

February 2011

Staying Connected

For the Alumni of the ECCB Savings and Investments Course

YOUR FINANCESYOUR FUTURE

YOUR FINANCIAL NEWS

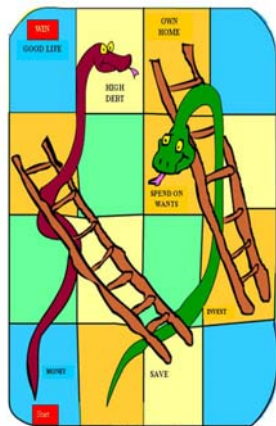
“There are two ways one can pursue growth;

Growing Your Business

one can grow in comfort or one can grow in misery...”

How To Grow the Economy?

INNOVATE OR VEGETATE



Money Talks Can Be Fun and Games

Money Snakes and Ladders

Grab the family, a dice and enjoy a game that is sure to enrich your family's discussion on finances while giving you loads of laughter.

Business Thinking

You can't do today's jobs with yesterday's methods and be in business tomorrow.

Source unknown

For every sale you miss because you were too enthusiastic, you will miss a hundred because you are not enthusiastic enough.

Ziz Ziglar, American Motivational Speaker and Author

To open a shop is easy, to keep it open is an art.

Old Chinese Proverb

In the business world, the rear view mirror is always clearer than the windshield.

Warren Buffet

The most successful businessman is the man who holds onto the old just as long as it is good, and grabs the new just as soon as it is better.

Lee Iococca

Failure is the opportunity to begin again, this time more intelligently.

Henry Ford

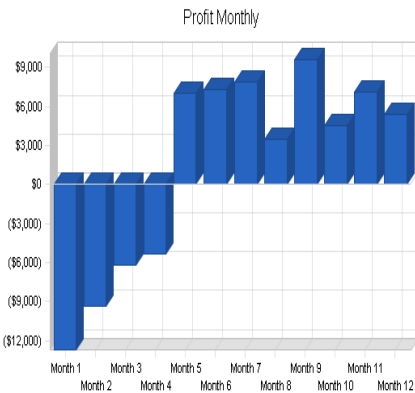
The most meaningful way to differentiate your company from your competition, the best way to put distance between you and the crowd, is to do an outstanding job with information. How you gather, manage, and use information will determine whether you win or lose.

Business @ The Speed of Thought by Bill Gates

Growing Your Business

How can it be achieved and sustained?

Interview with Daniel Arthurton



Economic growth is fast becoming a popular discussion, especially in light of the economic challenges being experienced regionally and globally. And, the private sector which has always been lauded as the engine of economic growth is being asked to step up to the plate. The expectation is that as the private sector pursues growth, output and jobs would increase which, by extension, would have positive impacts on long-run economic growth. i.e. *an increase in the economy's capacity to produce goods and services.*

But how should businesses define growth? And, even more important, how should business

owners craft and pursue a viable growth strategy?

Your Financial News (YFN) decided to pick the brains of Daniel Arthurton, entrepreneur and central banker.

YFN: Welcome to YFN.

Arthurton: My pleasure.

YFN: Talk to us about business growth. How would you define it? What should business owners consider? Is growth just about sales?

Arthurton: When one thinks about growth, one word that comes to mind is 'increase'. In relation to a business, the owner has to first consider what qualifies that? What is he trying to increase? Is it the size of the company, the value of the company, the size of investments, the profits of the company, or a combination of two or more of the areas identified?

Then, once he has decided which of the factors or which combination of factors he is trying to increase, then the next question to ask is, 'How do I ensure that this is sustainable'? Because, he would not want it to be a one-off thing. Whatever path that he takes, he would want to know that growth is not just a temporary event but rather that it is sustainable. Let us first look at a few approaches to growth that a business owner can take.

He can decide to focus on:

1. **increasing productivity.** So he will be seeking to obtain a greater degree of output for the same number of inputs.

2. **increasing production.** This means he is focused on obtaining a greater output by increasing his inputs.

3. **Increasing sales** (*locally or via*

Growing Your Business Cont'd

exports). So instead of selling 500 items he focuses on selling 1000 items.

4. Increasing profitability – It is important that business owners understand that there is a difference between increasing production or sales and increasing profitability. Because a business can grow in sales but not in profitability. So it is important for business owners to understand that whatever they pursue they must ensure that they are increasing their returns on their investments. That is key to sustainable growth.

YFN – Well that is a nice segway to the next question. How do business owners craft a path towards sustainable growth?

Arthurton: To ensure sustainable business growth, the starting point has to be the vision and mission of the business owner. There must be a clear understanding as to where the business is and a vision as to where the business

needs to go and how the business owner will be able to do this. It might require the business owner seeking out the right people to implement the vision or other means to realise the vision.

Then the second issue is to ensure consistency of product, be it a good or service. e.g. Lets take the example of a honey producer. He has to ensure that the honey he produces is consistent in taste, colour etc. It would not serve his business well to produce honey where one batch is dark brown in colour and another batch is clear. Because customers and potential customers would question whether something is wrong with the honey. So consistency in the goods and services being produced is a critical factor for sustainable growth.

Additionally, business owners have to realise that they have to start thinking beyond their narrow environments. They cannot survive if they have tunnel vision.

Business owners must adopt a broad view of the business environment in which they operate and look at other competitors and potential competitors, and then have a strategy and tactics to ensure that the business can continue to grow and expand.

YFN – Strategy versus tactics. Is there a difference?

Arthurton: A business strategy is the broad framework that describes the business' goal. So it may be that the business strategy is to be the market leader in three areas. To achieve this strategy one tactic may be to load up a truck with the products and aggressively sell in each of those areas two days per week.

However, in order for the business owner to make sure that his strategy is viable and his tactics are reachable, he has to ensure that if he is dealing with a product, he stays focused on his product. So he would in this case

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ensure that he pursues a **product-focused growth strategy**.

However he can decide to pursue a **promotion and marketing growth strategy** and as such his focus would be on ensuring consistency in his business message. He would decide therefore that this is the way he would speak about his product...This is the message and the message stays the same whether it be on the radio, in the newspaper or in his advertisements.

A business owner can also choose to pursue a **financial efficiency based growth strategy**. The focus here is on trimming the fat - removing cost areas which are wants and may not be adding value and replacing those with costs which are necessary and are adding value.

Additionally a business owner can pursue an **operational and management efficiency based growth strategy**. This involves making sure that people are not under-employed, that the best people are being employed to get the best results and that people are assigned to areas that allow them to make the best of their core competencies.

In the end growth must be managed. Business owners have to be SMART (*Specific; Measurable; Attainable; Realistic; Time-based*) in the management of business growth.

It is important to grow but not to outgrow the business core competencies and skills. For example, if a business owner operates a bakery, he would not want persons to say 'these bread are not tasting

like they used to taste when the bakery first opened'. **It is important not to outgrow the business' core competencies and skills** because, as was indicated earlier consistency is a key success factor to growth.

As a result business owners must understand that it is not wise to grow too many elements at once. They must grow the areas that they can manage and measure and then they can add others. They need to understand that every time a business adds a new product - be it a good or service, it increases the permutations. So, it is not 1 by 2 but 1 by 2 by 3. This adds greater complexity to the business and demands greater resources and attention.

And then we come down to what I would consider is the biggest decisive factor of growth - the

Growing Your Business Cont'd

money factor. That is why there is the saying '*money answers all things.*'

The availability and access to finance is critical to businesses and business owners must ensure that not only is the finance available but that they can access it; and by that I mean that they can afford to repay the funds if they are loaned funds. Our banking institutions are revenue based and focused on fixed revenue streams and they must ensure that when they make a loan they can get back their money at fixed intervals.

The other issue of managing growth comes down to how you grow. Businesses must make sure that they do not grow themselves into misery.

There are two ways a

business can grow; a business can grow into comfort and by that I mean that the business is growing at a manageable pace; the owners can spend time with family and the business will still continue to operate well and bring in profits.

But a business can grow itself into misery whereby the owner cannot get a good sleep, has to do everything himself because he does not have the manpower to do the many tasks required of the business as it grows, and so he is working practically all day to keep up with the demands of his growing business. That is misery growth and comes at the expense of one's quality of life.

In summary, business owners should ensure that when all is said and done, whatever goods and services are being produced, they are produced with consistency, at a good quality and a competitive price

and within the realm of the business' core competency so that the high quality can be maintained within a strategic framework. Real growth is sustainable growth and it must be borne out of a vision. ●

ABOUT THE INTERVIEWEE

Daniel Arthurton is a Resources Economist, Farmer Entrepreneur and Entrepreneurship Advocate who is presently employed as the Deputy Director of the Financial Enterprise Development Department (FEDD) at the Eastern Caribbean Central Bank since March 2006.

Over the past decade he has worked throughout the region with several national, regional and international organisations implementing projects along the whole Project Management, Monitoring and Evaluation continuum in all of the primary socio-economic sectors. He has worked closely with the Private Sector and Business Support Organisations as a functionary of CIDA, USAID, CARICOM, and OECS Secretariat.

Mr. Arthurton has a Bachelor of Science degree in Agribusiness and a Master of Science Degree in Resource Economics from the University of Massachusetts, Amherst, USA.

Growing the ECCU Economy

Innovate or Vegetate

By: Sybil L. Welsh



While there are many diverse views on how to grow the economy, it is unquestionable that the principal economic goal of a country is to produce a high and rising standard of living for its current and future citizens. *i.e. sustainable economic growth.*

The ability to do so however depends on the productivity to which a country's labour, capital and other resources are employed. Productivity relates to the value of the output produced by a unit of input (e.g. labour, capital and other resources). The productivity of human resources determines employee wages, and the productivity to which capital is employed determines the return it earns for its holders.

Sustained productive growth, which in turn leads to economic growth, requires that an economy continually upgrades itself so that it is always equipped not only for the present but also for the future.

I place emphasis on the word continually, because sustainable economic growth is not a fixed destination, rather it is an ongoing journey that requires:

- a commitment to on-going research and development in relation to tapping unexploited resources to spur new industries and adopting new and advanced technology into economic sectors;
- continuous innovation at the level of both the private and the public sector; and
- the pursuit of new knowledge and skills.

It is my view that to achieve sustained economic growth, each country in the region must:

1) seek to reposition its economy in such a way as to make it attractive for investments geared to the production of internationally competitive goods and services by making **quality** and **proactivity**, philosophies for competitive advantage and economic recovery and growth.

This requires the pursuit of new industries and the relinquishing of some of the old. It no doubt requires the innovative skills of the private and public sector to aggressively pursue proactive strategies of adjustment *i.e. to adjust rapidly in anticipation of global changes in demand, technology, etc.* Countries, which pursue a re-active strategy of adjustment, will never survive, playing the losing game of catch-up.

2) select appropriate tools to accomplish economic rejuvenation and expansion. Such tools must ensure that the country's economic energy and scarce financial and other resources are deployed to

Growing the ECCU Economy Cont'd

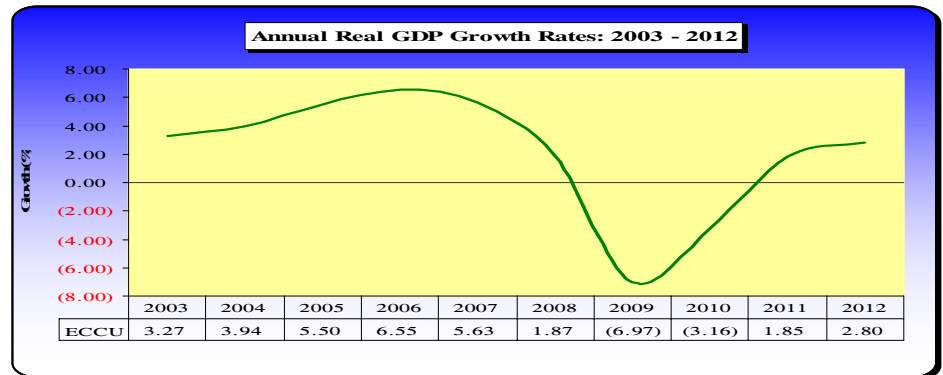
support long term prosperity rather than stop-gap, short term measures which are unsustainable. The issue at stake is the quality of the application of scarce domestic resources and economic energy. The questions therefore for each country of the ECCU should be as follows:

1. "How should we deploy our economic energy and scarce resources to support long term prosperity so that we can build a competitive advantage in a global economy? and;

2. What should be the principal purposes for which we borrow?

In answering these two questions, ECCU countries must seek to determine the key factors which are relevant to today's purpose and tomorrow's needs and allocate and develop resources accordingly, guided by policies that are formulated to ensure long-run economic growth.

Such key factors in my view should include:



Source: ECCB NB: 2011(est.) and 2012 (proj.)

- i. Investing in human resources development (*to equip the labour force with competitive specialized skills and thus ensure greater productivity translating into higher wage jobs and subsequently a continued increase in the standard of living i.e sustained economic growth.*)
- ii. And, investing in technological infrastructural development in strategic sectors that enable the expansion and or creation of new businesses and industries. Clearly our current economic infrastructure cannot lead us to that goal of economic rejuvenation, transformation and expansion.

So many times we talk about the high literacy rate of our people, without asking the question, 'literate in what and for what?'

I propose that we should also be asking 'What type of businesses can we attract with our present skill sets?' And, 'What level of income can our present skill sets command?' Reading, writing and arithmetic, as important as they are, are not sufficient to provide our countries with a competitive/strategic advantage

Consider that the ECCU Heads of Government have established a target annual growth rate of 6%. However, if one were to assess growth rates for the last eight years over the period 2003-2010 and

Growing the ECCU Economy Cont'd

estimated and projected growth rates for 2011 and 2012 respectively as identified in the chart, this annual growth target of 6% may appear to be out of the region's reach, unless there is dramatic change in the sectors targeted as economic drivers. Note well that the increase in the ECCU growth rates realised over the period 2005-2007 can be largely attributed to ICC Cricket World Cup 2007 related investments.

And, as important as tourism is, on its own, it cannot be the answer. There are only so many hotels that can be built without adversely impacting a country's natural resources which in turn has negative implications for long-run economic growth. Additionally, we face many obstacles in our ability to be competitive producers of most of our current commodity exports. This is our current reality.

Notwithstanding these obstacles that we face, there are windows of opportunities created by global changes and demand of which we can take advantage to grow and

expand out economies. However, it would seem that an increase in our economic output will be largely dependent on increasing the quality of our human resources and technological infrastructure, so that we can reach out further than we ever could and create niche markets within vast industries like finance, ICT, health and wellness, agriculture & fishing, energy and tourism.

If we can achieve this vision of a highly educated workforce forever advancing; an optimistic entrepreneurial spirit that cannot be crushed and booming exports in competitive goods and services guided by pioneering best practices, we could say like Danny McCoy, the head of the Irish Business and Employers Confederation, **“There are no brakes to growth if we can get this thing going”**.

In summary, economic rejuvenation and expansion requires a dramatic change in our economic path both at the level of the government and the private sector. The era of human and technological capital is here. As markets and technology

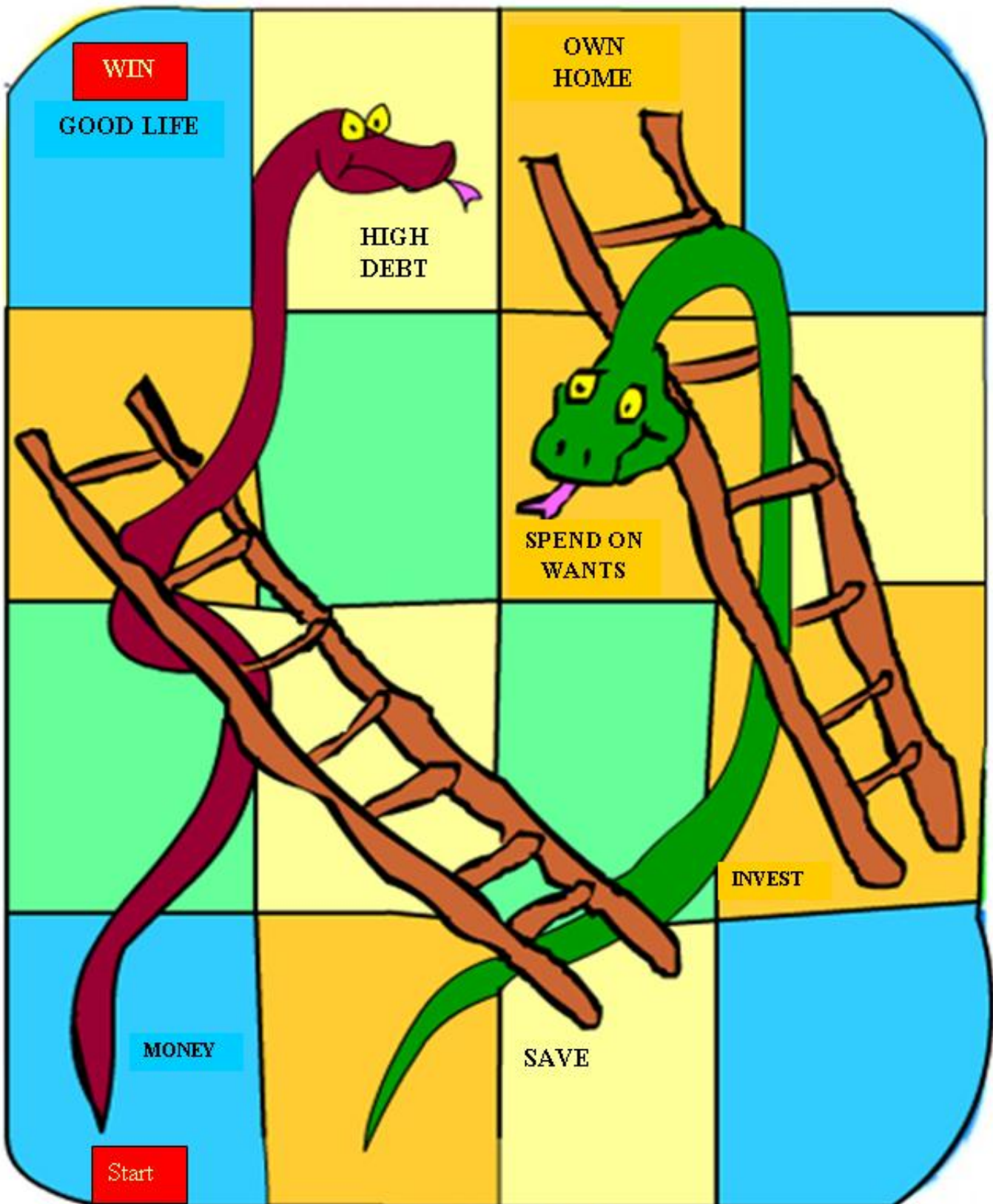
become more global and more dynamic, human capital in the ECCU is fast becoming the scarce resource. To realise the full potential of their human capital, ECCU countries must be willing to invest in assets like education, information and communication systems and research and development. Only then will they be able to build the necessary competence at all levels of the economy to respond with the speed and creativity required by today's competitive pressures.

In the end, the statement **“innovate or vegetate”** underpins the paradigm shift required of ECCU governments and local companies in order to survive and contribute to the expansion of their domestic economies within the global environment in which they operate.

A Vision of the ECCU

A highly educated workforce forever advancing; an optimistic entrepreneurial spirit that cannot be crushed and booming exports in competitive goods and services guided by pioneering best practices.

Money Snakes & Ladders



ARTWORK www.adrianbruce.com

ECCB Savings and Investments Course in Entrepreneurship Successfully Piloted in St. Kitts

“Meaningful, interesting, worthwhile, challenging, memorable, a learning experience” were among the many positive descriptions used by course participants to summarise their experience with the ECCB Entrepreneurship

Course at the final session held on Thursday 24th February 2011.

The participants learnt the rudiments of conceiving a business idea, creating a business plan and starting and

managing a business from both a theoretical and practical standpoint. As a result of the course three businesses were licensed and launched in St. Kitts.

The hosting of the course was made

possible through the collaborative efforts of the ECCB, the UWI Open Campus St. Kitts, and the Clarence Fitzroy Bryant College and facilitators and mentors from the financial and real sectors.



“It was valuable having mentors to guide us”



I NEVER ENTERED THE COURSE EXPECTING SUCH AN EXPERIENCE, BUT IT OFFERED SO MUCH FOR MY TINY PLATE AND EXPANDED MY MINDSET.

Graduand