

ENTREPRENEURSHIP IN LATIN AMERICA DURING THE 21st CENTURY

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Abstract

This paper aims to provide an brief overview of Entrepreneurship during the last decade in three of the most representative economies of Latin America. With this objective, the relationship of different variables that pertain to both entrepreneurship and the elements that, according to the literature, are individual-level determinants of it (such as attitude, social norms and the perceived ability to develop individual action itself) are explored over time. The period analyzed is 2001-2012 for the cases of Brazil, Argentina and Mexico with indicators from the Global Entrepreneurship Monitor (GEM).

The data show that for all selected countries, the perceived desirability, specifically the dimension of the social value given to the entrepreneurial activity, is positively and significantly associated with both the initiation of new business and the intent to undertake them. Looking at each country in particular, this important association persisted with at least one dimension of entrepreneurship (either the activity or the intention). The variable on perceived feasibility for conducting business is more strongly associated with entrepreneurship in the case of Brazil, in contrast to the cases of Argentina and Mexico where it, in general, does not reflect statistical significance.

Keywords: Entrepreneurship, Latin America

Introduction:

Entrepreneurship is now a topic of undisputed importance since it allows creating new workplaces and affects the economic development of a country. There are three fundamental issues that justify and instigate the study of this subject: first, entrepreneurship is an important mechanism by which society converts technical information on products and services; second, it also represents a pathway through which inefficiencies in the economic sphere are solved on a specific time and space. Finally, entrepreneurship is, in the words of Schumpeter, the engine of the change process in capitalist societies (Shane and Venkataraman, 2000, p. 219). From the above, it is relevant to explore those elements that are significantly related to entrepreneurial behavior of individuals as defined in different theoretical approaches. Thus, the objective of this work is to determine which aspects of the individual's perception relate significantly to the magnitude of entrepreneurship and entrepreneurial intention in Latin America.

To answer this question, this study uses indicators developed by the Global Entrepreneurship Monitor (GEM) for the period 2001-2012 for the three major economies in the region: Brazil, Argentina and México.

The text is structured as follows: the first part presents the theoretical approaches that guide and support the empirical work. Subsequently, the data used are listed as well as the methodology used. In a third section, the major findings of this paper are identified and

discussed, both for the sample of selected countries and for each one. Finally we present the conclusions.

Theoretical approaches:

The entrepreneurship literature has addressed the issue from different perspectives. However, one of the most important aspects is that which seeks to understand the nature of the factors that determine entrepreneurial intention in individuals. From this approach, works such as Shapero (1982), Ajzen (1991), Krueger and Brazeal (1994) and more recently, Liñán (2004) stand out.

Shapero (1982) points out that the usual behavior of the individual is modified from "precipitating" events. Thus, the entrepreneurial event occurrence is explained by the conjunction of two factors: when one of these events interrupts the agent's habitual course and it is credible; that is, if the person believes that it is desirable and feasible to undertake a business (Krueger and Brazeal, 1994, p.93).

Subsequently, scholars resume Ajzen's (1991) Theory of Planned Behavior to account for entrepreneurial intention. This approach indicates that the attitude toward the act, the social norms and capacity of individuals towards certain attitudes explain their intention of realization.

The works of Krueger and Brazeal (1994) and Liñán (2004) have integrated the ideas of the two previous models. They note that the credibility referred to by Shapero (1982), explained by the desirability and feasibility of entrepreneurial event, is consistent with the factors mentioned by Ajzen (1991): attitudes or disposition, social norms or assessment and the capacity or perceived behavioral control (Veciana, Aponte and Urbano, 2005, p. 167). In addition, Liñán (2004) adds to his work a new contextual element, noting that entrepreneurial knowledge affects both the desirability and the feasibility.

Table No. 1 Equivalence between the models according to Krueger and Brazeal

<i>Shapero model</i>	<i>Ajzen model</i>
Perceived venture desirability	Attitudes towards the behavior
	Subjective norms
Perceived venture feasibility	Perceived behavioral control

Source: From Veciana, et al., 2005, p. 167.

Thus, this study adopts the elements highlighted by the model put forward by Krueger and Brazeal (1994) and observes their trajectory with respect to entrepreneurship. To this end, we use indicators from GEM for each of the countries listed above during the study period.

Data and methodology

To study the conditions of entrepreneurship in Brazil, Argentina and Mexico, the indicators constructed from the GEM Adult Population Survey (APS) during the period 2001 – 2012 that correspond to the variables identified in the model of Krueger and Brazeal were identified.

Then, it was examined whether a linear association exists between them and the indicators selected to measure entrepreneurship in this work –Total Entrepreneurial Activity (TAE) and the Total Entrepreneurial Intention (TIE) – by calculating the Spearman correlation coefficients (See Table No. 2).

Table No. 2 Variables and indicators for analysis

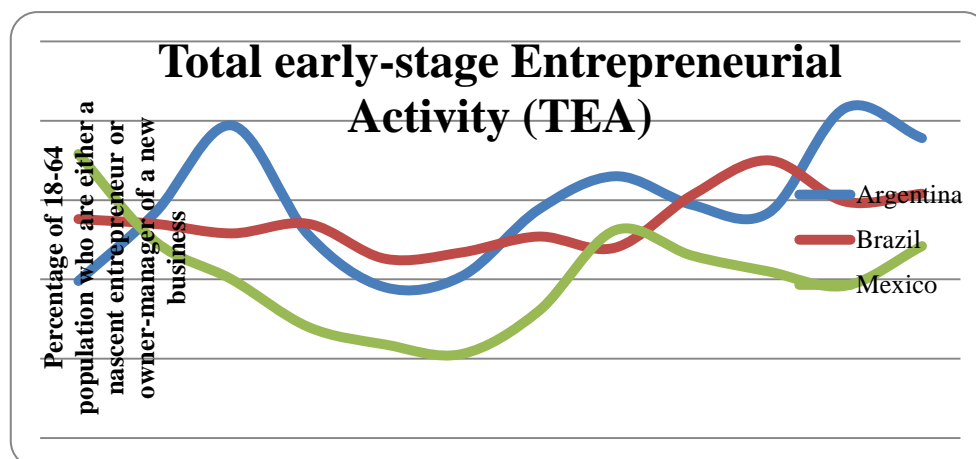
Variable	Dimensión	Indicador
Entrepreneurship	Entrepreneurial Activity	Total Entrepreneurial Activity (TEA). Percentage of 18-64 population who are either a nascent entrepreneur or owner-manager of a new business.
Entrepreneurship	Entrepreneurial intention	Total Entrepreneurial Intention. Percentage of 18-64 population (individuals involved in any stage of entrepreneurial activity excluded) who intend to start a business within three years.
Perceived desirability	Attitude or disposition towards behavior	Improvement-Driven Opportunity Entrepreneurial Activity. Percentage of those involved in TEA who (i) claim to be driven by opportunity as opposed to finding no other option for work; and (ii) who indicate the main driver for being involved in this opportunity is being independent or increasing their income, rather than just maintaining their income. Necessity-Driven Entrepreneurial Activity. Percentage of those involved in TEA who are involved in entrepreneurship because they had no other option for work.
	Norms or social value of the behavior	Entrepreneurship as Desirable Career Choice. Percentage of 18-64 population who agree with the statement that in their country, most people consider starting a business as a desirable career choice. High Status Successful Entrepreneurship. Percentage of 18-64 population who agree with the statement that in their country, successful entrepreneurs receive high status.
Perceived feasibility	Behavioral control or perceived capacity	Fear of failure. Percentage of 18-64 population with positive perceived opportunities who indicate that fear of failure would prevent them from setting up a business.
		Perceived capacities. Percentage of 18-64 population who believe to have the required skills and knowledge to start a business.
		Perceived opportunities. Percentage of 18-64 who see good opportunities to start a firm in the area where they live.

Source: Based on indicators of Global Entrepreneurship Monitor (GEM).

Entrepreneurship in the three largest economies in Latin America:

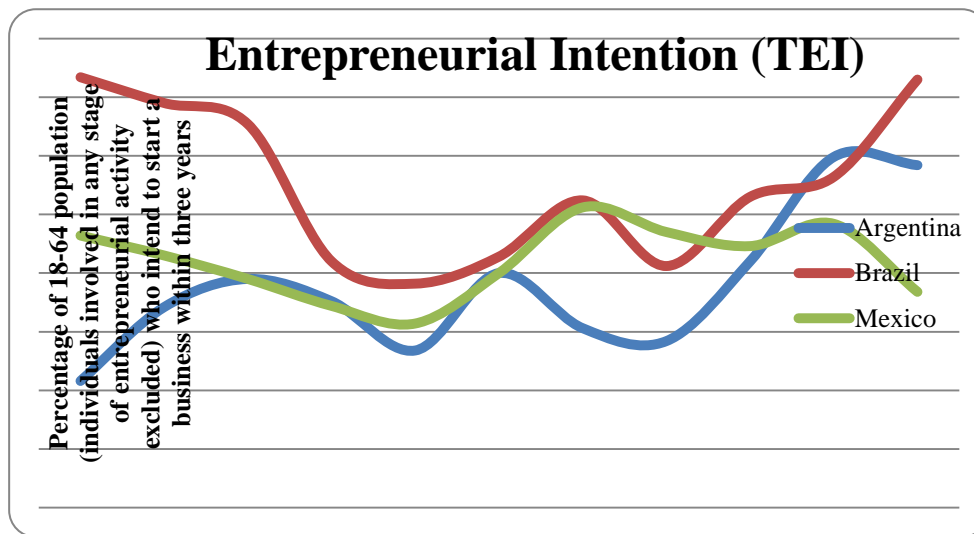
The average Total Entrepreneurial Activity (TEA) of the selected economies -Argentina, Brazil and Mexico - during the period 2001-2012 is 13.34%. It is noteworthy that of the three countries, only Mexico is below the average for the period studied (10.85%), while both Argentina and Brazil, exceed it with 13.70% and 14.65% respectively (See Figure 1).

Figure 1



Source: Based on data from Global Entrepreneurship Monitor (GEM).

Figure 2



Source: Based on data from Global Entrepreneurship Monitor (GEM).

The Total Entrepreneurial Intention (TEI), during the period observed, comes to an average of 22.68%. While Brazil continues being the largest proportion of the population that intends to start a business in a future no more than three years ahead, with 27.58%, this time, in addition to Mexico (20.94%), Argentina is also below average with 18.90% (See Figure 2).

It can be observed in all cases, in the year 2005, a decrease in the proportion of owners of new business. This can be explained by the economic situation in the international and regional context. According to the Economic Commission for Latin America and the Caribbean (ECLAC), in a global framework of economic slowdown, the region in question experienced an expansion. The economic growth rates influenced the decrease in the unemployment rate (more than one percentage point). However, it is worth noting that this employment recovery process that had been going on since 2003 is based more on wage employment (ECLAC, 2006, pp. 14-16). Thus, we can expect that this decline in entrepreneurial activity has to do with the proliferation of jobs in the formal sector that solved the labor demands of the population.

As for the relationship of entrepreneurship with the other variables mentioned above, based on the theoretical approaches, the following observations can be made (See Table 3):

- *Perceived desirability.*

In the case of all countries, it can be observed that the indicators used to measure disposition towards entrepreneurial behavior are not linearly related (statistically significant) either with entrepreneurial activity or with the intention to carry it out. However, the social value of entrepreneurship seems to be importantly linked to both the TEA as TEI, reaching correlation coefficients of 0.581 and 0.610 respectively (both statistically significant at 1%).

That is, the socially shared idea that starting a business is a desirable option as well as the high value given by the community to the individual entrepreneur are positively and significantly related to both the number of people who undertook a business and to those intending to do so within three years maximum.

Looking at the results by country, these show that in Brazil only the value that society places on business entrepreneurship as a desirable career choice exhibits an important statistically significant linear relationship with entrepreneurial intentions (0.849), but not with others indicators.

Argentina, meanwhile, reflects a high association between perceived desirability and entrepreneurial activity performed. All of indicators belonging to perceived desirability show

a strong linear association with the TEA. Social value of the behavior (both starting a business as an employment option and the status of the entrepreneur) exhibit correlation coefficients 0.644 and 0.709, respectively. Entrepreneurship for reasons of improvement is importantly related to the proportion of new businesses (0.722).

Mexico, although it has some high correlation coefficients, does not reflect statistically significant associations between the indicators for the variable "perceived desirability" and those for both entrepreneurship and the intent of it.

- *Perceived feasibility.*

For all countries, the indicators that showed statistically significant relationships with the TEA are those related to the perception of both opportunity and own capabilities to start a business, with coefficients of 0.315 and 0.317 respectively. Yet no feasibility indicator exhibited a significant relationship to entrepreneurial intention.

In the case of Brazil, the proportion of entrepreneurial activity deterred by fear of failure reflects a negative relationship of considerable magnitude and statistical significance (-0.5329) to the TEA. Also, perceived capabilities for people to start a business are positively and significantly related to the proportion of owners of businesses up to 42 months old (0.594). In the case of entrepreneurial intention, none of the indicators for the perceived feasibility showed a statistically significant linear association to it.

Argentina on the other hand, only exhibits an important positive relationship (and statistically significant) between the TEA and the percentage of population that perceives opportunities in their environment to start a business in the area where they reside (0.726).

In the case of Mexico, none of the indicators for perceived feasibility showed a statistically significant linear association with either the TEA or TEI.

Table 3. Correlation Coefficients

Variable	Dimension	Indicator	Entrepreneurship							
			Set of the 3 countries		Brazil		Argentina		Mexico	
			TEA	TEI	TEA	TEI	TEA	TEI	TEA	TEI
Perceived desirability	Attitude or behavior	Improvement-Driven Opportunity Entrepreneurial Activity.	0.2992	0.3499	0.3234	-0.0479	0.7229 **	0.4338	0.6088	0.8407 **
		Necessity-Driven Entrepreneurial Activity.	0.284	0.0526	0.2632	-0.3144	-0.6667 **	-0.1321	0.0727	-0.257
	Standards or social value of the behavior	Entrepreneurship as Desirable Career Choice.	0.581 ***	0.6105 ***	0.5098	0.8497 ***	0.6444 **	0.5106	0.7143	0.8286 **
		High Status Successful Entrepreneurship.	0.4213 **	0.3556 *	-0.1885	-0.3647	0.7095 **	0.3731	0.0857	0.3143
Perceived Feasibility	Perceived behavioral control or ability	Fear of failure.	-0.2128	-0.1409	-0.5329 *	-0.6115 **	-0.4947	-0.0461	-0.6108	-0.3929
		Perceived capabilities.	0.3171 *	-0.1843	0.5944 **	-0.0778	0.431	0.2871	0.2755	0.3424
		Perceived opportunities.	0.3159 *	-0.0016	0.0967	0.2831	0.7269 ***	0.2759	0.4762	0.5714

Source: Based on data from Global Entrepreneurship Monitor (GEM).

*** $P < 0.01$, ** $p < 0.05$, * $p < 0.10$

Conclusion:

This study explored the relationship between variables that traditionally explain entrepreneurial behavior and intention in the three most representative economies in Latin America during the last decade, Brazil, Argentina and Mexico.

In this regard it is noted that at the aggregate level, the perception of individuals about the standards prevailing in their environment and the social assessment that it makes on entrepreneurial activity, are the factors most strongly associated with the level of entrepreneurship and entrepreneurial intention.

Moreover, perceived feasibility showed no association to entrepreneurial intention, although it did for entrepreneurial activity. Such incidence reported differences in regards to the relevant dimension as well as to the magnitude of importance. While in Brazil the perception of citizens in their ability to start a business shows an important link to the magnitude of new businesses generated, in the case of Argentina the perception of the existence of opportunities in the environment is the factor more strongly associated with the ratio of the TEA.

This allows us to think that the social value of entrepreneurship is one of the most important aspects to understand the magnitude of entrepreneurial activity, while both individual perception of the capacity to start a business and the opportunities that the person sees in his own environment for the same purpose are matters associated with less intensity to the studied phenomenon.

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