

# **THREE LEG ECONOMIC ECOSYSTEM MODEL INTEGRATION AND SMALL AND MEDIUM YOUTH FUNDED ENTERPRISES PERFORMANCE FOR ECONOMIC DEVELOPMENT**

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## **Abstract**

*High quantity and quality of positively performing enterprises is a major focus for every developing economy. Such are the unemployment solvers, GDP multipliers and general economic growth and development drivers. However, existing approaches meant to grow enterprises and by extension the economy are proving ineffective. Simply creating supportive framework, policies, favorable business environment and providing easy funds have proved insufficient. There is need to integrate a three legged ecosystem that involves the government framework on monitoring and evaluation policy, business environment controls and creation of entrepreneurship culture if the desired quantity and quality of high performing SMEs is to be achieved. The governments as well as other key players have in the last one decade tried to create policy frameworks like education sector, finances and in creating “right” business environments. These efforts are however in dissonance with the achievement observed and reported given that developing countries still experience over 70% unemployment level, economic growth is one digit and poverty level are still very high (Boaz Munga and Eldah Onsomu, 2014). This article therefore focused on the integration of a three legged model in achieving the desired results in the economy’s GDP through entrepreneurship growth and development. The model  $y = b_0 + b_1x_1 + b_2x_2 + b_3x_3 + e$ ; where  $x_1$  is the government frameworks and policies,  $x_2$  is entrepreneurial culture and  $x_3$  is business environment is capable of growing the economy’s GDP and increasing entrepreneurial chances of positive performance hence reduction of poverty and job creation. The article proposes a theoretical economic ecosystem model and recommends that the government agencies, development partners understand,*

*execute and systematize three leg economic ecosystem model (TLEEM) to achieve the desired and ever elusive economic freedom for the benefit all.*

*Keywords: Government Framework, Policies, Culture, Business Environment, Ecosystem, Growth*

## **INTRODUCTION**

The last two decades have seen the Kenyan government embark on financial initiatives like uwezo (a Kiswahili word meaning enable), women fund and youth fund all aimed at increasing the quantity and hopefully quality entrepreneurial activities. Mr Peter Mongiti, the permanent secretary in the ministry of devolution and planning in Kenya gave a speech and reported the following. That in the current year 2015, the government through the women enterprise fund has allocated exchequer funding of kshs. 169million and the jubilee government promises to increase the funding as long as there is relevant justification. He reported that in the last 8 years the growth of the number of beneficiaries of the fund has grown from a few hundreds in the onset to 1,049,350 with a disbursement of 6.14 billion shillings throughout the country. He thanked the women beneficiaries and appealed to them to invite others to come and get the funding. The big question is what are the economic, entrepreneurial outcomes?

Although the government has made all these efforts to facilitate the creation of entrepreneurial ventures, the question is are the beneficiaries prepared to enterprise and participate in the economy's agenda. Are they not reading from a different script from that of the government and its agencies? A study conducted by Kenya Institute of Management through its SME Solution center sought to assess business readiness among the youth and women entrepreneurs using the TriStart business evaluation tool. The evaluation explored personality characteristics, competencies, and motives before one begins an entrepreneurial venture. The study sought to determine whether the youth and women of Kenya are ready for business and the factors that contribute to the business readiness among the youth and women entrepreneurs in Nairobi, Kenya. Similarly, it sought to understand if individual capabilities of entrepreneurs such as Training, education and prior experiences in the same field have a significant effect on the growth of the business through the management strategies and business practices they choose to adopt. From the 240 fund beneficiaries, 86% indicated that the reasons they have not achieved the desired results is because they needed business advice , training, monitoring and coaching apart from getting the money. Over 60 % did not even have a running business and neither did they start the business immediately on receiving the

money. The study concluded that 61.3% of the women entrepreneurs and 48% of the youth surveyed had less than 50% likelihood of business success.

An entrepreneurial culture is an environment where someone whether the owner or employee is motivated to innovate, create and take risks for the growth of the venture. The proprietor has the capability to scan the environment, identify new opportunities and manage risks involved to move the business to the next level. The business that has an entrepreneurial culture means that employees are encouraged to brainstorm new ideas or products and experiment without rebuff on new ideas. When work and time is dedicated to innovative, creative and risk management activities, this results to Intrapreneurship that brings results and one that is sustainable(Connolly, James 1999). Culture refers to the characteristics that bond a particular group of people to focus their synergy towards a common objective. The cultural norms define standards for expected behaviour the group adopts as a whole and follows when interacting with one another.

Business environment are factors that may either positively impact or inhibit the performance of a business. These could be either internal factors such as finances, employees, infrastructure, management, leadership style or external factors such as politics, competition, legal policies, social cultural factors as well as technology dynamics. For any venture to establish and grow into a sustainable venture, these environment must be well managed. This requires the entrepreneur to have the entrepreneurial competencies that can only be acquired through right training, mentoring, coaching, monitoring and evaluation.

This theoretical model (TLEEM) seeks to bring to light the correlation between the government framework on monitoring and evaluation policy, business environment management, entrepreneurship culture and highly performing enterprise. In order to achieve the aim of this paper, the following specific objectives were set;

1. To disclose the correlation between government entrepreneurship monitoring and evaluation policy and enterprise development
2. Evaluate the effectiveness of business environment management and business enterprise development
3. Disclose the role of entrepreneurial culture on business enterprise development
4. To construct a theoretical economic ecosystem model

Main methods of the research: analysis of scientific literature, comparative analysis and inductive method of the research. The analysis of scientific literature allowed the revelation and theoretically found the suitability of the relationship between the TLEEM components. The modeling of the TLEEM components required a precise substantiation to enhance generalization of the model to all other enterprises even those that are succeeding today.

## **Government Entrepreneurship Monitoring and Evaluation Policy Relationship to Enterprise Development**

The Entrepreneurship Policy Framework was developed to be used by United Nations member countries, Kenya included was developed by United Nations Conference on Trade and Development (UNCTAD) in New York in 2012. Its aim was to assist policymakers in identifying the key elements of an entrepreneurship policy and formulating actions. The Division on Investment and Enterprise of UNCTAD is a global Centre of Excellence, dealing with issues related to investment and enterprise development in the United Nations System.

It also provides policy options that will help developing countries and countries in transition to stimulate inclusive and sustainable growth. Although the policies exist, caution is given that one-size does not fit all, the policy recommendations are clearly stated and are accompanied by practical checklists, an inventory of selected examples and monitoring indicators. Every member country needs to customize what works for them. However, the framework must capture four design principles that underpin the findings in this document:

- 1. Consensus building:** development partners should contribute to a national entrepreneurship strategy that is the result of extensive consultation between the government and representatives of all sectors of business activity, local communities, education and financial institutions.
- 2. Sustainability:** poverty reduction, gender equality and environmental protection are core goals.
- 3. Implementation:** multiple ministries, as well as implementing agencies from the private sector and civil society should be identified and their roles clearly defined.
- 4. Monitoring and evaluation:** the periodic measurement of policy effectiveness is essential for the management of entrepreneurship policy and should incorporate feedback from lessons learnt on an on-going basis.

With these guiding principles, support for entrepreneurship in developing countries and economies in transition can enhance efforts, not only to build robust enterprise sectors, but to generate growth with social and economic inclusion (United Nations, 2012). While this framework consists of very workable and feasible principles, observations on the ground prove that the principles and the strategies have remained on paper only. Very little if any execution or implementations has been done. This is evidenced by the fact that there exist no systems set to monitor the funds beneficiaries and no infrastructure has been put in place for the same.

### **Business environment management and business enterprise development**

A dynamic business environment consists of changing surroundings in which the businesses navigate. In today's dynamic business environment, an organization must stay competitive by

thinking tactically and strategically. This strategizing on how to defeat the “enemy” competitor may mean death or survival for the enterprise.

According to Jennifer Moriarty(2000) Enterprise Resource management (ERP) is a tool, which helps an organization gain a competitive edge by integrating business processes and optimizing resources.

The fundamental basis for ERP is the whole being greater than the sum of its parts. Traditional application systems are built around specific functions and could result in an organization having various department applications or point products. The goal of ERP applications is to stop treating transactions separately as stand-alone activities, rather treat them as inter-linked processes that make up the business. ERP, is a tool used tactically or strategically to help streamline business processes in such a way as to help the corporate competitive edge (Gantz, John 2000).

Majority of capital ventures in developing countries show signs of fatigue. Companies keep battling hard to discover how to generate and sustain their growth and frequently have to deal with massive lay-offs. It is important for the management to understand that corporate efficiency is indispensable, but is not a sufficient condition for corporate survival. Firms need to think about their future growth.

The environment and its' management has been, and continues to be a very topical issue. Existing environment and development literature places emphasis on listing problems, making warnings and voicing advocacy, but by focusing on environmental management, the entrepreneur can concentrate on strategies to utilize organization resources to create a competitive edge (Hislop, Donald, and Sue Newell and Harry Scarbrough and Jacky Swan, 1999).

### **Entrepreneurial culture on business enterprise development**

An entrepreneurial culture is an environment where someone is motivated to innovate, create and take risks. In a business, an entrepreneurial culture means that the proprietor or the employees are encouraged to brainstorm new ideas or products. When work time is dedicated to these activities, it is called Intrapreneurship. This enhances creativity in an individual. Entrepreneurial culture can be acquired through mentorship and coaching (Lerouge, Cynthia 2000)".

Culture influences an individual by creating some specified values, views, desires, fears and worries. Culture also provides people with a sense of identity, purpose and belonging. There are many different cultures around the world, some of which are mixed while others are not. Most cultures have been maintained for thousands of years, helping to connect

communities and individuals through material and non-material goods. Belonging to a culture can provide individuals with an easy way to connect with others who share the same mindset and values. In Kenya culture has played a major role in venture formation. It's so much so that it's a common knowledge a specific community is viewed to be natural entrepreneurial. This has created segmentation of communities in entrepreneurial acumen.

## LITERATURE REVIEW

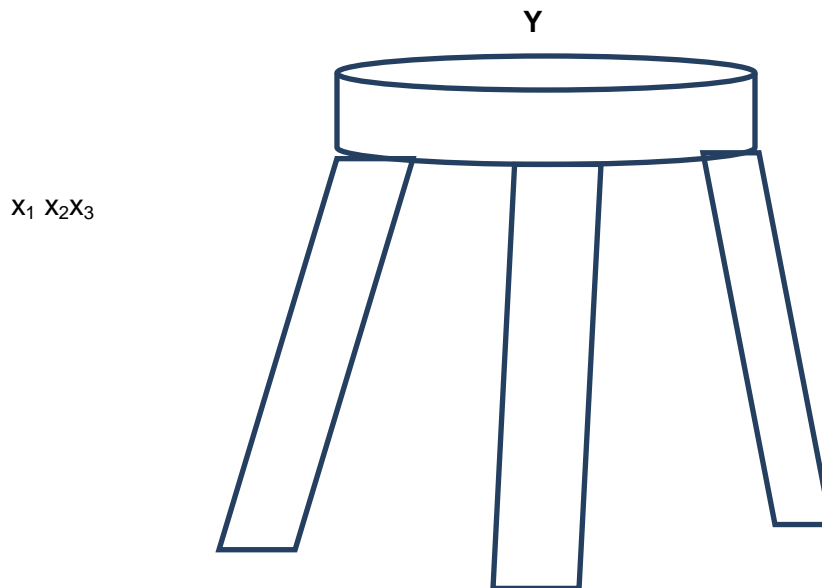
The ecosystems perspective is a way of seeing case phenomena, an interaction between more than one element to produce desired results. The ecosystems perspective (Auerswald, 1968; Meyer, 1976) emerged from two sets of ideas: ecology (DuBos, 1972) and general systems theory (GST) (von Bertalanffy, 1967), both of which originated in biology. Ecology describes how one element is an adaptive fit to another. Much of the theory underlying modern economic thinking about the ecosystems was developed in the 19th and early 20th centuries. there is need to create an ecosystem that achieve Optimal use of economic resources. A British economist A.C. Pigou (1920) developed the notion of externalities, where the actions of one individual/ institution or system directly impact the performance of another's and Negative externalities that involve actions by one party that directly harm other parties. this is clear view of an ecosystem . unless some type of corrective policy is undertaken to minimize the negative performance of one party, all the parties will continue to perform poorly not because positive performance isn't possible but due to drawbacks instigated by the other party. Currently there is a vast body of work by economists relevant for thinking about the value of ecosystem services. it should be noted that in an ecosystem , a positive performance of one system does not diminish the positive performance of another . However the negative externalities create that undesired hindrance of all the ecosystem parties. the positive internalities and externalities of one is not mutually exclusive of the other party's achievements. the Human Ecology Theory by Urie Bronfenbrenner states that human development is influenced by the different types of environmental systems. The ecological systems theory holds that we humans in different environments are influence by various environmental states that determine their behaviour throughout their lifespan varying degrees. These systems include the micro system, the mesosystem, the exosystem, the macro system, and the chronosystem. Just like the human life, economic systems do not operate in a vacuum. their performance are influence by performance of intertwined systems . This theory, published in 1979, has influenced many psychologists in terms of the manner of analyzing the person and the effects of different environmental systems that he encounters. The TLEEM MODEL is in congruence with the human ecological systems theory . it proposes that , unless the three legs ecosystem(the government framework on

monitoring and evaluation policy, business environment controls and creation of entrepreneurship culture) are Integrated, the Small And Medium Youth Funded Enterprises Performance For Economic Development shall remain an elusive phenomena.

### PROPOSING A MODEL

The three components forming the ecosystem can be integrated for the desired output. This can be demonstrated as a three leg economic ecosystem model (TLEEM).

Figure 1. Construct of theoretical economic ecosystem model



$$Y = b_0 + b_1X_1 + B_2X_2 + B_3X_3$$

Where,

Y is the performing entrepreneur

X1 is government framework on monitoring and evaluation

X2 is the business environment and

X3 is the entrepreneurship culture

### CONCLUSIVE REMARKS

When the three components work in system thinking approach, the government will establish systems that are able to monitor and evaluate the performance of entrepreneurs and especially the beneficiaries of the funds. This in turn will enhance performance. The output of performance is job creation, revenue to the government, loan repayment, increased participants, improved infrastructure, increased productivity, increased demand and the list is endless. The government funding will be allocated appropriately to achieve the desired results. Through mentoring,

coaching and training, the entrepreneur will be able to scan the environment and identify the dynamics and strategize to create a competitive advantage. This in turn triggers competition that is healthy and that propels entrepreneurs towards quality production and innovation.

There is need for the government and its agencies, the entrepreneur and the society at large to pull synergy and focus on economic development. The government should establish system thinking between all stakeholders. Training and other forms of knowledge and technology transfer should be enhanced by all relevant stakeholders. Mentoring and coaching should be embraced by the society to create entrepreneurial culture. The education and training system reviewed to enhance hands on approach. Universities to create strong linkages with all other stakeholders in developing the entrepreneurship curriculum and also emphasize on a hands on curriculum delivery

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