Enterprise Development

SCIENCE GRADUATES URGENTLY NEED BUSINESS SKILLS

RISE meeting, Nairobi, October 2008
Overview

- The global view: SME contribution to employment and GDP
- The persistence of the informal economy
The global view: SME contribution to employment and GDP

In business, SMEs represent an important source of innovation.

In society, they are an important source of employment.

For government, SMEs contribute to wealth creation and generate tax revenues.

SMEs have extensive local knowledge of resources, supply patterns and purchasing trends.

SMEs constitute an important source of local supply and service provision to larger corporations.

Source: World Bank
The persistence of the informal economy

Informality is a matter of degree

In developing countries, the size of the informal economy has been increasing as a percentage of official GDP.

Average size of the informal economy, in % of official GDP

Many SMEs choose to remain informal because the costs and procedural burden of joining the formal economy outweigh the benefits.

The vast majority of businesses are SMEs (80-99% of total business)*

SMEs become economic strength

SMEs are the main drivers of national economic development
What are the needs?

Small and medium enterprises firms have more financing barriers than large firms.¹

- Higher interest rates
- More bank paperwork

Less access to long-term loans, foreign banks, non-equity, and export finance

If many entrepreneurs dip into their personal savings when financing a business, what are the implications when personal savings are scarce?

University graduates need entrepreneurial and business skills

ᵱ - World Resources Institute (2005). "Life on a Dollar a Day"
Starting a business in developing countries

Business registration for SMEs needs to be quick, easy and of reasonable cost.

"Starting a business is a leap of faith even in the best of circumstances. Governments should encourage the daring."


Number of days to start a business

Ease of doing business rankings vs. number of SMEs


What are the challenges?

- Burdensome regulatory frameworks
- Lack of tax incentives and subsidies
- Absence of investor-friendly environment
- Lack of access to finance
- Lack of capacity-building programs and inadequate provision of vocational training
What can business do to enable enterprise development?
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- Build supply chain capacity
- Technology transfers, investment in infrastructure
- Strengthen local distribution networks
- Improve standards and environmental performance
- Empower university graduates with business skills
- Provide access to financial services
Opportunities

- What can governments do to enable enterprise development?
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Software Technology Parks

Science & Technology Entrepreneurship Parks

Biotechnology Parks

Incubators

EXPORT PROCESSING ZONES
What can scientists do to enable enterprise development?

• Acquire business, entrepreneurial, and management skills
  
  Core competence
  Business plans & Venture capitalists
  Innovation teams
  Start-ups/Spin-offs

• Financial literacy in university curricula
  Graduate job/wealth creators
The Government Focus

Economic development policies
New high technologies

The Firm Focus

Globalization – competition – need for innovation
“Think globally, act locally”

The University Focus

Investments on ultimate high technology
Academic awards – international papers

KNOWLEDGE AND CAPITAL CONCENTRATION
Projected Market opportunities in the knowledge sector is estimated to be US $ 365 billion in 2020.

*as per High level strategic group of AIMA*
Entrepreneurship and the necessity of the integration between University and the enterprise