that are deterrents in achieving a quality entrepreneurial ecosystem.

**Keywords:** Entrepreneurship, Entrepreneurial Ecosystem, Education, Government, Entrepreneurial Activities

## Introduction

In cities and countries around the world, the promotion of entrepreneurship has become a core component of economic development. The "entrepreneurial ecosystem" is the prevailing term for promoting entrepreneurship as an economic growth tool. Nonetheless, myths and misinformation are always attached to the popularity of any revolutionary idea. The Caribbean is gaining attention in this respect due to the increase in entrepreneurial activity over the last few years. Institutions strongly funded by international development bodies such as the World Bank, help in boosting sustainable development activities and collaborations with civic members who understand the local situational factors. Initiatives such as Digital Jam and Start-Up Jamaica were launched in Jamaica in 2012 and the IDB and UNESCO are now joining their programs.

Some of the recent startups in the Caribbean include Agrocentral, Antullial, Auto Data, CamsFormer, CaribWatch, CrimeBot, CropGuard, ComeSeeTv, Edufocal, EZ Learner, eVisa, M-Survey, Node420, Smart Passant, Startup Robot, 10PoundPledge, and Calypso. Looking at this influx of new startups and the boom of entrepreneurship in the region, this article has reviewed the concept of the entrepreneurial ecosystem in detail, and the analysis of

major systems that are present across the world was conducted. This study includes analysis of research regarding the possible market variants which are directly affected by the effectiveness of the ecosystem in which the businesses are developing. Moreover, the research study looks at the triple helix rule and the relation of education, industry, and government, in the development of an entrepreneurial ecosystem.

The research focuses on the necessary factors which can affect every entrepreneurial ecosystem. The existing literature has been reviewed, including case studies to assess the effect of the necessary factors of an entrepreneurial support system on the development of a business. Furthermore, the research includes a review of several pieces of literature on the effect of education in promoting an entrepreneurial ecosystem and identifies the major universities that are striving to become more focused on entrepreneurship. To achieve this goal, these universities have introduced several programs and targeted specific business niches. Additionally, the focus of research has shifted towards analysing the potential hindrances in achieving an entrepreneurial ecosystem similar to the major ones established in the world.

### **Research Aim**

The aim of this study is to investigate the entrepreneurial ecosystem in the Caribbean and to identify key factors linked with the development of the entrepreneurial ecosystem.

### **Research Objectives**

- To understand the concept of the entrepreneurial ecosystem.
- To analyse the impact of education on the development of the entrepreneurial ecosystem.
- To identify key factors influencing the development of the entrepreneurial ecosystem.

### **Literature Review**

The entrepreneurial ecosystem can be defined as a combination of the economic, educational and social environment which can help in promoting a mindset of creating entrepreneurs or affecting the way entrepreneurship in the region develops (Sussan and ACS). The ecosystem of entrepreneurship is an environment that promotes, innovation, creativity, and allows new businesses to develop. For example, in the USA these ecosystems were located in Silicon Valley and Boston, where some of the major tech companies in the world such as Yahoo, Facebook, Apple, and Google are located. Recently a similar trend of establishing such entrepreneurial ecosystems across the world is on the rise. Apart from Boston and Silicon Valley, New York, Seattle, Austin, and Chicago have also seen growth in technology-related organisations, while in other parts of the world similar ecosystems have been established in areas such as Berlin, Singapore, Tel Aviv, and London. An entrepreneurial ecosystem can also be defined as a cluster or a group of companies including startups that are working towards achieving a similar goal by forming a network, achieving flexibility with an exploration of economies of scale.

An entrepreneurial ecosystem can help with finance, market communication, legal support, market analysis, infrastructure, research and development, sales, account management, and marketing communication of a company through the availability of better resources and the creation of a better talent pool. Etzkowitz and Leydesdorff (1995) presented a concept of the triple helix which collectively makes an entrepreneurial ecosystem through certain government policies that are a result of a combination between industry, university, and government (Etzkowitz and Leydesdorff). However, researchers like Learner (2013) believed that an ecosystem is created as a result of industry and university integration and governments have little to no say in either its progress or development (Lerner). However, the entrepreneurial ecosystem is necessary to create an environment where essential gaps can be plugged by the introduction of collective and reformed policies.

Isenberg (2010) published an article in Harvard Business Review with the title, "How to start an entrepreneurial revolution" in which he defined several key conditions that are necessary for the development of any health entrepreneurial ecosystem. Every ecosystem according to Isenberg (2010) should be altered around its unique style instead of adopting something that it is not and it should promote success stories that can further attract new

ventures and business ideas (Isenberg). One other characteristic of an entrepreneurial ecosystem should be its ability to bypass governmental obstacles, and the policies should be built in such a way that it promotes new ideas. Even if those ideas fail to achieve their promises, the system should be built in such a way that they still have the backing of government (Isenberg). Even though access to new monetary investment is not without barriers, it still means that the environment is built in such a way that new investments are encouraged and there is always a lesser chance of failure than success (Isenberg). Furthermore, according to Isenberg (2010), the system should always be reinforced i.e. there was already an effective entrepreneurial system placed that just required government or academic organisations support to uplift the already established cluster of developing industries in the region and is extensively supported by the different entrepreneurial stakeholders that are already operating in the region (Isenberg).

The Entrepreneurial ecosystem of a country or an area has a significant impact on the success of entrepreneurs and the business they develop. Suresh and Ramraj (2012), assessed the importance of the entrepreneurial ecosystem on the success of businesses by evaluating separate case studies. Suresh and Ramraj (2012), stated that until 1985 people believed that only cognitive abilities of individuals and their personality traits define their decisions to become an entrepreneur; however, later it became evident that environmental stability and other factors play a significant role in helping individuals to establish entrepreneurial ventures (Suresh and Ramraj). Suresh and Ramraj (2012), discussed the success story of the Landmark, which is a book retail company and has over 1100 members in its team despite starting with only 18 employees (Suresh and Ramraj).

From just an ordinary bookselling store to one retailing in music, furnishings, books, and toys across the country, the venture is a success story in aspects of its geographical spread, growth, team, revenue, and range of products. Ramaiah the owner of the company obtained the start-up capital from her brother because at that time banks did not provide any loans to retail customers. Apart from providing the initial investment, her family also provided moral support which contributed to Landmark's success. The majority of the retailers were working manually which led towards errors and late deliveries, however, she introduced a computerised system that placed the stock online, with bar codes (Suresh and Ramraj).

Suresh and Ramraj (2012) stated that the case study proved that apart from possessing individual qualities, it is important to have the necessary environmental support which was provided to Ramaiah in the form of financial and moral support from her family (Suresh and Ramraj). Even though a formal entrepreneurial ecosystem for Landmark did not exist, a support system was provided by her family, and without them, it would have been difficult to succeed in that environment.

Currently, the Caribbean countries along with the Dominican Republic, as well as the African and Eastern European ecosystems, are gaining the attention of the world. One of the main reasons is the development of technology-related entrepreneurial activities that are growing at a rapid rate. It is important to study the three basic factors that contribute to the development of creating an entrepreneurial ecosystem. The first factor is the design of universities' curriculum in such a way that it helps in creating talent that is tailored to meet the requirement of the industry. For that purpose, Allahar and Sookram (2019), examines the progress of two universities located in Trinidad and Tobago that are aiming to become leading Entrepreneurial Universities (EU) in the region. The purpose of these universities is to transform into the EU to build a positive relationship between industry, university, and government (Allahar and Sookram).

The two universities studied by Allahar and Sookram (2019), were the University of the West Indies and the University of Trinidad and Tobago. The basic purpose of the research was to evaluate the developments made by the institutions to become compatible with the models of the EU. For this purpose, Allahar and Sookram (2019), conducted qualitative research that was based on two sources and a combination of different secondary resources. Business incubators were considered as one of the major evaluating criteria because they can promote social development and enhance entrepreneurship through cohesion of the three mentioned sectors. The evaluation was based on environmental structure, internal key capabilities, research, growing reputation, entrepreneurial activities, and teaching methods along with the availability of financial resources, growth in publications, new patents filed

and new venture outputs. Based on these factors the conclusion was made that the universities are on the path to becoming fully EU (Allahar and Sookram).

UTT initiated uSTART which is a physical incubator that provides workspaces to students and staff working internally, while the University of the West Indies introduced BizBooster programs which are virtual incubators that are working to target external and internal clients (Allahar and Sookram). These two programs collectively include businesses such as film making, 3-D manufacturing, ICT services, hand-crafted jewellery, cybersecurity systems, technological interaction, digital animation, household and personal services, video games software development, fashion design, clothing manufacture, agriculture-based activities, mobile applications, clean energy development, graphic designing, beauty products manufacturing based on local raw material, and development of an e-commerce facility (Allahar and Sookram). To reap the maximum value of the Triple Helix interrelationships the universities have already formed strong links with industry and market.

### **Business Incubators Introduction**

Around 50 years ago the practice of business incubation originated in various advanced and well-developed countries along with the development of a complex incubation ecosystem including a vast range of incubator types and mechanisms for funding (Allahar and Brathwaite). The trend of incubation reached the Caribbean, as there was a requirement of producing the latest and innovative businesses that would trigger the development of technology and job creation. The experience of business incubation as an innovative establishing instrument in the Caribbean is under-researched and limited. This section addresses various relevant themes such as the definition of incubators, the sponsors, types of incubators and generational development, the processes of incubation, the services provided, and the innovation and promotion within the incubators (Allahar and Brathwaite).

### **Definition of Incubators**

Business incubators are seen by many research scholars as the institutions concerned with the acceleration of growth and operational and economic stability of the entrepreneurial start-ups, by proposing support and targeted services to them (Allahar and Brathwaite). Business incubators have a strong capacity for competitiveness and knowledge agglomeration, innovativeness, and resource sharing as they can create an appropriate environment for dealing with the challenges of the entrepreneurial pursuit.

### **Categories of Incubators**

Categorically, incubators have been divided into two main types i.e. virtual incubators (VI) and physical incubators (PI) (Allahar and Brathwaite). Initially, most incubators were physical locations in which space and workstations were provided in buildings. They were made available and accessible to corporations and cities, either at zero cost or extremely subsidised rates, along with all services provided within the boundaries of the incubator facility. On the other hand, virtual incubators are more advanced as they are derived from the internet and digital technology (Allahar and Brathwaite). The services provided by virtual incubators can be delivered to clients through various online portals, digital communication facilities, and simple emails. This system is similar to the online learning method used in the world that is revolutionising the learning and education system of many countries.

### **The Evolutionary Process of Incubator Development**

The establishment of incubators and this evolutionary process is a credit that a single model can fit various economic conditions, business environments, and cultural contexts, as mentioned in the study of Catapan (2015), related to the impact of the incubators on the cultural, social, and economic conditions in Brazil. It has been suggested that the performance and functioning of any business incubator rely on the quality of service and support provided by the relevant staff members (Allahar and Brathwaite).

## **The Developmental Stages and Services of Business Incubators**

The incubation process encompassed three main stages i.e. the start-up firm, the early stage, and the expansion stage. The establishment of the business incubator was initially considered as an example of the generational evolution; however, later it showed that this development was a complete path followed by three stages (Allahar and Brathwaite). At the first stage i.e. the start-up firm, the business incubators mainly provide pre-incubation assistance such as the assessment of innovation, the planning of business, the business modelling and training. The second stage is the early stage that includes access to finance, mentoring, hosting, training, commercialising, advancing business, and planning. The last stage is the expansion in which the business incubator provides innovation diagnosis, internationalisation support, technology commercialisation, and the development of business (Allahar and Brathwaite). These three stages can also be referred to as pre-incubation, incubation, and post-incubation.

### **Role of Universities in Incubation**

There has been a major role played by the universities in business incubation, as they have adopted it as a way of encouraging the start-up of businesses and the promotion of innovation in the teaching curriculums (Allahar and Brathwaite). Business Incubation (BI) has been a support mechanism for financial institutions, as well as the transfer of innovation and technology in universities.

### **Business Incubation Sponsors**

The funding and sponsorship of BI mainly originated from governments and universities, however various private sector firms and organisations also showed interest and contributed towards the financial progress of the BI (Allahar and Brathwaite). Research has shown that private banks were not among the major contributors, therefore there was no hope for bank loans or financing for the business incubation organisations. The role of government in this matter was crucial, as it supported the business incubation along with interacting with the industry and the universities to fulfil the needs of social and technological development (Allahar and Brathwaite). The role of government is highly visible as it acts as a catalyst for the promotion of entrepreneurship and innovation through new financing programs, and through providing facilities and connectivity of the industry and the entrepreneurs.

Acs and Correa (2014), developed a case-study based research of companies in Latin America and the Caribbean to identify the barriers to their development and creation of an entrepreneurial ecosystem system in the region. The regional entrepreneurial performance was evaluated based on the Global Entrepreneurship and Development Index (GEDI) as this index can measure the capacity of the region in terms of entrepreneurship as a part of the ecosystem (Acs and Correa). Acs and Correa (2014), developed six main criteria to determine the success of highly entrepreneurial ventures in the region. These factors included access to finance, access to global markets, networking, product or service innovation, access to human capital and cultural support (Acs and Correa). The development of these six factors according to Acs and Correa (2014) can result in producing high impact innovators in the region.

The case studies showed that all of the companies had prestigious records with international awards, critical leaps in business development, and training programs. These major themes in those case studies gave them prestige at a local and international level thus gaining trust and credibility (Acs and Correa). However, despite these successful models, the ecosystem of the region is still not developed enough due to certain factors. One of these main factors is the lack of quality education and access to it, as most of the entrepreneurs listed in the case studies have studied abroad, mainly in the United States. Therefore innovation in their businesses is a result of that quality educational system which was tailored specifically for entrepreneurship (Acs and Correa).

Internationalisation and exposure to worldwide export markets are other significant factors in the success of high-impact businesses. The businessmen were effective in many of the cases posed because they were able to direct their expanding operations towards clients abroad (Acs and Correa). The area faces severe structural challenges

that restrict its wider growth and especially lacks entrepreneurial ambition, as evidenced by its low levels of process development, the high expectation for production and risk capital (Acs and Correa).

## Conclusion

There is much work to be done to develop the Caribbean Startup Ecosystem, where it provides not only the technological equivalent of the success that Usain Bolt had in sport, but also the broader influx of small to medium startups which are competitive and generate employment in their nations. Globalisation, driven by the rise of transnational educational institutions of higher business education, is now a characteristic of the developing countries from the region of the Caribbean. Characteristics such as willingness to act, creativity, business expertise, the confidence of investing in different ventures, and teamwork are some individual abilities that help a person to become an entrepreneur. Apart from the general ability of anyone to act according to their intuition and cognitive ability, environmental factors such as those provided by the entrepreneurial ecosystem are also necessary. The overall environment of the region is evolving to become one of the new and leading entrepreneurial hubs of the world in terms of digital innovation and investment. The local institutes are shaping their programs accordingly, to provide a talent pool ready to invest in a more secure environment through cooperative policies. However, the lack of quality entrepreneurial education, internationalisation, and exposure to worldwide export markets are some of the deterrents to achieving a quality entrepreneurial ecosystem.

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