



# Caribbean Diasporic Entrepreneurship Preliminary Analytical Report

Prepared by



The University of the West Indies  
Regional Headquarters  
Hermitage Road  
Kingston 7  
Jamaica, W.I  
**June 2014**



In partnership with



## Executive Summary

The Caribbean region, like many other small and developing country regions, has been negatively impacted by the global economic and financial crisis in terms of declining export markets and foreign exchange earnings particularly in traditional sectors like agricultural and resource-based industries as well as services sectors like tourism and financial services. The Caribbean region has also seen a decline in its global competitiveness and the issues of innovation and entrepreneurship have been raised as key considerations to improve the region's economic and trade performance. In this context, many countries have begun to explore alternative sources of growth among which includes the economic impact of the diasporic economy.

The growth of diasporas in the last few decades has led to a new development context with economic flows like financial transfers (remittances) playing a critical role in poverty reduction, enterprise development as well as the securitization of debt. For many countries remittances have exceeded traditional modes of external inflows like foreign aid, foreign direct investment and external borrowing. This is only the tip of the iceberg given that the diasporic economy is wider than financial transfers from remittances and includes telecoms, tourism, transportation and trade in nostalgic, ethnic or niche goods.

Based upon the above perspective this study argues that tapping into the migration, diaspora and development nexus is critical to enhance economic diversification and deepen global competitiveness in the contemporary Caribbean economy. However, activating this potential requires significant changes in practice and policy among governments, as well as, the mind-sets of businesses and immigrant communities which can benefit from this economy.

It is within this context that the Inter-American Development Bank commissioned a study (IDB), through the Compete Caribbean program to assess the investment climate for the development of business support mechanisms. This study involves mapping and documenting the experience of diasporic entrepreneurs (i.e. migrant entrepreneurs and Caribbean-based entrepreneurs) that are tapping into Caribbean and diasporic markets such as financial transfers and remittances, diasporic tourism and travel, freight and shipping, creative and media and nostalgic exports. The study will seek to identify what support exists, to what extent are the diasporic entrepreneurs aware of their existence and which ones have they have accessed. It will also attempt to identify what further support mechanisms can be developed or harnessed to assist them.

### Approach

Various facets of diasporic entrepreneurship were captured and analysed under the project through a two-pronged approach. The first element involved an online questionnaire which was targeted at a wide pool of entrepreneurs spanning various countries within and outside of the Caribbean. The online survey sample was gathered from firms that participated in Compete Caribbean's registered database of entrepreneurs that responded to the open call for the Caribbean Idea Marketplace (CIM). The CIM was a business plan competition that encouraged local and diaspora entrepreneurs to forge partnerships

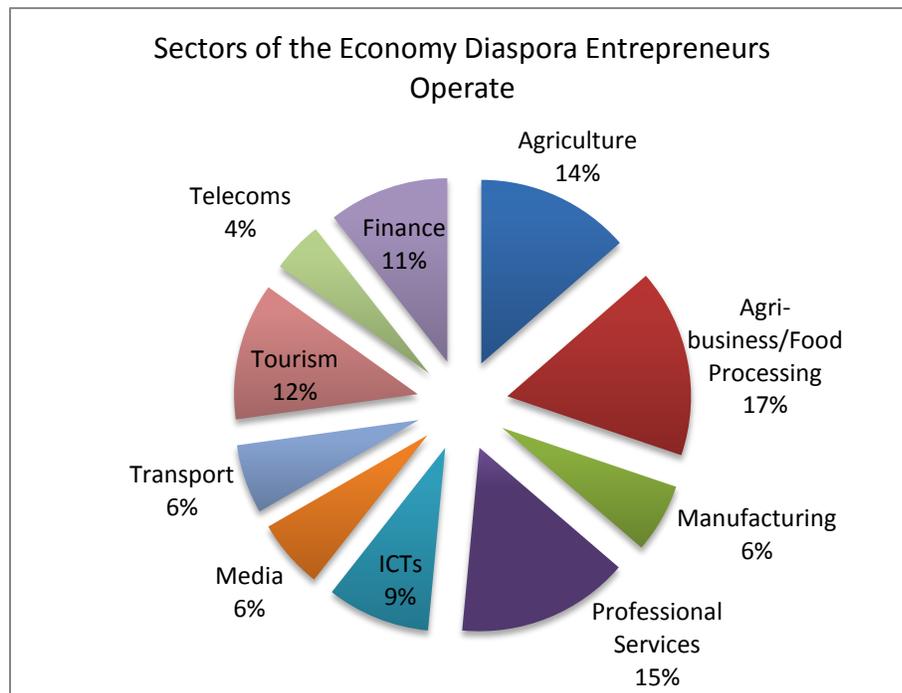
around innovative projects that generate employment and economic opportunities in the fifteen Caribbean countries.

The second element of the approach involved in-depth semi-structured interviews which were done with a select group of 18 large and iconic diasporic firms. Firms were selected from five key sectors, namely (i) Agro-processing, (ii) Transportation, (iii) Remittances, (iv) Creative and media Industries, and (v) Telecommunications. The interviews were augmented with desk research on each of the 18 diasporic firms. The aim was to assess the contribution of the diaspora market to the success of the company, prospects for growth and increased investment, and recommendations on policy measures to facilitate growth of entrepreneurial opportunities by diasporic entrepreneurs.

### Strategic Overview

Diasporic entrepreneurs have shown steady trends in regards to their business interest and activities, in particular sectors in the region. Data collected from the survey illustrates that agriculture and agri-business/food processing related businesses represents the largest area of investment followed by professional services. These have great spill over effects for the Caribbean region as it enhances regional trade, promotes trans-shipment and related services, provides jobs to Caribbean nationals and the Caribbean diaspora, and in regards to agro-processing most of the primary goods are sourced from regional farmers.

**Figure 1: Sectors of the Economy in which Diaspora Entrepreneurs Operate**



The study also captures the contribution of diasporic entrepreneurship to the growth of trade in goods, services and intellectual property. Chart 9 shows the breakdown of the firms that were profiled in terms of the area of trade. What is evident is that the largest group of firms falls into the

trade in services category followed by trade in goods. In terms of the latter most of the firms are engaged in some form of agri-business. In this regard, the study focused on the role of firms in sectors like money transfer, travel and freight, food and agro-processing, telecoms, media and creative industries. Under trade in intellectual property most of the firms were in the creative and media sectors.

**Figure 2: List of Diasporic Entrepreneurs by area of Trade in Goods, Services and Intellectual Property**

Trade in Goods	Trade in Services	Trade in Intellectual Property
<ul style="list-style-type: none"> <li>•Marie Sharpe (Belize)</li> <li>•Barons (St. Lucia)</li> <li>•Edward G. Beharry (Guyana)</li> <li>•Demarara Distillers (Guyana)</li> <li>•Grace Kennedy Foods (Jamaica)</li> <li>•Golden Krust (New York)</li> </ul>	<ul style="list-style-type: none"> <li>•Digicel (Jamaica)</li> <li>•LIME (Barbados)</li> <li>•Telesur (Suriname)</li> <li>•Laparkan (Guyana)</li> <li>•Fly Jamaica (Jamaica)</li> <li>•Grace Kennedy Money Services (Jamaica)</li> <li>•Jamaica National Heritage Trust (Jamaica)</li> <li>•SuriChange (Suriname)</li> </ul>	<ul style="list-style-type: none"> <li>•VP Records (New York)</li> <li>•SportMax (Jamaica)</li> <li>•Tempo (New York)</li> <li>•Levi Roots (London)</li> </ul>

The majority of the diasporic entrepreneurs highlighted in the firm profiles were high impact or high opportunity entrepreneurs. These firms have exhibited at least one of the several characteristics listed below:

1. They perform in-depth market research targeting the diaspora market.
2. They utilize the diaspora market to create a demand and preference for their product/services in the host country, which over time has been used as a basis to enter mainstream markets.
3. They expand their market size by targeting international customers.
4. They diversify their product lines and/or expand into other countries in the region. Others expand into unconventional markets.
5. These companies constantly upgrade their products and services to enhance their competitiveness and maintain their leadership in key market segments.
6. They introduce innovative products and services to the diasporic market and the Caribbean region.

## Strategic Assessment

The interviews conducted sought to determine the major strengths, weaknesses, opportunities and threats faced by firms (See Figure 6). Responses were limited and as such what is presented below is a summary of areas of convergence on key issues. The key areas of strength appear to coalesce around issues of branding and customer loyalty as well as the quality and uniqueness of the products and services. Strategic partnerships among firms were also identified as a core area of strength. The areas of weakness on the other hand were focussed on poor business planning skills, limited access to funding and financing for marketing and inadequate intellectual property protection. The key opportunities identified focussed on the expanding diasporic market as well as the growth of niche and specialty markets. Accessing high growth markets like telecoms and creative industries was viewed as another key opportunity because of the cross-promotional synergies these industries afford to other sectors. The main threats were related to competition from transnational firms as well as market conditions like intellectual property infringement and the high cost of transport, telecoms, energy and logistics. The slow uptake of ecommerce and mobile banking within the region were also viewed as a key threat.

### **Strategic Direction**

Based upon the strategic assessment some clear areas for action are identified. They fall into four categories. The first area relates to initiatives that amplify the opportunities and maximize on the existing strengths of the firms operating in the diasporic economy. The proposed actions include the mapping and documenting of the Caribbean diaspora and the diasporic economy, through the establishment of a satellite accounting system (as is done in the tourism sector) and the creation of a diaspora observatory to monitor transformations in the sector. The next key initiative is the facilitation of start-up firms through an innovation lab. A follow-up recommendation is the creation of an incubator where large firms can mentor emerging firms and start-ups (e.g. business clubs).

The second area refers to initiatives that also amplify opportunities but minimize weaknesses. One of the key weaknesses is the lack of business planning skills among the small firms. It is thus recommended that there be training on preparing business plans. The creation of a diaspora economic network to facilitate coordination and collaboration among firms and with key stakeholders in government and international agencies is another priority. Establishing a market development fund for firms targeting the diasporic economy would facilitate market entry and penetration. This should be backed up by strengthened marketing capabilities for accessing the Internet (e.g. web sites, Apps) Intellectual property training among firms is key to reduce the level of infringement that these firms face in regional and international markets.

**Figure 3: Strategic Assessment and Direction**

<p><b>Strategic Assessment</b></p>	<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>▪ Strategic partnership arrangements</li> <li>▪ Familiarity with Caribbean community</li> <li>▪ Recognising the importance of market research</li> <li>▪ Recognizable brand within the Caribbean and Diaspora communities</li> <li>▪ Superior quality goods, with consistent flavour</li> <li>▪ Customer loyalty and globally recognized brand</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>▪ Weak business planning capabilities among firms and difficulties in accessing funding within the region and externally</li> <li>▪ Limited capacity to build brands beyond Caribbean diaspora market</li> <li>▪ Inadequate knowledge of intellectual property protection</li> <li>▪ Low levels of industry coordination and cooperation</li> </ul>
<p><b>Strategic Direction</b></p>		
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>▪ Expanding diasporic market</li> <li>▪ Growth of niche markets</li> <li>▪ Business expansion strategy targeting high performance economies within and outside the region</li> </ul>	<p><i>Maximize Strengths/Amplify Opportunities</i></p> <ol style="list-style-type: none"> <li>1. Map and document the Caribbean diaspora and the diasporic economy (e.g. satellite accounting, diaspora observatory)</li> <li>2. Facilitate the growth of start-up firms</li> <li>3. Create an incubator where large firms can mentor emerging firms and start-ups</li> </ol>	<p><i>Minimize Weaknesses/Amplify Opportunities</i></p> <ol style="list-style-type: none"> <li>1. Training on preparing business plans</li> <li>2. Facilitate the growth of a diaspora economic network</li> <li>3. Establish a market development fund for firms targeting the diasporic economy</li> <li>4. Strengthen marketing capabilities through the Internet (e.g. web sites, Apps)</li> <li>5. Promote IP training among firms</li> </ol>
<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>▪ Competition from transnational firms</li> <li>▪ High cost of transport, logistics, telecoms and energy</li> <li>▪ Intellectual Property rights infringement</li> <li>▪ International market entry is costly</li> <li>▪ Slow uptake of ecommerce and mobile banking within the region</li> </ul>	<p><i>Maximize Strengths/Reduce Threats</i></p> <ol style="list-style-type: none"> <li>1. Upgrade the Caribbean brand</li> <li>2. Facilitate clustering in sub-sectors (e.g. agro-processing) to improve market leverage and visibility</li> <li>3. Lobby for increased marketing and institutional support from business support organizations and export/industrial development agencies</li> <li>4. Strengthen IP facilities nationally and regionally</li> <li>5. Encourage banks and other financial agencies to introduce ecommerce and mobile banking facilities</li> </ol>	<p><i>Minimize Weaknesses/Reduce Threats</i></p> <ol style="list-style-type: none"> <li>1. Develop IP value capture capabilities and strategy among firms</li> <li>2. Facilitate peer-to-peer learning and advocacy and lobbying both in the sending and receiving countries.</li> <li>3. Facilitate enterprise development through grant funding, venture capital schemes, crowd funding and human resource development</li> <li>4. Encourage cross-promotion and co-sponsorship among firms and sub-sectors</li> <li>5. Establish diasporic entrepreneurship research, training and outreach at the business schools and universities</li> </ol>

The third area focuses on how threats can be reduced while maximizing on the strengths in the sector. A key action would be the upgrading of the Caribbean brand through collective action as exemplified by Design Caribbean or through cross-promotion in the Caribbean Tourism Organization diaspora week events that occurs in global cities like New York, Toronto and London. Facilitating cluster development in

sub-sectors like agro-processing will help to improve market leverage and visibility for these firms. Diasporic entrepreneurs should also lobby for increased marketing and institutional support from business support organizations and export/industrial development agencies. Strengthening intellectual property facilities at the national and regional levels is key for enterprise development. Lastly, banks and other key financial agencies need to be encouraged to introduce ecommerce and mobile banking facilities at a faster rate.

The fourth and final area relates to how to reduce threats while minimizing weaknesses. The development of intellectual property value capture capabilities and strategy among firms is key for industrial and technological upgrading. This should be backed up by peer-to-peer learning (e.g. business clubs) in the sending and receiving countries. Enterprise development should be facilitated through grant funding, venture capital schemes and crowd funding. Firms operating in the diasporic market should be encouraged to engage in cross-promotion and co-sponsorship activities. There is a critical role to be played by the business schools and universities in terms of establishing diasporic entrepreneurship research, training and outreach.

## Introduction

The Caribbean region<sup>1</sup>, like many other small and developing country regions, has been negatively impacted by the global economic and financial crisis in terms of declining export markets and foreign exchange earnings particularly in traditional sectors like agricultural and resource-based industries as well as services sectors like tourism and financial services.<sup>2</sup> The Caribbean region has been suffering from low levels of structural transformation as exemplified by a decline in its global competitiveness over the last two decades when compared with other small states. The argument is that relative to its income profile the region remains specialized in unsophisticated “poor country” exports that are not just a function of small size or dependence on the services sector (e.g. tourism and financial services).<sup>3</sup> In this context the issues of innovation and entrepreneurship have been raised, as key considerations to improve the region’s economic and trade performance.<sup>4</sup> In this context, many countries have begun to explore alternative sources of growth among which includes the economic impact of the diasporic economy.

The growth of diasporas in the last few decades has led to a new development context with economic flows like financial transfers (remittances) playing a critical role in poverty reduction, enterprise development as well as the securitization of debt.<sup>5</sup> For many countries remittances have exceeded traditional modes of external inflows like foreign aid, foreign direct investment and external borrowing.<sup>6</sup> This is only the tip of the iceberg given that the diasporic economy is wider than financial transfers from remittances and includes telecoms, tourism, transportation and trade in nostalgic, ethnic or niche goods.<sup>7</sup>

---

<sup>1</sup> For the purposes of this study the term Caribbean region refers to CARICOM, a regional grouping of developing archipelagic states. CARICOM has 15 full members: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat (UK), Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

<sup>2</sup> See INTAL (2011) The Caribbean Community post crisis. INTAL Monthly Newsletter 177.

<sup>3</sup> Ricardo Hausmann and Bailey Klinger, *Policies for Achieving Structural Transformation in the Caribbean*. Private Sector Development Discussion Paper #2, IDB 2009.

<sup>4</sup> See Keith Nurse and Ginelle Greene “Aid for Trade and Economic Diversification: The Case of Barbados” in Marion Jansen, Mustapha Sadni Jallab and Maarten Smeets, eds. *Connecting to global markets challenges and opportunities: case studies presented by WTO chair-holders*. (Geneva: WTO, 2013): pp: 159-176.

<sup>5</sup> Keith Nurse, “Migration, Diaspora and Development in Latin America and the Caribbean” *International Politics and Society* (2: 2004): 107-126; Keith Nurse, “Migration and Development in the Caribbean” Special Edition on Migration of FOCAL Policy Paper 04-6 (June 2004): ([http://www.focal.ca/fpoint/special\\_edition\\_migration.pdf](http://www.focal.ca/fpoint/special_edition_migration.pdf)).

<sup>6</sup> Dawson, Laura, Ritchie. (2007). Brain Drain, Brain Circulation, Remittances and Development: Prospects for the Caribbean. Caribbean Paper No.2. June. The Centre for International Governance Innovation: Ontario.

<sup>7</sup> Orozco, M. et. Al. (2005) *Transnational Engagement, Remittances and their Relationship to Development in Latin America and the Caribbean*. Institute for the Study of International Migration, Georgetown University.

These economic flows also facilitate investment by diaspora communities and encourage brain circulation (e.g. return migration, mobility of professional services) that redress the challenges associated with brain drain (i.e. the emigration of the tertiary educated). The Caribbean region has one of the highest migration rates in the world and for many years, the exodus of its highly skilled labor force has been seen as a loss, a “brain drain”. Indeed, it has been argued “the total losses due to skilled migration outweigh remittances”.<sup>8</sup> In contrast, it is argued that many countries lack the absorptive capacity to employ a large share of the tertiary educated and as such it is worthwhile for countries to explore how migrants can contribute to economic development back home and how diaspora-centered policies could utilize the human capital in the diaspora thereby facilitating brain circulation and brain gain.<sup>9</sup>

Recent studies carried on diaspora investment in the Caribbean identify the potential of engaging the financial potential of the diaspora, in particular the channeling of remittances to productive investments, which requires an enabling regulatory environment.”<sup>10</sup> Accessing the financial resources of Diasporas has become a key strategy for many developing countries as exemplified by the growth of diaspora engagement programmes. For example, countries like the People’s Republic of China, India, Israel, Mexico, El Salvador have targeted diasporic communities for trade, investment and technology transfer.<sup>11</sup>

The success of these countries illustrate that diasporic communities are not just sources of capital. The literature suggests that international migration and the growth of diasporic communities generates new markets and encourages both trade and entrepreneurship because (i) migrants demand goods and services from their home countries (ii) introduce new products and services to both the host and home countries, and (iii) impact on business development through the circulation of investment, knowledge, intellectual property and innovation.

Despite growing enthusiasm for the role of Diasporas in regional and international development there is limited understanding of the diasporic investment, trade and entrepreneurship process, the required institutional arrangements and the enabling business

---

<sup>8</sup> Mishra, Prachi (2006). Emigration and Brain Drain: Evidence from the Caribbean. IMF Working Paper, WP/06/25 (January). International Monetary Fund: Washington, D.C. Also see Nurse, Keith, and Jones, Jessica. (2010). Brain Drain and Caribbean-EU Labour Mobility. Paper commissioned by Observatorio de las Relaciones Unión Europea - América Latina (OBREAL) for the BRIDGES-LAC project.

<sup>9</sup> "Strategic Opportunities in Caribbean Migration: Brain Circulation, Diasporic Tourism and Investment" see the special edition of the Canadian Foreign Policy Journal (2011: 17.2) <http://www.tandf.co.uk/journals/rcfp>. Also see Baldacchino, G. (2006). The Brain Rotation & Brain Diffusion Strategies of Small Islanders: Considering ‘Movement’ in lieu of ‘Place’. *Globalisation, Societies and Education*, (4:1, p.143-154 March.

<sup>10</sup> InfoDev (2013) *Diaspora Investing: The Business and Investment Interest of the Caribbean Diaspora*. [http://www.infodev.org/infodev-files/diaspora\\_investing\\_december\\_2013.pdf](http://www.infodev.org/infodev-files/diaspora_investing_december_2013.pdf).

<sup>11</sup> Kuznetsov, Y ed. *Diaspora Networks and the International Migration of Skills: How Countries Can Draw on Their Talent Abroad* (The International Bank for Reconstruction and Development: World Bank Publications, 2006); Terrazas, A. (2010) ‘Diaspora Investment in Emerging Markets: Patterns & Prospects’ (Diasporas and Development Policy Project, Migration Policy Institute, August 2010).

support services in the Caribbean.<sup>12</sup> There is insufficient data to give entrepreneurs and firms economic and marketing intelligence on diasporic markets (in the Caribbean?). Governments also lack the necessary information needed to foster the appropriate policy environment to promote diasporic trade and entrepreneurship. The emigration source countries seldom have reliable data regarding who is leaving and where they are going. There is even less data regarding their motivations for leaving and prospects for return, investment, trade and entrepreneurship.

Based upon the above perspective this study argues that tapping into the migration, diaspora and development nexus is critical to enhance economic diversification and deepen global competitiveness in the contemporary Caribbean economy. However, activating this potential requires significant changes in practice and policy among governments, as well as, the mind-sets of businesses and immigrant communities which can benefit from this economy.

It is within this context that the Inter-American Development Bank commissioned a study (IDB), through the Compete Caribbean program to assess the investment climate for the development of business support mechanisms. This study involves mapping and documenting the experience of diasporic entrepreneurs (i.e. migrant entrepreneurs and Caribbean-based entrepreneurs) that are tapping into Caribbean and diasporic markets such as financial transfers and remittances, diasporic tourism and travel, freight and shipping, creative and media and nostalgic exports. The study will seek to identify what support exists, to what extent are the diasporic entrepreneurs aware of their existence and which ones have they have accessed. It will also attempt to identify what further support mechanisms can be developed or harnessed to assist them.

## Project Objectives

The study has centred its analysis on firms from select high growth industries in the Caribbean spread across as fair a geographical representation as possible. It seeks to assess how the diaspora market has played a central role in Caribbean firm growth and competitiveness.

The data and perspectives that will be generated by the study will:

1. **Impact Policy Development:** The general objective is to generate knowledge to facilitate decision-making and consensus on strategic interventions for private sector development in the Caribbean.
2. **Strengthen understanding of the Diasporic Firm:** Give an insight into the diasporic market through analysis of the diasporic market, market intelligence, economic data

---

<sup>12</sup> See the ten-minute version of the documentary Forward Home – The Power of the Caribbean Diaspora (<http://www.youtube.com/watch?v=cj0vLkUyRtU>). The accompanying research was published in a Special Edition of the *Canadian Foreign Policy Journal* (2011: 17.2) <http://www.tandf.co.uk/journals/rcfp>.

and enterprise experience to guide firms and potential investors. This will also provide recommendations on appropriate business support mechanisms for diaspora entrepreneurship through the development of firm profiles.

3. ***Assess the framework conditions for the development of business support mechanisms***
  - This will be conducted by documenting and sharing the experience of diasporic entrepreneurs operating within and outside of the Caribbean.

The general objective is therefore is to generate knowledge to facilitate decision-making and consensus on strategic interventions for private sector development in the Caribbean. Specifically, the documentation and sharing of the experience of diasporic entrepreneurs operating within and outside of the Caribbean and to assess the framework conditions for the development of business support mechanisms. Also, from Compete Caribbean's perspective, since the Program has a component that supports reforms on business climate, provide feedback to the Program on areas that are critical for diasporic investors and to guide the program's strategy on promoting diasporic investment.