

Small Business Owner Entrepreneurial Profile in the Guanajuato State, Mexico

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Abstract: The purpose of this exploratory descriptive research study was to identify the small business owner entrepreneurial profile in the Guanajuato State, Mexico. The methodology included telephone and personal interviews with a sample of 303 small business owners. Descriptive statistical analysis was used to identify four descriptive profile characteristic variables. Finding revealed that the profile means are as follows. (1) The owners are 34.31 years old. (2) They have 8.86 years of industry experience. (3) They have 6.23 years of management experience. And (4) 47.2% have bachelor degrees and 26.4% have high school diplomas. Implications for research and small business owners and their take holders are discussed.

Key words: Small business, owner entrepreneurial, entrepreneur profile, Guanajuato.

INTRODUCTION

Small and Medium Enterprises (SMEs) play a significant role in income generation, contribute to employment, and poverty reduction. In Mexico SMEs include 99% of the business, contribute 52% of the Gross National Product (GDP), and generate 72% of the formal labor force [1]. Around 60% of the successful entrepreneurs own and manage family businesses [2]. The best way to reduce poverty and create employment opportunities is to promote economic growing through increased SMEs [3]. However, in Mexico the rate the business success is 25 to 30 percent, which is lower than the global average of around 40 percent [4].

The success of a small business is based on managerial decision making [5]. However, in Mexico, when making decisions to start a new venture, 29 percent of entrepreneurs do not estimate the investment required to execute the startup. Thus, the business startup is piecemeal, based on reactionary decisions and intuition [6]. Cronje et al. [7] found that a principal cause of failure in small business is a poor management. In the absence of a formal business strategy, the business is managed based on the owner's personal characteristics and beliefs - Entrepreneurial Orientation (EO) [8].

Banda et al. [9] and Robles et al. [10] found that the profile of the entrepreneur is a factor in the success of the greenhouse owner/managers in the state of Guanajuato, Mexico and stated the need for further research to better understand the profile of successful entrepreneurs. Therefore, understanding the characteristics of the profile of business owners is an important area of research for those who want to start a new business, those who advise and assist them, lenders and investors, and for government policies to support startups [11]. The objective of this exploratory study was to describe the characteristics to the

entrepreneurial profile of small business owners in Guanajuato State, Mexico.

LITERATURE REVIEW

Small business owners need to have an entrepreneurial mindset to succeed in the marketplace [12]. In Mexico, the younger generation has an entrepreneurial mindset at the age of 20 to 25 years old; as compared to the average age of 40 years of American entrepreneurs [4]. Although having an entrepreneurial mindset and orientation (EO), most Mexican entrepreneurs start with limited knowledge about how to start and operate a new business venture. Their previous business management experience is almost nonexistent [1] as only 2 of 10 entrepreneurs have had previous experience [25]. Some 48 percent of entrepreneurs have a bachelor degree, but usually not in business [13], and when applying for financing resources they do not work with any type of business consultant for help. Although there is access to a college education in Mexico, and some business programs, there is limited entrepreneurial training [4].

Islam et al. [14] and García et al. [5] found that owners personally participating in the operations of the firm has a positive effect on the success of the business. Therefore, the willingness to stay in the business and to be capable of defining the market clearly, also positively influences the success of the business [14], [17]. Also, Alvarez et al. [16], the results shown that entrepreneurs' characteristics influence entrepreneurial behavior significantly and positively: previous experience of the founder, age, and education.

Van Praag [15] studied the success characteristics or survival of small business. The results indicated that the level of business risk varies with age, industry experience, experience in the labor market in general, years of experience in one's line of work, motivation and enthusiasm

influence success in a significant way. Moreno et al. (2010), found variables related to founder characteristics, as age, experience, education and vocation, and this provide a full explanation of firm size. Ivancevich et al.[17]indicated that the motivations of the entrepreneur include: independence, personal and professional growth, a superior alternative to the typical job position, to obtain higher income, and finally for security reasons, which are contributing factors to business success.

Research supports the findings that a successful small business profile includes the following characteristics: age[16], [14],[20], [19], the level of education [14], [15], [16], [18], [19], [20]enjoyment [20], [15], experience in management and time directing the organization [18][14][19], as they are correlated with the success of the business.

METHOD

The research methodology was survey research. The questionnaire included four of 15 variables used in the Lussier (1995) Business Success versus Failure Prediction Model that was previously validated[21]. The four variables are: industry experience, management experience, education, and age. The survey instrument was translated into Spanish by a professional and the questionnaire was piloted tested for accuracy in translation. See Table 1 for an explanation of the four variables analyzed in this study.

Table 1. Entrepreneurial Profile Variables

<p>Industry experience (inex): Businesses managed by people without prior industry experience have a greater chance of failure than firms that are managed by people with prior management experience.</p> <p>Management Experience (maex). Businesses managed by people without prior management experience have a greater chance of failure than firms that are managed by people with prior management experience.</p> <p>Education (educ). People without any college education who start a business have a greater chance of failing than people with one or more years of college education.</p> <p>Age (age). Younger people who start a business have a greater chance to fail than older people starting a business.</p>

Sampling and Data Collection

A random sample of small businesses were selected within 27 municipalities including Leon, Celaya, Irapuato, San Francisco del Rincon and others in 23 municipalities in the Guanajuato State, Mexico. A total of 303 businesses from a variety of industries completed the questionnaire, with a response rate of 66 percent. For data collection, survey research was used. The questionnaire was answered by phone and personal interviews were conducted with the managers or owners of small businesses.

Statistical Analysis

SPSS software was used for data analysis. Descriptive statistics were run for each of the four entrepreneurial profile variables of the owners of the 303 small businesses in the sample.

RESULTS AND DISCUSSION

See Table 2 for the results of the sample profile. Descriptive statistics for the sample means and standard deviations includes: Age (m=34.31 / s.d. = 8.05); Years of industry experience of owners (m= 8.86 / s.d. = 9.76); Years of management experience of the owners (m= 6.23 / s.d.= 7.34). The educational level of the manager or the owners are 47.20 percent hold bachelor degrees, 26.4 percent have a high school diploma; see Table 2 for the other levels of education.

Table 2. Descriptive Statistics Profile (N = 303)

Variable	Mean	Std. Deviation
Age of owner	34.31	8.05
Years of industry experience of owner	8.86	9.76
Years of management experience of the owner	6.23	7.34
Education	Frequency	Percentage
Grade school	51	16.8%
High school	80	26.4%
Bachelor degree	143	47.2%
Master degree	24	7.9%
PhD	5	1.7%

The importance of small business success contributing to economic growth is well documented in the literature. Thus, understanding business success is a critical issue in Mexico, and globally. Additionally, research supports the importance of the entrepreneurial profile contribution to the success to small business. According to the Mexican government, with the importance of small business, there is a need for better education of entrepreneurs [24].

This study has implications for researchers; educators; entrepreneurial startups and those that advise and assist them; those who provide capital for their ventures; their suppliers; and government policy makers. These stakeholders can encourage would be entrepreneurs to get some industry and management experience, and provide business training/education before starting a new venture. While gaining such experience, they will improve the odds of starting and operating a small business as they age. These stakeholders can also use these profile variables to help them assess the odds of the success of the small business. If stakeholders use these variables to assess a firm’s potential for success, society can benefit in direct and indirect ways via the maximization in the allocation of limited resources

(entrepreneurial capital, investments and loans, government aid, and so forth) toward higher potential businesses.

Like all research, this study has limitations and there is a need for further research. Although the entrepreneurial profile variables can help lead to the success of a new and ongoing small business, the measures are subjective. A stakeholder can't say you need to be 34 years old, with 9 years of industry experience and 6 years of management experience, and have a college degree to be a successful entrepreneur. More research is needed to better understand objective measures of the successful entrepreneurial profile.

As stated, this is an exploratory study using descriptive statistical analysis providing limited understanding of four of the entrepreneurial profile variables. The profile variables can be expanded in future studies, such as the owner/manager's enjoyment of running the business [17][22]. Further research using inferential statistics is needed to better understand the relationships among the entrepreneurial profile variables of age, industry experience, management experience, and education with other dependent and independent variables, such as gender and the industry of the small business.

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