Entrepreneurship Development

Background

A worldwide consensus on the critical role of competitive markets and entrepreneurs in economic development has emerged in the last decade. In developing countries, the primary barrier to economic growth is often not so much a scarcity of capital, labour or land as it is a scarcity of both the dynamic entrepreneurs that can bring these together and the markets and mechanisms that can facilitate them in this task.

Concept

Entrepreneurship can be defined as the process of using private initiative to transform a business concept into a new venture or to grow and diversify an existing venture or enterprise with high growth potential. Entrepreneurs identify an innovation to seize an opportunity, mobilize money and management skills, and take calculated risks to open markets for new products, processes and services.

Entrepreneurship development (ED) refers to the process of enhancing entrepreneurial skills and knowledge through structured training and institution-building programmes. ED aims to enlarge the base of entrepreneurs in order to hasten the pace at which new ventures are created. This accelerates employment generation and economic development.

Entrepreneurship development focuses on the individual who wishes to start or expand a business. Small and medium enterprise (SME) development, on the other hand, focuses on developing the enterprise, whether or not it employs or is led by individuals who can be considered entrepreneurial. Furthermore, entrepreneurship development concentrates more on growth potential and innovation than SME development does. However, many of the lessons learned from experiences in both types of development are similar.

This note on entrepreneurship development complements reviews of evaluation-based lessons that appear in two other issues of Essentials: one on small and medium enterprise development (no. 1), the other on microfinance (no. 3).
Lessons Learned

1. Begin with a clear understanding of the feasibility and objectives of the programme, focusing on the development of ventures with the potential for rapid growth.

There is a pervasive tendency to equate entrepreneurship development (ED) with self-employment. Many self-employed individuals are indeed entrepreneurs, but the majority are not. Their businesses are simply microenterprises in the informal sector, with little growth potential. The promotion of self-employment is a worthwhile objective, but it should not be confused with ED. Entrepreneurship development programmes that in reality focus only on self-employment are less likely to succeed in creating economic growth.

What to do?

Determine from the start whether the real focus is entrepreneurship or self-employment; then decide on the objectives accordingly. Entrepreneurship development should be about helping people start and grow dynamic businesses that provide high value added. In determining the difference, it is useful to look at potential growth sectors or geographic areas and to explore criteria for selecting beneficiaries who are entrepreneurial. A needs assessment before programme formulation is useful. An analysis of high-growth economic sectors enables more focused support to entrepreneurs in the most promising sectors of the economy.

To identify risks and determine the likelihood of success, identify the factors that affect the levels of entrepreneurship in a country. These factors include the perception of opportunity, degree of respect accorded to entrepreneurs, acceptance of wide disparities in income and a family environment which is oriented towards business.

Try to think like an entrepreneur when designing ED projects, and involve private-sector representatives in the design process. In determining the feasibility of the ED programme, do not erroneously assume that entrepreneurship is an exclusive characteristic of high-tech or knowledge-intensive enterprises. Entrepreneurs can be found in all fields.

Example: A 1992 evaluation of a UNDP International Labour Organization (ILO) entrepreneurship and technical training programme in Kenya resulted in the recommendation that “…electrical engineering graduates at a national polytechnic should be considering such ideas as setting up a small firm as a partnership among several graduates, with service centres in three towns under a unified logo, followed by a franchise-type outreach to other towns after an initial success. At the moment, the emphasis is too oriented toward one-person self-employment.” (Source: UNDP, CEDAB, KEN/90/012)

2. Develop criteria to select carefully the target group that is the most entrepreneurial.

Entrepreneurship development programmes require a selection process that attempts to identify those target groups that have some of the key prerequisites for entrepreneurial success. While it can be argued that public funds should be spent on those who most need help, a selection process deploys limited resources where they are most effective, to the overall benefit of the community. Beneficiaries may be individuals and/or groups.

What to do?
The selection of those who are most likely to succeed as entrepreneurs should be based on clear and transparent criteria. For example, entrepreneurs are characterized by the need to be independent, to create value, to contribute to family and society, to become rich or, quite often, not to be unemployed. Potential entrepreneurs display initiative and ambition, have business sense and foresight, and are decisive. They are agents of change who accelerate the generation, application and spread of innovative ideas.

Most businesses are conventionally started by men aged 25-44. Focused programmes to encourage entrepreneurship in other groups are effective means of increasing the volume of entrepreneurial activity. Promising entrepreneurs should be nurtured and helped to serve as role models and mentors for their communities. Measures to target groups rather than individuals can mitigate income inequality and be effective in empowering disadvantaged groups, especially women, youth and minorities. For example, the formation of voluntary cooperatives allows groups of prospective entrepreneurs to help each other.

**Examples:** UNDP and the United nations Conference on Trade and Development (UNCTAD) have had good success with the Empretec (empreendedores y tecnologia) Programme for stimulating enterprising persons to build enterprises, which started in Latin America and is now in African countries. The relative success of the Empretec programmes in these regions is due in large measure to this careful selection of persons with enterprise and initial motivation. (Source: United Nations, Economic and Social Council (ECOSOC))

The evaluation of the UNDP/ILO women’s entrepreneurship project in Nepal found that “Group formation among women entrepreneurs who live near to one another, for example, in the form of a credit and savings group, means that credit facilities which may otherwise not be available can be tapped and that women can organize relevant social security mechanisms (emergency fund, etc.) by and for themselves. Other advantages may be economies of scale, for example, by the joint buying of raw materials, and marketing.” (Source: UNDP, CEDAB, NEP/88/050)

For a UNDP entrepreneurship project in Tanzania, "pilot results clearly demonstrate the validity of the process, particularly in the more effective use of local government for community needs assessment, identifying and selecting youth and women's groups....".

(Source: UNDP, CEDAB, URT/88/025)

**3. Identify the market through an intensive preparation process, searching for innovation and growth potential.**

In programmes focusing on self-employment, companies have often tried to copy other successful enterprises, but they failed since the demand was not sufficient to support the additional supply. In some cases, the programmes themselves have reinforced this trend towards “cookie-cutter” business, often erroneously supposing them to be less risky. However, successful entrepreneurial businesses are those which meet a previously neglected or unforeseen need or do something better than it was done before.

**What to do?**

An entrepreneurship development programme should help aspiring entrepreneurs to recognize and design unique, innovative business opportunities, based on an analysis of local conditions and their own special skills. The programme can help the entrepreneur to diversify based on his/her basic knowledge of a product or skill in a certain sector without distorting the local markets. In a truly entrepreneurial approach, innovative capacity matters more than the size of the market. Diversification can be accomplished by introducing a novelty or new product feature, stressing quality or value added, anticipating a new market or even creating a market.
Business opportunity surveys may provide advice to entrepreneurs, but they must be analysed in the context of the specific market situation in each case. To determine market potential, it is useful to conduct a needs assessment or demand survey before programme formulation. The final decision should remain with the potential entrepreneur without undue pressure from the project or ED sponsor.

In spite of extensive market surveys, some businesses will fail. The closure of unsuccessful firms is a normal part of the entrepreneurial process, allowing resources to move to more productive uses. This does not necessarily mean that the company goes bankrupt; it may close for other economic or personal reasons.

Examples: The evaluators of the UNDP women’s entrepreneurship development programme in Nepal remark that “Entrepreneurs who have not had much business exposure and cannot or are reluctant to take risks will often copy successful business ventures in their immediate environment. Make sure that there is a market for the same types of products or services in the project site. If not, convince the potential entrepreneurs to diversify.” (Source: UNDP, CEDAB, NEP/88/050)

The evaluation report of the Sri Lanka project goes on to say “Unless extension efforts are directed to help entrepreneurs be selective about the closest business opportunity at hand, fledgling entrepreneurs can find themselves worse off than earlier, unemployed, frustrated, discouraged and now also in debt.” (Source: UNDP, CEDAB, SRL/87/035)

Any export-driven initiative needs to be highly selective. An evaluation of a project in Uzbekistan on handicraft development found that the entrepreneur associations needed to separate the products which are for export, i.e., those that have a high value added and that are differentiated from souvenir goods sold locally in tourist shops. The niche market where the Uzbek products have a specific global advantage will change once the products are copied so the entrepreneurs must adapt and follow the trend from market feedback. (Source: UNDP, CEDAB, UZB/98/005)

4. Provide support through an independent, private-sector-based organizational structure.

To date, most entities providing ED programmes in developing countries have been public-sector organizations. They have not proven themselves to be the most effective channel of support since they themselves are not entrepreneurial in approach and experience. In some cases, donor programmes provide support services directly, distorting local markets and competing with local providers of business development services. Successful programmes are usually based in a private-sector framework, without government interference but with government support.

What to do?

Donors should identify private organizations that are well situated to implement innovative and cost-effective entrepreneurship development programmes. A good ED sponsor is often characterized by being development-oriented and having operational autonomy, business connections and flexibility for promotional, fund-raising and coordination tasks. It could be a university, a non-governmental organization (NGO), a private consulting company or a specially established foundation based on public-private partnerships as in the cases of some of the Competency-based Economies through the Formation of Enterprises (CEFE) and Empretec programmes, a private-public partnership developed for the purpose, or even a purely private and commercial entity. Also, large enterprises which face the prospect of large work-force reductions can soften the
social costs of the resulting unemployment by sponsoring ED programmes.

ED sponsors based in a private-sector setting should have easy access to business development services that already exist in the community. The sponsor does not need to possess all the expertise necessary; it can call on other available specialists in the fields of financing, counselling, marketing, quality assurance, and other support.

Plan from the outset to recover progressively higher proportions of the service costs provided by the ED sponsor. This ensures the sustainability of the support institution and helps the entrepreneur to reflect real costs in his/her product. Where the sponsor is privately based, it is often easier to recover costs from the services.

**Examples:** A UNDP programme in China works with the local Women's Federation and combines training, credit and business incubation to encourage the formation of entrepreneurial new businesses by women laid off by State enterprises that are restructuring.

“Project Noah”, sponsored by South African Breweries, a large private corporation, is providing entrepreneurial competencies for alternative livelihoods to laid-off employees, mostly from disadvantaged communities. A business incubator *(see p.6)* supplements this effort.

The Ethiopian and Nigerian entrepreneurship development programmes suffered from State interference and were then unable to attract external resources. The Guinea and Senegal programmes and Empretec in Ghana and Zimbabwe received strong donor support since they were relatively autonomous. *(Source; United Nations, ECOSOC)*

In Uzbekistan, a UNDP project on handicraft development established a strong, positive relationship with the museum in Samarkand to support the craft entrepreneurs. *(Source: UNDP, CEDAB, UZB/98/005)*

**The Uruguay programme has diversified its products, including training of government staff and rural women. It benefits from strong support from the Banco Republico, where it is based, and recovers around one third of its expenses as fees for training and other work. *(Source: UNCTAD)***

**5. Decide on a basic methodology that integrates the entrepreneurship development elements with other support and follow-up.**

Earlier, the minimalist approach of providing a single service to entrepreneurs was often favoured. In today’s complex environment, a multifunctional continuum of support to entrepreneurs can be more effective. A phased approach may also be required, depending on the needs of the entrepreneurs and their enterprises.

**What to do?**

Entrepreneurial development programmes may have to include support for (a) entrepreneurship orientation and awareness, (b) the development of the competencies (skills, experience and attitudes) necessary to recognize a market opportunity and organize the resources to meet it, and (c) the improvement of business performance for growth and competitiveness.

ED training is usually more effective when linked to finance and other services such as marketing, quality assurance and productivity improvement. For example, involving the development banks at an early stage of the support process helps to prepare the entrepreneur for the credit process and facilitates the bank’s appraisal of the business plan.

A balance must to be struck between over-loading an ED programme with numerous service needs and providing an effective, integrated package. This may be addressed by
coordination between programmes or ED providers so that each provides a different and specialized service. Programmes usually begin with developing competencies and move on to supporting the trained candidate with counselling and other business support.

One mechanism for integrated support is business incubators. An incubator nurtures early-stage businesses through continuing entrepreneurship development, counselling and administrative services and by accessing external professional support and facilities all under one roof. It is particularly relevant where intensive assistance is appropriate. A business started in an incubator has a better chance of survival than one starting outside one, but the assistance of an incubator is limited to a small group of promising enterprises and it is often difficult to “graduate” the companies when they have developed sufficiently.

**Examples:** The women’s entrepreneurship development project in Nepal found that "Women who cannot meet the basic needs of themselves and their families are often keen to undertake income-earning activities, but they face many constraints. An integrated package of assistance, therefore, has to be provided, which often cannot be limited to training in entrepreneurship, confidence-building and technical skills, and provision of microcredit facilities. The assistance of other agencies will have to be sought to provide support services, such as literacy training, health care and water supply." (Source: UNDP, CEDAB, NEP/88/050)

Evaluations of incubator programmes in Brazil, China, Nigeria and Zimbabwe indicate that (a) since this modality is relatively recent, a feasibility/business plan process is needed to mobilize support from sponsors; (b) initial investment/working capital is required, usually from public sources, before the incubator operations are stabilized; and (c) the selection and training of the incubator management team are critical to its success. (Source: RAF/88/099, RAF/88/T03)

**The Empretec programmes, supported in Latin America by UNCTAD and in Africa mainly through UNDP, have mobilized strong business, consulting, banking, university, community, donor and government capacities in order to amplify the in-house efforts. (Source: UNCTAD)**

Programmes in Guinea (Programme rural intégré pour le développement de l'entreprise (PRIDE)), Niger and Senegal enhanced their performance as they moved from only credit or training towards the integration of training with credit. This lesson was reinforced by the World Bank experience: disbursements of some $4 billion as loans to small enterprises from 1975 to 1991 were generally found to be ineffective. Now financial services are being linked to the non-financial. (Source: www.worldbank.org)

6. Create special measures to develop the desired competencies of trainers and facilitators.

Success also depends on the quality and commitment of the trainers and facilitators. They should become an integral part of the target group and understand its culture and needs. Criteria for the selection of trainers include some business experience and an intimate knowledge of the local business environment. Training of the facilitators may enhance their effectiveness in addressing entrepreneurial needs.

**What to do?**

Include the training of trainers and facilitators in the programme. For example, the trainers employed by the ED sponsor may have basic business or private-sector experience but need more exposure to entrepreneurial approaches.

Encourage innovative approaches to learning through, for example, the formation of
entrepreneur clubs under the guidance of a facilitator. This informal means of sharing experiences on common problems among like-minded people, trading goods and services, camaraderie and learning from each other can be an integral component of training programmes.

Programmes can also help to orient educators and the educational curricula to the relevance of entrepreneurship development. Vocational schools and university programmes, especially in such fields as business and engineering, can encourage students to apply their skills by starting new businesses and they can assist them in doing so. At the primary and secondary levels, it may be most appropriate to focus on developing entrepreneurial attitudes.

Examples: In Empretec programmes, the "empretecos" meet regularly in the city, country and among countries in Latin America. Brazil organizes regional fairs every year where "empretecos" can exchange experiences and identify business opportunities. (Source: UNCTAD)

In programmes of the Entrepreneurship Development Institute, in India, one of the few campuses anywhere devoted exclusively to ED, the facilitator stays with the trained entrepreneur through the initial stages of starting and stabilizing the new firm.

SEBRAE, the Brazilian Service for Small Enterprises, has introduced a school curriculum in Belo Horizonte, Minas Gerais State, where all instruction is centred on aspects of entrepreneurship.

Starting in Nepal in 1980, the CEFE International Network, sponsored by Gesellschaft für Technische Zusammenarbeit (GTZ), now consists of 200 institutions in 60 countries. It trains 100,000 persons annually through 2,000 "CEFistas" (national trainers). Its success is due to the commitment and competence of the local staff.

7. Launch a pilot entrepreneurship development programme and expand to a national network as warranted.

Entrepreneurship development programmes have often been too ambitious in terms of geographical areas covered and number of entrepreneurs targeted. The selection of the initial target area can depend on the availability of support institutions and on the interest in entrepreneurial development among beneficiaries, which can vary considerably from one geographical area to another. A pilot- or preparatory-phase feasibility analysis can be effective in launching a major ED programme. Programmes of demonstrated performance could then be expanded through national and subsequently regional networks, based on lessons learned.

What to do?

Donor-supported programmes can help to initiate a promising development by testing it on a pilot scale to demonstrate its usefulness and transferring the experience to the local host institution. For rapid transfer and subsequent replication, the local institution should take the initiative to further adapt, improve and apply the ED programme. From the initiation and design of the programme onwards, the local host institution should be responsible for the programme, with technical support depending on need.

The nature of entrepreneurial activity often varies across regions owing to differences in demography, wealth, education, infrastructure and occupational profile. Plan carefully for expansion to other areas or groups, taking these factors into account, while continuing to strengthen and consolidate existing support networks. Entrepreneurship development requires long-term commitment.

In cases where local institutions already have a market base, the donor behind the ED programme should not dictate which regions to intervene in - this may jeopardize the realistic
expansion of the support and hamper the local institution - since it lacks knowledge of that area.

**Examples:** The Uruguay Empretec programme is now being linked to a technology incubator in Montevideo. Conversely, Corporación Innovar, an incubator in Bogota, hosts and implements the Empretec programme in Colombia. UNDP-supported pilot incubator programmes in China and Uzbekistan have been expanded nationwide in order to create growth-potential ventures and revive entrepreneurship in restructuring countries.

The ILO Start and Improve Your Business (SIYB) programmes are essentially for self-employment and enterprise management. In South Africa, the project tested and adapted the training materials and translated them into a number of local languages. During the pilot period, 16 organizations participated, and after six months, 75 local organizations were waitlisted to benefit from the expanded programme. Interest was also generated by the training provided to the local organizations to enhance their capacity to support entrepreneurs. (Source: [www.ilo.org](http://www.ilo.org), go to siyb)

Having started in 1988, Empretec is now operating in 10 countries (Argentina, Brazil, Chile, Colombia, Ghana, Morocco, Nigeria, Uruguay, Venezuela and Zimbabwe). Well over 10,000 “empretecos” (one third of them women) have participated in ED workshops and related follow-up services. (Source: UNCTAD)

8. **Internalize the entrepreneurship development support system so that it has the momentum and capability to continue and expand through local efforts.**

Support systems that are actively driven by external sponsors often take a longer time to become sustainable. Internalization of the entrepreneurship development programme by a variety of local sponsors helps to expand the support network and move towards sustainability when donor support declines.

**What to do?**

It is imperative that ED programmes create a strong local sense of ownership by involving local organizations and building local capacities from the start. Work with existing institutions where available, and avoid programming missions with limited inputs from the local institutions and beneficiaries. Advocacy on the importance of ED and preparatory efforts in building local support for the programme are often as important as the technical assistance provided. Promotional activities aimed at civil society can also support internalization by changing the culture around entrepreneurship, for example, by encouraging rewards for taking measured risks and by considering bankruptcy as a lesson learned, not a terminal failure.

**Examples:** The experience of the German-initiated CEFE International Network shows that sustainability comes from the motivation and energy of the institutional structure. The numbers of CEFistas trained worldwide are growing rapidly, with limited support from the GTZ/German Government. The focus is on developing personal competencies through knowledge and experience, on recognizing one's strengths/weaknesses in the context of new opportunities, and on mobilizing money, people, information and networks in pursuit of a goal. This essentially sustainable network is a result of the internal drive of the national CEFistas themselves -- what CEFE calls the “inside-out principle”.

One lesson emerging from the United nations Industrial Development Organization (UNIDO) Viet Nam programme is that the local institution should develop a longer-term and more focused strategy in cooperation with additional partners. (UNIDO, Training Programme for Women Entrepreneurs in the Food-Processing Sector: Report of the Evaluation Mission, February 1998)
Sustainability is also influenced by other success factors. For Empretec, these included clear policy guidelines, assurance of initial funding, government involvement only in supportive tasks, a strong counterpart organization, representative advisory board, national directors all fully familiar with private-sector dynamics, identification of strategic niche markets and selectivity in the choice of participants. Other reasons for the relative success of the Empretec programmes include in particular: basing programmes usually in a national bank as a foundation; insistence on presenting business plans after an initial workshop; and training of the trainers. The good results led to high client satisfaction, which reinforces sustainability. (Sources: Geneva meeting, December 1997, to review ten years of Empretec experience: see UNCTAD paper No. I-14 and DFID paper No. I-13 presented at International Conference, Rio de Janeiro, March 1999; UNCTAD report to ECOSOC E/C.10/1994/9; Report of Evaluation Mission of Ghana project, July 1992.)

9. Successful entrepreneurship also depends on supportive and coordinated government policies.

Entrepreneurship is conducive to economic growth and the creation of employment. Government programmes and policies have a significant impact on the level of entrepreneurship within a country. While many governments profess support for entrepreneurial businesses, they often lack specific policies and coordinated programmes designed to support entrepreneurial activity.

What to do?

Liberalizing imports, ending public monopolies and opening public services to private-sector provision of goods and services enhance the conditions for entrepreneurship. Fostering entrepreneurship involves ensuring that markets for capital, labour, goods and services are working well. It also requires that impediments to entrepreneurship be removed and that conditions be established in which innovation and risk-taking can flourish. Government policy-makers also seek to foster entrepreneurship through programmes which, for example, augment the supply of information, encourage networking, facilitate the provision of finance, and seek to create positive attitudes towards entrepreneurial activity.

Focused policies that facilitate access to finance, professional services and training for start-up companies, that simplify business registration, reporting and taxation, etc. are essential to entrepreneurial venture creation. Seminars and the study of entrepreneurial development abroad can be included in programmes addressing entrepreneurship policy.

Where numerous ED programmes are already in operation, donors may be able to make the greatest contribution by creating a forum in which existing programme sponsors can exchange views and begin to work in synergy. Strengthening the capabilities of governments and NGOs to evaluate such programmes can also be an effective means of minimizing unnecessary duplication.

Examples: The report of the 1991 evaluation in Sri Lanka notes that "Probably the most important amongst the advisory services to be provided to Government under this project is advice about a national strategy for entrepreneurship and enterprise development."
(Source: UNDP, CEDAB, SRL/87/035)

The 1991 evaluation of the employment creation programme in Bangladesh noted that multiple government, NGO and donor programmes offering similar services in the same upazilas (districts) caused confusion and frustration and hampered the effectiveness of each intervention. (Source: UNDP, CEDAB, BGD/91/004)
UNDP Evaluations Consulted in the Central Evaluation Database (CEDAB)


Selected Readings


Contact Institutions

Committee of Donor Agencies for Small Enterprise Development (CDASED)

Go to [www.bellanet.org/sed/performance](http://www.bellanet.org/sed/performance). Then click on Department home page, click on Small enterprise development, click on Business development services, click on Committee of donor agencies.

International Labor Organization, (ILO) [www.iло.org](http://www.iло.org) or contact [entreprise@ilo.org](mailto:entreprise@ilo.org)

Go to [www.iло.org](http://www.iло.org). Then click on Department home pages, click on Entman, click on Siyb.


International Trade Center (ITC), UNCTAD/WTO, [www.intracen.org](http://www.intracen.org)

Kauffman Center for Entrepreneurial Leadership, [www.entreworld.org](http://www.entreworld.org) Telephone 888-777-4769


Go to [www.unctad.org](http://www.unctad.org). Under Project subsites, click on Division on investment, technology and enterprise development, click on Enterprise development, click on Empretec.

United Nations Development Programme (UNDP), [www.undp.org/psdp/eed/eed_index.html](http://www.undp.org/psdp/eed/eed_index.html)

Go to [www.undp.org/psdp](http://www.undp.org/psdp). Then click on Overview, click on Entrepreneurship and enterprise development.

United Nations Educational, Scientific and Cultural Organization (UNESCO), [www.unesco.org](http://www.unesco.org)

United Nations Industrial Development Organization (UNIDO), [www.unido.org](http://www.unido.org) and [www.unido.org/doc/what.htmls](http://www.unido.org/doc/what.htmls)

Go to [www.unido.org](http://www.unido.org). Then click on What we do, click on Entrepreneurship development.

World Association for Small and Medium Enterprises (WASME), [www.wasmeinfo.org/home.htm](http://www.wasmeinfo.org/home.htm)
