Developing A Small Business in Jamaica

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What is Small Business?

Small business is an independently owned commercial entity that has a simple structure and small impact on the overall market *(Bolton Report, UK, 1971)*

Small business development is the survival, prosperity, and growth of entrepreneurial ventures from startup through to full maturity *(Lawrence, JSBS, 2007/8)*
Small Business Startups

![Graph showing small business startups](image)

* Nascent and New Entities

Data Source: GEM Jamaica Reports
## Where are Entrepreneurs Investing?

<table>
<thead>
<tr>
<th>Business Type</th>
<th>2005 N =2031</th>
<th>2006 N =3554</th>
<th>2008 N =2407</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Forestry, Hunting, Fishing</td>
<td>8.1%</td>
<td>10.8%</td>
<td>21.0%</td>
</tr>
<tr>
<td>Mining, Construction</td>
<td>1.4%</td>
<td>0.6%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3.5%</td>
<td>7.3%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Transport, Utilities, Storage</td>
<td>2.9%</td>
<td>3.7%</td>
<td>3.9%</td>
</tr>
<tr>
<td>Wholesale</td>
<td>11.0%</td>
<td>7.1%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Financial Services, Real Estate</td>
<td>1.2%</td>
<td>0.4%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Business Services</td>
<td>2.3%</td>
<td>1.9%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Retail, Hotels, Restaurants</td>
<td>54.2%</td>
<td>56.2%</td>
<td>52.4</td>
</tr>
<tr>
<td>Government, Health, Education, Social</td>
<td>1.2%</td>
<td>1.2%</td>
<td>-</td>
</tr>
<tr>
<td>Personal/Consumer Activities</td>
<td>14.1%</td>
<td>11.1%</td>
<td>7.8</td>
</tr>
</tbody>
</table>

Data Source: GEM Jamaica Reports
Critical Issues

1. Necessity driven entrepreneurship has now surpassed opportunity driven entrepreneurship

2. Less startups are transitioning into established businesses

3. Only 1.7% of established business owner-managers had expectations that businesses will grow and create job opportunities within the next five years

4. Losses and financial problems account for 64% of business closures

Source: GEM 2008 Jamaica Survey
Small Business Maturation

AGE (Years)

'1-4'  '5-9'  '10-14'  '15-19'  '20+'

FIRMS

0  5  10  15  20  25  30  35  40  45

Lawrence, J SBS, 2007/8
Managing Product Life Cycle

<table>
<thead>
<tr>
<th>STAGE</th>
<th>PRICE</th>
<th>OUTPUT</th>
<th>EXAMPLE</th>
<th>KEY FACTOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Startup</td>
<td>Trial</td>
<td>Uncertain</td>
<td>Wellness</td>
<td>Learning</td>
</tr>
<tr>
<td>Growth</td>
<td>Rises</td>
<td>Rises</td>
<td>Telecom</td>
<td>Supply</td>
</tr>
<tr>
<td>Maturity</td>
<td>Falls</td>
<td>Rises</td>
<td>Beverage</td>
<td>Demand</td>
</tr>
<tr>
<td>Decline</td>
<td>Falls</td>
<td>Falls</td>
<td>Tobacco</td>
<td>Appeal</td>
</tr>
</tbody>
</table>

April 11, 2010
Managing Turnaround

1. Assess decline severity
2. Boost net cash flow
3. Compete on quality
4. Eliminate waste
5. Grow sales within sustainable limits
Conclusions

1. Government policies on taxation and interest rates should urge investment in real sectors of the economy.

2. To transition from startup, entrepreneurs should manage small businesses based on stage of product life cycle.

3. For small firms to grow and create jobs, Government policies should go beyond venture creation and growth to provide turnaround help for mature and declining businesses.

4. Small business turnaround happens by focusing on cash flow, quality and productivity.

5. More business schools should include a course on turnaround management.

April 11, 2010