ENTREPRENEURSHIP IN A DEVELOPMENTAL CONTEXT,
THE CASE OF ECUADOR

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ABSTRACT

Entrepreneurship has been recognized as a source of economic growth and competitiveness in developmental regions like Latina America. However, research that incorporates the individual level of analysis in the field is needed to enable the creation of a complete agenda of entrepreneurship in the region.

The study starts by defining a theoretical framework for understanding the recent evolution of the concept of Entrepreneurship and the distinctive factors influencing the appearance of entrepreneurial traits founded in the literature; then, it delimitates the context of the current research and trends in Latin America and Ecuador.

The primary research explores the individual traits and experiences of Urban and Rural Ecuadorian entrepreneurs, in three different socio economic segments. The author interviews distinctive entrepreneurs of each segment and contrasts their criteria with the theory, to provide a summary of common characteristics of Ecuadorian entrepreneurs and punctuate relevant differences between entrepreneurial traits developed by each segment.
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DECLARATION

The author declares that no portion of the work referred to in the dissertation has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning’.
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CHAPTER 1. INTRODUCTION

1.1. Entrepreneurship, a source of development in Latin America.

Entrepreneurship is a young discipline still looking for a unique theoretical domain in which develop their contents (Gedeon, 2010), in it’s nearly 200 years of existence, it has been a broad understanding about this phenomenon, characterized by the appearance of variety of concepts and efforts to desegregate their elements in further categories (idem). The general focus of the theory has been oriented towards developing entrepreneurship initiatives rather than explaining it (Balakrishnan, Gopakumar, & Kanungo, 1998). Along with this efforts and trend, there has been claimed that Entrepreneurship is considered to be a key to achieve social development, poverty reduction and wealth distribution in developmental and transitional countries (Thomas & Mueller, 2000)(Johnson & Loveman, 1995). And it’s said that it can be encouraged by certain cultural (Weiss, 1998) and socio economical conditions that favour it’s development in certain segments of the population (middle class), as the potential economic engine of a country (Kantis, Federico, & Trajtenberg, 2012).

The evolution of the concept of entrepreneurship has distinguished between individual traits and demographic motives for entrepreneurial behaviour (Balakrishnan, Gopakumar, & Kanungo, 1998). Therefore entrepreneurship can be tackled from a trait perspective, in which we acknowledge that it includes a unique set of attributes and behaviours susceptible to be developed in the individual (Kanungo, 1998). Hence, Social and Behavioural Sciences are called to increase the understanding of this competence (Casson, 1982) and help to provide answers to questions like: How to develop it?, What motivates to chose this path?, Who succeed and who doesn’t?, etc. and along with it, contribute to the socio economical development of a nation or region (Amoros, Fernandez & Tapia 2012).

Being interested since young in the social and psychological sciences, wore the shoes of an entrepreneur since several years ago and performing as human resources practitioner in the private sector of Latin America, has motivated the author to produce a piece of practical and theoretical knowledge, to be used by colleagues and researchers to succeed in their entrepreneurial projects and contribute to the understanding of the phenomenon respectively.
Several efforts have been made to show how it is that entrepreneurship can affect positively the economic growth in developmental countries (Kantis, Federico, & Trajtenberg, 2012); it is claimed that there is a positive relation between level of entrepreneurship and degree of development or competitiveness in developmental regions like Latina America (Amoros, Fernandez & Tapia 2012). However research that incorporates the individual level of analysis in the field of entrepreneurship is needed to enable the creation of a complete agenda for entrepreneurship in Latin America (Kiss, Daniss & Cavusgil, 2012).

A recent study in Ecuador by Ordeñana X (2012) concluded that increased entrepreneurial activity within a single family, increases the income mobility and “not only positively affects income generation on average, but also makes it easier to generate such an increase” (Idem, pp.24). Therefore, increased research and policy efforts of developing entrepreneurial capital can be decisive in achieving economic development (Audretsch & Kelbach, 2004).

Despite the fact that within Latin America there are different economies and state of development, there are some general socio economic conditions common to the region favouring entrepreneurship (Amoros, Fernandez & Tapia 2012), such as: increased macroeconomic stability (idem), a growing middle class on the last decade (Kantis, Federico, & Trajtenberg, 2012), a sustained growing GDP per capita in the last 10 years, decreasing unemployment rates and sustainable efforts of poverty reduction (CEPALSTAT, 2010). However, there are still other social and economic challenges proper to the developmental world, that shapes the extent of which entrepreneurship is appearing in the region, such as: accessibility to resources, population demographics, access to education, values, etc. (Global Entrepreneurship Monitor (GEM), 2012). Most important, it seems that current efforts of educating and developing entrepreneurs in Latin America are still bare, as the amount of self-employed population in the region is higher (40%) in less educated population, while in highly educated citizens (more than 12 years of education) decreases to a 12% (CEPALSTAT, 2010). Still today’s larger portion of entrepreneurs of the region is more obligated by economic and social circumstances than motivated by development and education.

The perspective of this study departs from the assumption that traits and personal approaches are today’s keys to understand Entrepreneurial behaviour and delimitate its appearance in society (Balakrishnan, Gopakumar, & Kanungo, 1998). there are specific competences
strongly related with the individual structure of an entrepreneur, which are acquired or developed by the subjects in different stages and circumstances during the lifetime and will be definitive in allowing success in the business initiative undertaken (Gartner, Terrence, & Vesper, 1989). For instance: An individual with greater development of need for achievement, during early stages of socialization, would strongly contribute to the economic growth of the society, furthermore, “achievement motivation could be inculcated through training in self-reliance, rewarding hard work and persistence in goal achievement, and creating interest in excellence (Balakrishnan, Gopakumar, & Kanungo, 1998, p. 24). Therefore, in the extent of which we could identify, asses and improve these entrepreneurial capabilities, we will be able to achieve better entrepreneurs and social development (Leibenstein, 1968).

This dissertation will examine entrepreneurs performing on a developmental environment, focusing most in the individual (entrepreneur) actor over the act of entrepreneurship. For doing it, we have chosen to perform this study in the socioeconomic context of Ecuador in Latin America. If we acknowledge influence of contextual and individual aspects to shape and encourage entrepreneurial activity (Brockhaus, 1982), it’s matter of this effort to explore: the socio economic context influencing the appearance of Ecuadorian entrepreneurs, specific traits and competences important for entrepreneurial success, and conclude with recommendations for the development of this phenomenon in the country.

The study divides the population of Ecuador in five segments according to, first: where the entrepreneurs are established in rural and urban areas, and second: the population’s socio economical status. Hence five segments of population are established: Rural Low Income, Rural High income, Urban Low, Middle and High income (See fig 1). This division will aim to explore changes and similarities of the entrepreneurial activity in each segment, and most important, identify if being in a specific segment with specific socio economical considerations, has influenced the appearance of personal competences associated with entrepreneurial success in the macro context of Ecuador.

This is an exploratory research, a semi structured interview will be conducted to a sample of Ecuadorian entrepreneurs of the five segments mentioned before, to retrieve relevant qualitative data regarding: developmental context (conditions that entrepreneurs have faced since the beginning of their entrepreneurship), macro/environmental conditions that may have
influenced in the willing to become an entrepreneur and individual impressions about entrepreneurship in their socio economical segment. Two main questions will be answered at the end of the study: 1. Are there differences between entrepreneurs coming from different socio economic backgrounds of Ecuador?, and 2. What are the main individual traits shared by Ecuadorian successful entrepreneurs?

Therefore, Chapter 2 provides a summary of theoretical information showing the evolution of the concept of entrepreneurship; it describes the current main criticisms and explores some of the most relevant theoretical approaches to explain the concept. Two major dimensions for understanding entrepreneurship and entrepreneurial behaviour: (Individual and Socio Economic) will be explained as the basic framework that will shape this study. (See fig 1).

FIG 1. Structure of the Study.

Chapter 3 shows quantitative data about the socio economic context of Latin America and particularly Ecuador. This chapter will increase the understanding of the developmental context in which entrepreneurs are performing and focus in the influence of this specific environment in the development of entrepreneurial characteristics in the population. Also qualitative data collected from similar studies will be presented, to situate this dissertation in the current trend of research of entrepreneurship in Ecuador.
The methodology of the whole study is described in Chapter 4, which includes: the process and sources used to divide the population of Ecuador in 5 socio economical segments, the implications and justification of the chosen research methods used for retrieving data (semi structured interview) and the steps of the primary research activities performed by the author. The findings of will be presented and contrasted with the contents of literature review on chapter 5, and conclusions answering to the main questions on Chapter 6.
CHAPTER 2. LITERATURE REVIEW: CONCEPTS

2.1. The evolution of the concept of Entrepreneurship.

“Entrepreneurship is a dynamic process of vision, change and creation. It requires an application of energy and passion toward the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks-in terms of time, equity, or career, the ability to formulate an effective venture team; the creative skill to marshal needed resources; the fundamental skill of building a solid business plan; and finally, the vision to recognize opportunity where others see chaos, contradiction, and confusion”.

This recent definition of entrepreneurship provided by Kuratko & Hodgetts (2007, p. 33) provides a conceptual framework for understanding Entrepreneurship phenomenon and shows the degree of complexity reached until nowadays. Each element of the concept has been added throughout the evolution of the concept showing an important trend on the research of the field. Therefore, this chapter presents the history, evolution and most relevant concepts regarding entrepreneurship founded in literature.

There seems to be an agreement that the origins of what we call entrepreneurship are related to Economy theories, linked to the idea of capital ownership (Lowe & Marriott, 2006) (Herbert & Link, 2009) (Balakrishnan, Gopakumar, & Kanungo, 1998). During the second half of the 18th century, a famous school of economic thought called “Physiocrats”, were pioneers to recognize entrepreneurs as an important agent in economy, different from landowners and workers, and related entrepreneurs with the ability to manage resources and bear the risks of enterprise (Say, 1915). An entrepreneur was more a person able to identify opportunities of commerce, specially trading opportunities of agricultural products and goods. The market had limited knowledge about products, so they were able to reach a favourable position in which they knew more about a product and took advantage of it. (Lowe & Marriott, 2006) (Dana, Etemad & Wright, R. 1999). At the same time, theorists stated that entrepreneur’s income is a consequence of superior bargaining power, and this power came from a superior view or understanding of the factors associated with the business. Several other theories on politics and economics were developed, against and favour of this assumption of entrepreneurs having more power than those from who they buy or sell to (Lowe & Marriott, 2006).
Is not until the early 1900s that the idea of entrepreneur as an agent of disequilibrium of economy, linked with innovation started to appear with the work of Schumpeter (1949).

Indeed, Schumpeter was among the first to lay out a clear concept of entrepreneurship. He distinguished inventions from the entrepreneur’s innovations. Schumpeter pointed out that entrepreneurs innovate not just by figuring out how to use inventions, but also by introducing new means of production, new products, and new forms of organization. These innovations, he argued, take just as much skill and daring as does the process of invention (Library of Economics and Liberty, 2008).

It is useful to highlight two concepts that Schumpeter added to the understanding of the entrepreneurial activity: The first one, related with the capability or skill – as he called it wisely- to innovate in products and services, and second, the idea of “daring” as a behaviour not necessarily present in all the people, as said by him, “entrepreneurs who are successful innovators are a rare and talented breed” (Lowe & Marriott, 2006, p. 6).

Much of the early understanding of the behaviour and traits of entrepreneurs can be extracted from Schumpeter and Say’s work on the early economics, especially when aspects relative to behaviour and human traits are introduced in the concept.

The concept became more complex with the introduction of the Risk Taking factor associated with economics and business, developed by J.B. Say in the late 1800s. He acknowledged the difference between earning a wage or interest when performing a transaction (return of capital) and the profit as a reward for risk taking (Knight, 1921). The “new profit” concept was further developed by the German theorists, whom distinguished two key elements:

“(1) Payment for certain risks especially changes in values and the chance of failure of the whole enterprise, which can not be insured against, and (2) the extra productivity of the manager’s labour due to the fact that he is working for himself, his sleepless nights when he is planning business” (Knight, 1921, p. 26).

At the beginning of the 20th century, F.B. Hawley proposed that it is in the risk taking where lays the “essential function of the entrepreneur” (Knight, 1921. P.41), and therefore, it justifies the income earned. In other words: income comes and is justified in the extent that it
rewards the willing to enterprise. If an entrepreneur could perform in an idealistic - predictable/low risk- market, profits could be called wage for management and coordination, however, under this circumstances we would not be talking about an entrepreneur any more (Knight, 1921). “To the extent to which the business man insures, he restricts the exercise of his peculiar function, but the risk is merely transferred to the insurer, who by accepting it becomes himself an enterpriser and the recipient of an unpredicted residue of profit” (Idem. p.43).

At this stage, four major insights have been identified. They show the complexity of the entrepreneurial role and uncover specific behaviours and personal characteristics to be developed throughout the present study: (1) The idea of an enterprise starts from a unique decision assumed by the entrepreneur, by which wishes to disrupt the equilibrium of market economy; (2) by choosing this path acquires a “risky” position compared with other competitors or colleagues, as recognizes the possibility of success or failure. (3) Success have to be rewarded in the extent of which the risk taken has been well faced, managed, and also, in the extent of the amount of innovative behaviour or opportunity achieved by the entrepreneur. Hence (4) profit constitutes the reward gained for successful entrepreneurial process, as financial damage and detriment correspond to failure.

“Enterprising behaviour inevitably includes taking risks, and where there is risk there can also be failure. Not many people write about failure, but maybe they should. Enterprising people often see failure as an opportunity to learn – it tells them something that helps them do things differently next time” (Lowe & Marriott, 2006, p. 4).

According to our literature review, after Schumpeter, it seems that Entrepreneurship hasn’t had transcendental conceptual evolution (See Table 1.). Is part of today’s challenge and criticisms faced by scholars of entrepreneurship, to be able to theoretically reach an understanding and single definition of the concept of Entrepreneurship, that can differ evidently from management theories and give the field it’s definitive position within the literature (Meyer, Neck, & Meeks, 2002)
TABLE 1. Evolution of the concept of Entrepreneurship

<table>
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<th>AUTHOR</th>
<th>DEFINITION</th>
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<td>Schumpeter (1934)</td>
<td>Entrepreneurship is seen as new combinations including the doing of new things or the doing of things that are already been done in a new way. New combinations include (1) introduction of new good, (2) new method of production, (3) opening of a new market, (4) new source of supply.</td>
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<td>Kizner (1973)</td>
<td>Is the ability to perceive new opportunities, this recognition and seizing of the opportunity will tend to “correct” the market and bring it back towards equilibrium.</td>
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<td>Drucker (1985)</td>
<td>Is an act of innovation that involves endowing existing resources with a new wealth-producing capacity.</td>
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<tr>
<td>Stevenson, Roberts &amp; Grousbeck (1985)</td>
<td>Is the pursuit of an opportunity without concern for current resources of capabilities.</td>
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<tr>
<td>Rumelt (1987)</td>
<td>Is the creation of new business, new business meaning that they do not exactly duplicate existing business but have some element of novelty.</td>
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<tr>
<td>Gartner (1988)</td>
<td>Is the creation of organizations, the process by which new organizations come into existence.</td>
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<tr>
<td>Timmons (1997)</td>
<td>Is a way of thinking, reasoning and acting that is opportunity obsessed, holistic in approach and leadership balanced.</td>
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<tr>
<td>Venkataraman (1997)</td>
<td>Seeks to understand how opportunities to bring into existence future goods and services are discovered, created and exploited, by whom, and with what consequences.</td>
</tr>
<tr>
<td>Morris (1998)</td>
<td>Is the process through which individuals and teams create value by bringing together unique packages of resource inputs to exploit opportunities in the environment. It an occur in any organizational context and results in a variety of possible outcomes, including new ventures, products, services, processes, markets and technologies.</td>
</tr>
<tr>
<td>Sharma &amp; Chrisman (1999)</td>
<td>Entrepreneurship encompasses acts of organizational creation, renewal or innovation that occur within or outside an existing organization.</td>
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Adapted from: Selected Definitions of Entrepreneurship (Meyer, Neck, & Meeks, 2002).
However, there have been some significant contributions coming from scholars of entrepreneurship, in the attempt to define a unique domain for the discipline, for example: Morris (1998) created a wide systemic process model to explain the domains of entrepreneurship. He stated that there are *inputs* for entrepreneurship such as: opportunities, individuals, organizational context, unique business concepts and resources, while *outputs* or consequences of the process can be: a going venture, value creation, new products or services, processes, technologies, profits and personal benefits. Shane & Venkataraman (2000) proposed a new framework for understanding of entrepreneurship, by adding a cognitive notion owned by the entrepreneur, which allows to identify, evaluate, exploit opportunities and be aware of the socio economic value of entrepreneurship to benefit the society.

Over the last decade the literature and research in entrepreneurship has increased, as the field gained more empirical and research studies, specially focusing on individual traits, contextual influences and the interdisciplinary aspects involved in the process of entrepreneurship. However, it has also showed the wide spread of elements involved in the field, and the need of cohesion of this complexity, in order to give the field a better understanding. At the next section there will be presented some of the main frameworks to understand entrepreneurial initiative and development.

2.2. The Dimensions of Entrepreneurship.

Although we have seen several approaches explaining Entrepreneurship appearance and behaviour in the literature, this section explains the chosen framework that supports the arguments of the study.

The Macro and Micro Views summarized by Kuratko & Hodgetts (2007), (See fig 2) can help to classify entrepreneurship appearance in two dimensions. Each one includes the main motives encouraging the development of entrepreneurship, which can be distinguished as main schools of thought in the field. Both dimensions provide the framework necessary to explore particularities of motives within Ecuadorian entrepreneurs, matter of this study.
Fig. 1. Adapted from the Entrepreneurial School of Thought Approach (Kuratko & Hodgetts, 2007, p. 37)

The Macro View presents factors influencing appearance, success or failure of entrepreneurship behaviour, which are external and sometimes beyond the control of the individual entrepreneur, “for they exhibit a strong external locus of control point of view” (Idem, p.38):

The environmental factor: It relates with the external factors affecting the lifestyle of a possible future entrepreneur, in which he cannot interfere or somehow is immersed. Distinguish from positive or negative forces influencing the developing and shaping of entrepreneurial desires (Idem.). Institutions, culture, socio political environment and social groups in which potential entrepreneurs are immerse, can be decisive in shaping traits and competences associated with entrepreneurship and encourage it appearance (Kantis, Federico, & Trajtenberg, 2012) (Rodica, Cazan, & Tomulesco, 2012) (Gartner, Terrence, & Vesper, 1989) (Dubini, 1988). For example: In Manchester University, there is an Entrepreneurship society which has been created to provide guidance, funding opportunities and further support to entrepreneurial achievement (Manchester Entrepreneurs, 2014). An individual exposed to socialize and network with people of this society, will be pushed to think about entrepreneurship. This institution was not developed by the potential entrepreneur, but contributes to highlight the entrepreneurial activity and motivate possible individuals interested.
This particular factor will be extensively cited across this dissertation, as it relates with the conditions surrounding entrepreneurs performing on diverse socio economic sectors of Ecuador.

*The financial capital school of thought:* It is centred on the idea of venture capital, arguing that in the extent of which an entrepreneur finds seed and growth capital, there will be most chances of success and grow (Dubini, 1988). Decisions related with capital management are present during the whole process of entrepreneurship, for example: Some idea of innovation or new product could not be developed ahead if there is not start-up capital, and if so, the process of increase or reduce size of the emerging enterprise will be dependant of the amount of capital available to proceed. In the end an enterprise with no capital will no longer survive, and furthermore, if the new venture does not produce enough profit, decisions of retirement, closure or dissolve operations must to be applied.

This study will explore entrepreneurs of different economic status of Ecuador, with different access to capital, to find if this circumstance affects the motives and traits of Ecuadorian entrepreneurs.

*The displacement School of Thought:* Feeling out of place could become a motivator for an individual to leave an specific organizations and start working by himself: Political regimes rejecting free enterprise or regulating industrial development, cultural rejection of groups from professional fields according to gender, age, region, ethnical background, etc., and economic displacement (Verheul et al., 2002) or marginalization (Veciana, 1999) (Mitchell, 2005) that emerges from a crisis or economic depression, “forcing” people to escape to something new (Gartner, Terrence, & Vesper, 1989) are included in this meaningful factor.

On a developmental culture as Ecuador, it is important to review if the motives for choosing entrepreneurial path comes from displacement of any type, and if so, explore in which extent does the chosen path has been better that the displaced in first place.

Macro conditions affecting the appearance of entrepreneurship, lead us to ask questions regarding the influence of socio economical and environmental conditions within the developmental context of Ecuador. Are there institutions promoting entrepreneurs? and if so, how influential are the institutions and social environment in the appearance of actual
entrepreneurs? What are the differences showed in reality between different entrepreneurs coming from different socio economic groups of Ecuador? Does all have different or similar paths for becoming an entrepreneur?, etc.

On the other hand, The Micro View of entrepreneurship (Kuratko & Hodgetts, 2007), includes the factors of internal locus of control related to the appearance of entrepreneurial activity. It constitutes an essential piece of theoretical framework for this study; as the major focus of exploration will be the individual entrepreneur. The three main schools involved in the Micro Level Dimension, in order of importance towards this dissertation are:

*The entrepreneurial trait school of thought:* For this school of thought, “the term entrepreneur implies a configuration of psychological traits, attributes, attitudes, and values of an individual motivated to initiate a business venture” (Thomas & Mueller, 2000, p. 288). It is based on the ground of studies of similar traits identified between different successful entrepreneurs; it believes that successful people shares individual conditions which are strongly related with the outcomes of their entrepreneurship (Kuratko & Hodgetts, 2007) (Hwee Nga & Shamuganathan, 2010).

Several authors have attempted to establish a set of characteristics associated with entrepreneurship on the early 90’s (Gartner W. B., 1989) (Stevenson & Gumpert, 1985), as cited by (Kuratko & Hodgetts, 2007). Within these theorists, Kao (1991) established a 11 remarkable characteristics of the successful entrepreneurs.

1. Total commitment (Determination and Perseverance)
2. Drive to achieve and grow
3. Opportunity and Goal Orientation
4. Taking initiative and personal responsibility
5. Persistent ( problem solving)
6. Realism and a sense of Humour
7. Seeking and using Feedback
8. Internal Locus of control
9. Calculated risk taking and risk seeking
10. Low need for status and power
11. Integrity and Reliability.

He argued that the eleven characteristics mentioned above, constitute a distinctive mark of competences that belong to an specific environment and time, in which are fully accepted as
desirable for entrepreneurship. Therefore, the present study is based on the assumption saying that: *the process of development of people in a specific environment will shape distinctive competences or traits associated with the ability to become an entrepreneur* (Boyd & Vozikis, 1994) (Ardichvili, Cardozo & Ray, 2003) (Nicolau & Shane 2010). This influence will affect by selecting individuals who, for example: can be able to achieve (McClelland, 1965) look for opportunities or take risks in this particular environment. Therefore, when talking about traits of entrepreneurship at this dissertation, it refers to individual relatively enduring patterns of behaviours, thoughts, feelings and actions (Mc. Crae & John, 1992, as cited by Mc. Crae & Costa, 2008) which enables a person to become an entrepreneur.

The huge amount of literature concerning to traits associated with entrepreneurship has started to narrow and concentrating on three main aspects: **personality traits associated with entrepreneurship, distinctive cognitive structure of the entrepreneur to understand the unique set of mind that enables the entrepreneur to understand the market environment and look for opportunities, and formal entrepreneurial education** (Blundel & Locket, 2011). All of these individual Micro level influencers shape the motives for choosing and succeeding in entrepreneurship. The present study aims to identify the ingredients of a successful entrepreneur of Ecuador. After all, sometimes “**investors are often as interested in the people as they are in the venture**” (Blundel & Locket, 2011, p. 299).

In despite that many criticisms regarding the complexity of establishing a unique set of characteristics associated with entrepreneurship, the subject of investigating the behavioural aspect of an entrepreneur is still very interesting and challenging (Rodica, Cazan, & Tomulesco, 2012). Blundel & Locket (2011) provides a detailed work on the latest taxonomy of characteristics of entrepreneurs, grouping together the majority of elements founded on the literature concerning actual entrepreneurs (See. Table 2).

In the present study we are proposing 5 socio economical sectors in which entrepreneurs are interacting in Ecuador, definitely we expect to see how the environment change and shape some of their characteristics and traits. We also aim to identify common characteristics and relate them with the theoretical models explained above.
**TABLE 2: Entrepreneurial Characteristics at the Individual Level.**

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Description</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need for achievement</td>
<td>One of the best known personality characteristics, suggest internal motivation to engage in entrepreneurial activity. Somehow individual with this characteristic look to satisfy an internal need of making a difference of having a direct impact of some kind.</td>
<td>McClelland (1961). Miner et al. (1994)</td>
</tr>
<tr>
<td>Over Optimism</td>
<td>Refers to the capacity of “looking at the bright side of the picture” or think about the future in a positive way. It refers to the individual perceptions, provides energy to keep trying.</td>
<td>Cooper et al (1988) Himieleski and baron (2009)</td>
</tr>
<tr>
<td>Risk-taking Propensity</td>
<td>In common agreed that entrepreneurs are big “risk takers” as they face very uncertainty situations, however the degree in which this characteristic is showed depends of many factors such as: educational level, prior experience, cognitive biases and current situation.</td>
<td>Knight (1921), Kirzner (1979), Brockhaus (1980)</td>
</tr>
<tr>
<td>Desire for Autonomy</td>
<td>There is some evidence that entrepreneurs value their autonomy and are resistant to external forms of control in comparison with other occupational groups.</td>
<td>Cairns (1991), Cromie (2000)</td>
</tr>
<tr>
<td>Locus of Control</td>
<td>A personal perception of whether achieving outcomes and goals are under their own control or subject to external factors. Answer to the question: Do you make things happened? Or Does things happened to you?</td>
<td>Rotter (1996) Sexton and Browman-Upton (1985), Furnham and Steele (1993)</td>
</tr>
<tr>
<td>Creativity</td>
<td>Successful entrepreneurs are often seen as having creative approach to problem solving “thinking outside the box” There is evidence suggesting the people can learn to be creative</td>
<td>Whiting (1988), Amabile (1977) and Ward (2004)</td>
</tr>
</tbody>
</table>

Adapted from: *Entrepreneurial Characteristics, Blundel & Locket (2011). p.45*

*The Venture Opportunity School of Thought:* It is more related with the development of an “idea” as an opportunity of new venture and the subsequent process of implementation, in this case creativity, innovation, and market awareness are essential. In the extent that an
entrepreneur can find the right idea and implemented at the right time, success can be achieved.

Scholars of this theory vote for increasing market knowledge and preparation for becoming a better entrepreneur, “luck” appears when opportunity and preparation collide. They strongly believe that successful entrepreneurs can be achieved through formal education programs in opposite to the last school described above (Kuratko & Hodgetts, 2007). However a recent study has showed that people looking for entrepreneurial formation in universities have also similar common traits or characteristics compared with people of the same demographic conditions which have chosen different paths (Rodica, Cazan, & Tomulesco, 2012).

The Strategic Formulation School of Thought: In this school authors emphasise in the importance of executing a successful planning before initiating a business initiative, somehow they try to low as much as possible the risk exposition of the initiative and cover all the possible scenarios which the new entrepreneurship can face. Similar to the management theory, they stress the ability of the entrepreneur in performing strategic formulation of plans to take advantages of the circumstances surrounding (Kuratko & Hodgetts, 2007).

Finally, it is important to dedicate effort to show the contributions of the Cognitive sciences to the understanding of entrepreneurship. They emerged to “help explain the mental processes that occur within individuals as they interact with others and the environment around them” (Mitchel el al 200)2 as cited by (Blundel & Locket, 2011, p. 303). They are filling into the gaps of Macro and Micro views, as focus on understand the entrepreneurial behaviour and the development of entrepreneurial characteristics. The research on entrepreneurial cognition is concerned on answering the following questions and topics between others: Differences In cognition: What does entrepreneurs think differently from others?, Opportunity Perception: How does the mental processes of entrepreneurs let them be more alert of opportunities and capable of exploiting them?. Cognitive Biases: What kind of interpretations or misinterpretations of reality are associated with entrepreneurial decision-making?. Creativity: How does an entrepreneur think to generate and develop new ideas?. And how can we promote more original and creative thinking?. Perceived Self-Efficacy: How does a person belief as capable of set a new venture can affect their performance as entrepreneurs?. and Developmental Cognition: How does entrepreneurs learn which mechanisms formal or informal are involved? (Blundel & Locket, 2011).
It’s useful to close this chapter talking about cognition as we have found in this process the linkage between Environment (family, society economical conditions, needs, etc.) and individual characteristics. The better cognitive understanding of the entrepreneur will generate successful methods of development of prospective entrepreneurs in the society. This dissertation pursues an ulterior objective of bringing to light recommendations for entrepreneurial development, based on the exploration of cognitive insights of Ecuadorian Entrepreneurs.

On the next chapter, we examine published qualitative data and indicators related to entrepreneurship in the region and review the latest research initiatives regarding characteristics of entrepreneurs on the region. These contents will enable to delimitate the contribution of the present dissertation to the overall trend in research of entrepreneurship characteristics in Ecuador and the Region.
CHAPTER 3. LITERATURE REVIEW: CONTEXTS.

3.1. Entrepreneurship in the development context of Latin America

“In less developed countries, entrepreneurial activity is often encouraged as an avenue to stimulating economic growth... New ventures also tend to be more labour intensive thereby creating job opportunities. In addition, new ventures offer the promise of empowering marginalized segments of the population. Consequently, national incentive and education programs designed to stimulate new venture development have been instituted by the governments of a large number of Asian and Latin American countries as well as the transition economies of Central and Eastern Europe” (Thomas & Mueller, 2000, p. 288)

One of the main challenges faced by Latin America is reducing the “extreme levels of inequality showed in many places of the region” (Castellani & Lora, 2013, p. 2) due to lack of social mobility. Entrepreneurship seems to be the answer to start improving this condition, as it often represents a source of economic and social transcendence for minorities, low skilled workers and displaced individuals (Thomas & Mueller, 2000)(Johnson & Loveman, 1995). However, for entrepreneurship ventures to appear, the region has to overcome some Macro and Micro conditions like: credit barriers imposed to lower income individuals, lack of non-refundable capital for start-ups, cultural perception of self-employment and formal education too orientated to fill up the vacancies of the labour market (Castellani & Lora, 2013)

Ardagna and Lusardi (2008) as cited by (Castellani & Lora, 2013, p. 5) “explored the role of individual characteristics as potential explanations of international differences in entrepreneurship”. They distinguished between entrepreneurs driven by an interest to pursue a business opportunity (“opportunity entrepreneurs”) and “remedial” or “necessity entrepreneurs,” whose businesses are merely a means of basic sustenance. They find that opportunity entrepreneurs are slightly younger and are more likely to be male, to have higher education levels, and to have higher incomes. These results hold across country groups divided by income and geographic areas.

This dissertation explores both types of Ecuadorian entrepreneurs from an individual perspective, focusing only on active entrepreneurs “per se”, different from what we will call self-employed, such as: medical doctors or technicians, etc. Table.3. shows the variation of percentage of entrepreneurs in Latin America according to each country, towards the quantity
of self-employed and employed population; “between 3.5 and 9.9% of the Latin American working population are entrepreneurs, depending on the country” (Idem p. 6)

TABLE. 3. Percentage of Entrepreneurs vs. Self-employed and Formally Employees in Latin America.

<table>
<thead>
<tr>
<th>Country</th>
<th>Entrepreneur</th>
<th>Self Employed</th>
<th>Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>6.3</td>
<td>20.6</td>
<td>73.1</td>
</tr>
<tr>
<td>Bolivia</td>
<td>5.3</td>
<td>38.5</td>
<td>56.2</td>
</tr>
<tr>
<td>Brazil</td>
<td>6.3</td>
<td>22.1</td>
<td>70.8</td>
</tr>
<tr>
<td>Colombia</td>
<td>3.5</td>
<td>44.4</td>
<td>52.2</td>
</tr>
<tr>
<td>Ecuador</td>
<td>7.1</td>
<td>45.8</td>
<td>47.1</td>
</tr>
<tr>
<td>El Salvador</td>
<td>9.6</td>
<td>33.9</td>
<td>59.2</td>
</tr>
<tr>
<td>Mexico</td>
<td>8.3</td>
<td>31.7</td>
<td>60.0</td>
</tr>
<tr>
<td>Peru</td>
<td>9.9</td>
<td>44.4</td>
<td>45.7</td>
</tr>
<tr>
<td>Uruguay</td>
<td>5.3</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Adapted from Occupational category by country (percent of working population) available at (Castellani & Lora, 2013, p. 6)

It is known that entrepreneurs operate under the influence of their socio-economical context, from which they obtain inputs and also to which they contribute with change, enrichment of life and development (Morris, 1998). However, at this study we introduce the notion of Entrepreneurship developing transcendence. We argue that for some segments of the population, specially mid and low socio economical class, entrepreneurship provides a sense of self worthiness, life purpose and “hope” when facing socio economical constraints proper of the developmental environment, that goes further beyond social mobility (Ordeñana X. &., 2012), “it would be naïve, to assume that economic impact is all that we should look for today” (Castellani & Lora, p.8).

Although education has been proved to increase entrepreneurship success on opportunity entrepreneurs (Ardagna and Lusardi, 2008.). We would like to go further arguing that the balance between the economic, cultural and social motives promote and guide entrepreneurs, especially in a developmental country. As we will review on the findings, entrepreneurs are icons of dedication, hard work and determination. However, these traits usually don’t come by education. Some entrepreneurs have transcended even further the economic roll and changed to a social one (Mair & Marti, 2006); examples of communities, NGO’s and individuals who seek the social wealth over economical profit are now more common than never.
In a recent work exploring the factors determining entrepreneurial intentions in Latin America, Guzman-Alfonso & Guzman-Cuevas, (2012) identified in order of relation: 1. **Perceived self efficacy** (defined as having the knowledge and skills to start a business), followed by 2. **Attitudes toward entrepreneurship** (defined as the amount of perceived opportunities found minus fear of failure, meaning that fear of failure will decrease the attitude toward entrepreneurial activity) and 3. **Perception of Social Value** (defined as the meaning of perceptions considering entrepreneurship as a valid career option and the attention received by media to entrepreneurship). Perceived self-efficacy was strongly related with entrepreneurship intentions, therefore “feeling prepared” and somehow assured of being able to take this path will be strongly related with the amount and success of entrepreneurship orientation showed in society. However, early development in childhood in a certain social context can enhance the self-efficacy perception and increase entrepreneurial appearance (Lindquist, Sol, & Van Praag, 2012). In this case, education seems to occupy a second place.

These assumptions help us to reinforce our study in the extent that exploring entrepreneurial motivations and characteristics in a social and individual level, will add positively to the effort of building preparation for entrepreneurs in Ecuador. Latin America is a diverse region, hence we found useful to refer to some of the main relevant characteristics of the region associated with entrepreneurship to start narrowing the focus of the dissertation.

A wide reaching study by Kantis H, 2002, published by the Inter American Bank of Development, interviewed entrepreneurs of 700 new companies in Argentina, Brazil, Mexico, Costa Rica and Peru. Some of their findings will add to understand the perceptions of Latin America’s Entrepreneurship.

**About Characteristics of successful lasting Entrepreneurs of the Region**: 9 of 10 entrepreneurs in the region belong to the middle class and in half the cases, their parents were also independent workers (the question of the self-efficacy nurtured in childhood could be related (Lindquist, Sol, & Van Praag, 2012)); high level of education is perceived as a source of entrepreneurial success, the majority of entrepreneurs were formerly employed, and it is common for entrepreneurs to have founded another company in the past, being perceived as more successful, those who have gathered experience in past jobs.
**About The Enterprises** Two of every three enterprises in the region aim to become dynamic enterprises with at least 15 employees, most of them are located in the urban areas and dedicated to the production of foodstuff, furniture, clothing, metal work, etc. for the internal consumption. In 75% of the cases the initial investment was of less that USD 100.000 coming from three major sources of financing ventures: Personal savings 90%, followed by credit and loans by suppliers and families respectively; only one third started with banks.

**About the Motivation to become Entrepreneur:** Three main motivations led participants in this study to become entrepreneurs: the desire for personal satisfaction, the goal to increase personal income, and the drive to put knowledge into practice (See Fig. 3). “In more than 70 percent of all cases, interviewees acknowledged the positive influence of these motivations accompanied by a growing perception that working in large companies have ceased to be a fundamental source of professional development” (p. 34). *Independence desires, social contribution or social change, and the influence of inspirational role models, including both media figures and people close from the entrepreneur like family, friends, etc. were identified as other important sources of motivation.*

**FIG. 3. Main Motives for become an Entrepreneur in Latin America.**

*Adapted from Main Motives to become an entrepreneur* (Kantis H., Entrepreneurship in Emerging Economies: The Creation and Development of New Firms in Latin America an East Asia, 2002, p. 34)

**About Entrepreneurship propensity:** From a systemic point of view, Kantis, Federico, & Garcia (2014) introduced the “Index of Systemic Conditions for Entrepreneurship of the region (Índice de Condiciones Sistémicas para el Emprendimiento ICSE). This tool “allows the systemic conditions that affect the entrepreneurial process to be measured, as these
conditions may facilitate or hinder the creation and development of dynamic new firms” (Idem., p.2) and establish a measure of appropriate environment for entrepreneurship. The higher the presence of the variables of the index, the higher entrepreneurship propensity. Table 4 shows the elements that constitute the ICSE, some of them are much related with our purpose:

TABLE 4. Description of the variables included on the Index of Systemic Conditions for Entrepreneurship of Latin America.

<table>
<thead>
<tr>
<th>Elements</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Conditions</td>
<td>Gini coefficient (inverted), National Income (per capita), Youth unemployment rate</td>
</tr>
<tr>
<td>Entrepreneurial Human Capital</td>
<td>Improvement-Driven Opportunity, Entrepreneurial Activity rate, Growth Expectation early-stage Entrepreneurial, Activity rate, Risk Tolerance</td>
</tr>
<tr>
<td>Culture</td>
<td>Entrepreneurship as Desirable Career Choice, Media Attention for, Entrepreneurship, People’s Horizontality</td>
</tr>
<tr>
<td>Education</td>
<td>Secondary enrolment, Tertiary enrolment, Public Expenditures / GDP Entrepreneurial education in secondary levels Entrepreneurial education at the University</td>
</tr>
<tr>
<td>Demand Conditions</td>
<td>GDP per capita PPP, Demand quality, GDP annual growth</td>
</tr>
<tr>
<td>Science and Technology Platform</td>
<td>Gross domestic expenditure on R&amp;D (enterprises) Gross domestic expenditure on R&amp;D (other sectors) S&amp;T Institutions’ quality Number of researchers per thousand labour force S&amp;T production Industry-University relationship</td>
</tr>
<tr>
<td>Business Structure</td>
<td>Market atomization, Firm density, Firms absorptive capacity, High-technology exports, Industry technological intensity</td>
</tr>
<tr>
<td>Norms and Regulations</td>
<td>Business creation, Business closure, Foreign trade, Contractual security, Tax pressure, General policies for entrepreneurship, Specific support for dynamic new firms</td>
</tr>
<tr>
<td>Financing</td>
<td>Access to VC funds, Access to Bank credits, Assessment of entrepreneurial financing</td>
</tr>
<tr>
<td>Social Capital</td>
<td>Interpersonal trust, Individualism, Social support</td>
</tr>
</tbody>
</table>

Adapted from Composition of the ICSE (Kantis, Federico, & Garcia, Dynamic entrepreneurship in emerging countries: main findings from a systemic perspective, 2014, p. 9)
In 2013, the same index established a ranking of comparison between 52 countries according to their ICSE. Within this list of countries, the first 20 are occupied by developed countries in which Canada showed the highest Index with 0.659 while Latin American countries appearing from the 30th position. Chile and Brazil scored 0.36/1.00 while Ecuador was situated 45th with 0.264; above Bolivia, Egypt, Venezuela, Greece and Guatemala (Table 5).

TABLE 5. Ranking of entrepreneurial propensity, according to the Index of Systemic Conditions for Entrepreneurship.

<table>
<thead>
<tr>
<th>Country</th>
<th>ICSE Value</th>
<th>Country</th>
<th>ICSE Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Canada</td>
<td>0.659</td>
<td>29. India</td>
<td>0.378</td>
</tr>
<tr>
<td>2. USA</td>
<td>0.656</td>
<td>30. Chile</td>
<td>0.375</td>
</tr>
<tr>
<td>3. Switzerland</td>
<td>0.652</td>
<td>31. Brazil</td>
<td>0.363</td>
</tr>
<tr>
<td>4. Finland</td>
<td>0.648</td>
<td>32. South Africa</td>
<td>0.362</td>
</tr>
<tr>
<td>5. Sweden</td>
<td>0.646</td>
<td>33. Turkey</td>
<td>0.360</td>
</tr>
<tr>
<td>6. Singapore</td>
<td>0.614</td>
<td>34. Costa Rica</td>
<td>0.358</td>
</tr>
<tr>
<td>7. The Netherlands</td>
<td>0.613</td>
<td>35. Argentina</td>
<td>0.340</td>
</tr>
<tr>
<td>8. Norway</td>
<td>0.608</td>
<td>36. Russia</td>
<td>0.338</td>
</tr>
<tr>
<td>9. Germany</td>
<td>0.602</td>
<td>37. Mexico</td>
<td>0.321</td>
</tr>
<tr>
<td>10. New Zealand</td>
<td>0.574</td>
<td>38. Malaysia</td>
<td>0.316</td>
</tr>
<tr>
<td>11. Austria</td>
<td>0.568</td>
<td>39. Uruguay</td>
<td>0.313</td>
</tr>
<tr>
<td>12. United Kingdom</td>
<td>0.563</td>
<td>40. Colombia</td>
<td>0.306</td>
</tr>
<tr>
<td>13. Australia</td>
<td>0.557</td>
<td>41. Latvia</td>
<td>0.297</td>
</tr>
<tr>
<td>14. Denmark</td>
<td>0.556</td>
<td>42. Hungary</td>
<td>0.291</td>
</tr>
<tr>
<td>15. Israel</td>
<td>0.537</td>
<td>43. Peru</td>
<td>0.286</td>
</tr>
<tr>
<td>16. Belgium</td>
<td>0.535</td>
<td>44. Panama</td>
<td>0.275</td>
</tr>
<tr>
<td>17. Japan</td>
<td>0.526</td>
<td>45. Ecuador</td>
<td>0.264</td>
</tr>
<tr>
<td>18. France</td>
<td>0.519</td>
<td>46. Croatia</td>
<td>0.245</td>
</tr>
<tr>
<td>19. Ireland</td>
<td>0.503</td>
<td>47. Bolivia</td>
<td>0.224</td>
</tr>
<tr>
<td>20. Hong Kong</td>
<td>0.491</td>
<td>48. Egypt</td>
<td>0.221</td>
</tr>
<tr>
<td>21. Korea</td>
<td>0.485</td>
<td>49. Venezuela</td>
<td>0.212</td>
</tr>
<tr>
<td>22. China</td>
<td>0.436</td>
<td>50. Greece</td>
<td>0.174</td>
</tr>
<tr>
<td>23. Slovenia</td>
<td>0.413</td>
<td>51. Iran, I.R.</td>
<td>0.123</td>
</tr>
<tr>
<td>24. Poland</td>
<td>0.398</td>
<td>52. Guatemala</td>
<td>0.091</td>
</tr>
<tr>
<td>25. Portugal</td>
<td>0.393</td>
<td>Average for developed countries</td>
<td>0.535</td>
</tr>
<tr>
<td>26. Thailand</td>
<td>0.386</td>
<td>Average for emerging countries</td>
<td>0.351</td>
</tr>
<tr>
<td>27. Italy</td>
<td>0.386</td>
<td>Average for developing countries</td>
<td>0.240</td>
</tr>
</tbody>
</table>

As a summary of the literature reviewed so far, three specific pieces of knowledge will be developed in this study, regarding the developmental context.
1. Entrepreneurship is a source of transcendence in developmental environments: It pursues a change in the conditions and life of the people, either social or economic and challenges the status quo.

2. Cultural, educational and developmental conditions will shape desires of independence, self-efficacy perception and other attitudes toward entrepreneurship.

3. The amount of “opportunities and favourable conditions” will influence the appearance of entrepreneurs. This study will focus on understanding this influence from an individual point of view.

3.2. A Developmental Ecuador.

On the following section we will refer to the characteristics of Ecuador, presenting demographic and socio economic data to introduce the specific developmental conditions faced by the country (See Table 6 & Fig 4).

A definitive moment for the development of Ecuador started 14 years ago, when as a consequence of a severe period of economic and political instability, the US Dollar was adopted as the official national currency. The change brought some undesired effects on the purchasing power of the salaries of Ecuador but on the other hand brought economical stability and controlled inflation, which brought opportunities for entrepreneurs (Ayala, 2011).

More recently since the election of Rafael Correa Delgado and the introduction of a new reformed constitution in 2008, there is a radical process of transformation of the country (Boelens, Hoogsteger & Baud 2013, p.2), characterized by a strong involvement of the state in the process of planning, regulation, control and redistribution of wealth (Proaño, 2011). Although the new growing of the public employees (bureaucracy) and re formulating the constitution towards social development have favoured in some extent the appearance of a wide middle class (GEM 2012) (Ordeñana, Arteaga, Lora, & Castellani, 2013) (Sosa, 2014); “universities, public institutions, agencies, chambers of commerce, and other actors do not seem to give appropriate support to potential and actual entrepreneurs. (Arteaga & Lasio, 2009, p. 10)
Therefore, this dissertation will explore if the perceptions of Ecuadorian entrepreneurs of different socio economical segments, support the actual regulatory and financial context of Ecuador.

TABLE 6. Ecuador Demographics.

<table>
<thead>
<tr>
<th>Population</th>
<th>14,483,499 million (50.44% female &amp; 49.56 male)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population Growing Rate/year (2010):</td>
<td>1.95%</td>
</tr>
<tr>
<td>Average age of population:</td>
<td>28.4 years</td>
</tr>
<tr>
<td>Average of years of education:</td>
<td>9 years</td>
</tr>
<tr>
<td>Percentage of alphabetic population:</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

*Source:* (INEC, 2014)

FIG. 4. Total GDP growth from 2006 to 2012 in USD Millions.

The Global Entrepreneurship Monitor (GEM) is “an annual assessment of the entrepreneurial activity, aspirations and attitudes of individuals across a wide range of countries… It explores the role of entrepreneurship in national economic growth, unveiling detailed national features and characteristics associated with entrepreneurial activity (www.gemconsortium.org, 2012).
According to GEM, 26.6% of the population of Ecuador is involved in an early stage of entrepreneurship, continuing the tendency showed in the last three years (15.8% 2009 & 21.3% 2010). From this quarter of population, 9.5% are motivated by necessity and 17% due to opportunity and 22% due to independence desires (see Fig 5). We aim to complete this qualitative data by exploring who’s motivated by this characteristics and how does it that this motivation translates into their entrepreneurial activity.

FIG 5. Motives for Entrepreneurship in Ecuadorians.

According to the same source, most of the actual entrepreneurships and start ups in Ecuador are related to sales and commerce of goods and services, such as formal and informal retailing of clothes, shoes, food (small stores) restaurants and hotels with 62%, followed well behind by manufacturing and productions business with only 10.3% and 7.7% orientated to agriculture, fishing and foresting (Idem) (See Fig. 6). Therefore at this dissertation we have chosen to interview different types of entrepreneurs in accordance to these criteria, where the majority perform in commercial activities.
Several conditions that Ecuadorians perceive as favouring and discouraging entrepreneurship have been identified by the Global Entrepreneurship Monitor 2012 and listed below:

1. **Economic environment**: Macroeconomic stability, dollarized economy and increase consumption patterns would be the main conditions favouring emerging of entrepreneurship, followed by employment instability and need to increase personal income.

2. **Training and Education**: The degree of education has been highly associated with Ecuadorians intentions of start a business.

3. **Governmental Programs**: Lately there has been several efforts of the government to generate programs to encourage entrepreneurship, similar to: Proecuador, Banco de Ideas, MIPRO, etc.

4. **Governmental Policy**: While New Energetic and Productive enforcement policies are recognized as indirect factors favouring entrepreneurship, a lack of entrepreneurial encouragement policies, plus exaggerated tax regulations and labour law could be unfavourable. Also there is a concern about certain enterprises that concentrates much of the activity in certain sectors, which can be difficult to oppose or compete with.

5. **Cultural and Social Norms**: Some experts are aware of the innate capability of Ecuadorians to generate business, however the high uncertainty avoidance (Hofstede, 1983) low risk tolerance, preference for immediate income and stability over promoting creativity and innovation constitute constraining conditions to entrepreneurship flourish.
6. **Financial and capital support:** Lack of availability of funds for start-ups and growing were considered by Ecuadorians as the main constraint when thinking in entrepreneurship.

7. **Opportunity and Capacities for entrepreneurship:** while the overall perception of opportunities of business is favourable in Ecuador (58% of Ecuadorians think that a new business is possible), it seems that there is not sufficient competences or Human Capital to take advantage of them. Some of the main weaknesses are related with lack of planning capability, teambuilding, networking, etc.

The Global Entrepreneurship Monitor provides reliable data for the development of this dissertation and constitutes a referent of the entrepreneurial research in Ecuador. The author values the effort of publishers, institutions and authors involved in the GEM Ecuador, as they are setting solid pillars to build entrepreneurial research in the country.

We think that the findings and objectives of this dissertation can add to the recommendations delivered by GEM, regarding the development of successful entrepreneurs with enough human capital to take advantage of the actual environment of Ecuador and support educational, developmental and governmental institutions to promote entrepreneurship culture in the country.

Finally let’s refer to recently published study regarding the characteristics of middle class entrepreneurs and it’s role in mobility of Ecuador by Ordeñana & Arteaga (2013), as it matches our intention of choosing entrepreneurship in the developmental environment of Ecuador and provide insights about characteristics of middle and upper class entrepreneurs in the country.

It is based on data recovered of 203 questionnaires regarding business characteristics, entrepreneurial motivations, attitudes and competencies, financing sources, degree of innovation, and entrepreneurial environment of entrepreneurs located in the two major cities (Quito and Guayaquil) with enterprises of at least 10 years of creation.

According to the findings, Ecuadorian entrepreneurs are male 68% and in average 42 years old and half of them were college educated. The main motivation for choosing to be an entrepreneur is the desire of independence and willing of improve their economic status. In order to succeed, the appropriate skills required are: goals achievement, creative thinking and decision making, followed by solving problems and managing resources. However, the study
doesn’t include rural entrepreneurs and Low Class Entrepreneurs, whom because of their environment develop specific differentiated characteristics (Brooksbank, Thompson, & Williams, 2006).

Ordeñana & Arteaga (2013) also provide findings regarding external difficulties founded when developing and managing enterprises in Ecuador such as: Bureaucracy (extensive paperwork), excessive tax policy and lack of financing; and internal such as: managing human resources and lack of networking. It is also interesting to see that in general, upper and middle class entrepreneurships started with own founds 80% followed by loans 25% (upper class) and family and friend’s funds 30% (middle class). These findings reveal some of the current constraints of entrepreneurship in Ecuador that still need to be improved and opened up the discussion in the country.

The following chapter describes the methodology used by the author in the primary research section of this dissertation.
CHAPTER 4. METHODOLOGY.

4.1. An Exploratory Approach.

An exploratory research is used to discover general information about a new phenomenon, it will provide answers to initial questions related to a topic and constitutes the beginning stage, in which the author gathered insights that will contribute for more in depth approaches in the future (Saunders & Lewis, 2012). Therefore, being aware of the actual quest for a unique domain of Entrepreneurship, and dealing with relatively new published contents relating entrepreneurship in Ecuador, an exploratory approach will enable to retrieve qualitative data to narrow the future efforts in the field.

The exploratory research provides flexibility to approach a social phenomenon with specific meaningful research questions, but not necessarily hypothesis to prove (Reiter, 2013). We hope to provide meaningful answers that will help to narrow the study of Entrepreneurship in the context of the country.

4.2. Objectives of the Study.

This dissertation explores entrepreneurship behaviour in Ecuador, based on two main theoretical assumptions: 1. Specific socio economic conditions shape, influence and challenge the appearance and success of entrepreneurs; and 2. there are specific individual characteristics/competences related with becoming a successful entrepreneur. Both assumptions are keys to open the specific questions to be answered in this research:

- **Are there differences between entrepreneurs coming from different socio economic backgrounds of Ecuador?** Regarding: Motivation to become an entrepreneur, sources of finance for start-ups, and institutions or second party agents providing support during the process of becoming an entrepreneur.

- **What are the main individual traits shared by Ecuadorian successful entrepreneurs?** Related to: Characteristics enabling Ecuadorians to choose the entrepreneurial path, behaviours allowing success to entrepreneurs operating in this developmental environment and traits taught and developed.
Therefore, we have gathered quantitative and qualitative socio economic data recovered from governmental, private and non-governmental publications, describing the current situation and challenges of Entrepreneurship in Latin America and Ecuador (Chapter 2) and data recovered from semi structured interviews, performed by the author by video conference, with 10 Ecuadorian entrepreneurs classified according to their sector in either Rural or Urban entrepreneurs, and to their socio economical background as high, mid and low (see below sect.4.3).

The data recollected from the interviews will be mainly qualitative and constitutes the main source of information to answer the two questions of this dissertation; however, it also will be contrasted with the literature reviewed to reinforce the conclusions.

4.3. The Qualitative Study

“Quantitative research is typically taken to be exemplified by the social survey and by experimental investigations, Qualitative research tend to be associated with participant observation and unstructured, in depth interviewing”(Bryman, 1988, p.1 as cited by Walliman, 2005, p. 246)

This dissertation focuses on the perceptions and life insights exhibited by Ecuadorian entrepreneurs. We argue that entrepreneurship is transcendental in a person’s life, which means that it constitutes a change on the personal, professional and mental way of perceiving socio economic reality. Somehow entrepreneurs seem to have a “before” and “after” becoming entrepreneurs (See Sect 3.1), and there seems to be an agreement that entrepreneurship is a mean to reach a change in socio economic conditions (Ordeñana X. &., 2012) (Castellani & Lora, 2013) (Lowe & Marriott, 2006).

4.3.1. Segmented Sample of Entrepreneurs to be explored.

The first point to be established before proceeding with our qualitative research is to classify the population of Ecuador according to their socio economic status, to be able to relate the findings to each of the divisions/segments. We understand that labelling a portion of the population like “the high or middle class” can be subjective, as many sources have different definitions statistical ranks and criteria for classifying the population (Braveman et al. 2005). However, we have found practical to adopt a criteria for quantification and segmentation of the population of Ecuador, provided by the INEC (National Institute for Statistics and Census
translated from Spanish) as the main national institution in charge of developing statistics in Ecuador.

The INEC published in 2011 the results of the National Stratification of Socio Economical Level Survey in Ecuador, recovered from 9,744 households in six major cities of the country. The survey gathered data regarding: housing type, education level, assets, consumption habits and technology to divide the population in five major socio economic segments (Fig. 7).

FIG 7. Socio Economic Segmentation of Ecuador

![Socio Economic Segmentation of Ecuador](image)

*Adapted from: National Stratification of Socio Economical Level Survey (INEC, 2011)*

From these results, we can assume that the percentage of middle class of Ecuador is located between the C+ between C- segments, representing the larger portion of the population, while those located below and above could be considered the low class and upper class respectively.

The remaining three main segments: Low class: 14.9%, Middle class 72.1%, Upper Class 13.1% (See Fig. 8) are represented in our sample with selected entrepreneurs who match with this criteria, essentially regarding education level and consumption habits. For example: an entrepreneur of upper class is categorized for having a university or master’s degree completed, access to technology and internet, and valuable assets like car, houses, etc. while a lower class entrepreneur is whom only have reached formal primary education, 9% have access to internet and no assets like cars or computers. *A detailed description of each segment according to each of the category and the basic characteristics can be founded in the Appendix 2.*
Along with this classification we have also taken into account the National Rural and Urban Income and Expense Survey (INEC, 2012) performed in the 24 provinces of the Country. This report divides the population in 10 statistical segments (deciles) according to their income and expenditure (See Table 7), but most important, provides criteria to divide the population of our sample of entrepreneurs, according to where do they perform their activities in either Rural (areas with less than 2,000 population) or Urban (areas with higher than 2,000 population).

<table>
<thead>
<tr>
<th>Deciles</th>
<th>Years of formal Education</th>
<th>% Males</th>
<th>% Females</th>
<th>Average Income of Males</th>
<th>Average Income of Females</th>
<th>Average Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>9.0</td>
<td>76.2</td>
<td>23.8</td>
<td>939</td>
<td>747</td>
<td>843</td>
</tr>
<tr>
<td>Decile 1</td>
<td>5.6</td>
<td>79.2</td>
<td>20.8</td>
<td>316</td>
<td>263</td>
<td>289.5</td>
</tr>
<tr>
<td>Decile 2</td>
<td>6.6</td>
<td>79.9</td>
<td>20.1</td>
<td>444</td>
<td>390</td>
<td>417</td>
</tr>
<tr>
<td>Decile 3</td>
<td>7.2</td>
<td>77.9</td>
<td>22.1</td>
<td>540</td>
<td>456</td>
<td>498</td>
</tr>
<tr>
<td>Decile 4</td>
<td>7.9</td>
<td>77.8</td>
<td>22.2</td>
<td>611</td>
<td>522</td>
<td>566.5</td>
</tr>
<tr>
<td>Decile 5</td>
<td>8.2</td>
<td>76.1</td>
<td>23.9</td>
<td>709</td>
<td>580</td>
<td>644.5</td>
</tr>
<tr>
<td>Decile 6</td>
<td>8.7</td>
<td>75.5</td>
<td>24.5</td>
<td>808</td>
<td>660</td>
<td>734</td>
</tr>
<tr>
<td>Decile 7</td>
<td>9.3</td>
<td>73.3</td>
<td>26.7</td>
<td>923</td>
<td>740</td>
<td>831.5</td>
</tr>
<tr>
<td>Decile 8</td>
<td>10.4</td>
<td>74.3</td>
<td>25.7</td>
<td>1,062</td>
<td>837</td>
<td>949.5</td>
</tr>
<tr>
<td>Decile 9</td>
<td>12.0</td>
<td>72.8</td>
<td>27.2</td>
<td>1,373</td>
<td>1,069</td>
<td>1,221</td>
</tr>
<tr>
<td>Decile 10</td>
<td>14.5</td>
<td>74.9</td>
<td>25.1</td>
<td>2,715</td>
<td>1,696</td>
<td>2205.5</td>
</tr>
</tbody>
</table>


Both reports (INEC, 2011) & (INEC, 2012) will be related to obtain the segments of population of Entrepreneurs that will be explored (See Fig. 8) as: **Low Socio Economic Entrepreneurs**, having income of less than USD 831.00, **Mid Socio Economic Entrepreneurs**: with an income between USD 831.00 & USD 2205.00 and **High Socio Economic Entrepreneurs**: those with income above USD 2205.00. In every case we chose entrepreneurs who reported having their own business for more than 5 years and achieving profits at the moment.

NOTE: The Rural and Urban segmentations were only introduced in Low and Mid Entrepreneurs at this dissertation.
FIG 8. The 3 segments of exploration according to socio economic background and Income. Amount of interviews available for each segment.

% population in different socio economical segments

A 2%
B 11.2%
C + 22.8%
C - 49.3%
D 14.9%

The 3 segments of entrepreneurs according to their income and socio

Low S/E less than $831
Rural (2)
Urban (1)

Mid S/E from $831 to $2205
Rural (2)
Urban (3)

High S/E from $2205 and more
Urban (2)

No. of interviews with entrepreneurs according to their sector.

Source: Adapted by the author from National Stratification of Socio Economical Level Survey (INEC, 2011) and National Rural and Urban Income and expense survey (INEC, 2012).

4.3.2. Semi Structured Interview as Tool for recovering Qualitative Data.

We have chosen to rely on a Semi Structured Interview (SSI) to perform the primary research for this dissertation. The SSI is a qualitative tool typically used in the social sciences to internalize and retrieve information directly from the sources (protagonists), reaching deepness in the complexity of the role that they are performing (Walliman, 2005). The author looked for a research method which can enable to “investigate the unique complexities and ambiguities of human subjects and their interaction in society without imposing on the inappropriate conceptual framework” (Walliman, 2005, p. 247). Also as a professional in industrial Psychology and human resources in Ecuador, the author has developed and performed interviews for assessing behaviours and competences, which have influenced in choosing the SSI as a familiar tool for gathering data.

4.3.2.1. The Semi Structured Interview Guide (SSIG):

An unstructured interview allow the interviewee to talk freely, to feel confident and willed to talk about their experience and insights, however it is necessary to embrace the conversation in the specific topics related with the questions of this dissertation, to guarantee retrieving
information related with the objectives of the study. Therefore we designed a SSIG (See Fig. 9) that allow the interviewer to start with an open question regarding entrepreneurship, and go deeper or narrow with optional re- questioning.

The SSIG was developed in Spanish as the native language of all the entrepreneurs interviewed and the researcher (See Annex 1). In Fig. 9 we can see the translated version of the SSIG to English.

**Description:** The SSI was developed with three sections: On section 1. It mentions the academic purpose, the confidentiality declaration of data to be retrieved, the acceptance of the interviewee and quantitative data regarding the entrepreneur’s Socio Economic Background.

On Section 2, we placed the questions related with the Macro View or the external motivations to become an entrepreneur, we wanted to explore what were the environmental motives for the start-up - what was going in the entrepreneur’s life at the time that he/she decided to become an entrepreneur-, external factors influencing this choice, institutions and individuals who were involved and supported the entrepreneurship and the sources of financing used when starting up..

On Section 3 we explored the micro view; focused on asking about specific characteristics (skills, competences, traits) related with the willing to become an entrepreneur: how do these characteristics have developed and showed in the interviewee’s life and which behaviours do they tend to use when managing their enterprises. Also we explored if there has been noticed any changes in the behaviour of the entrepreneur, before and after the entrepreneurship development and finally we asked if there are any specific characteristics associated with being successful particularly in Ecuador.

The entrepreneurs were identified using the author’s network of contacts in Ecuador, all the interviews were performed via video conference methods during the months of July 2014 and each one has its individual SSIG filled with the answers provided in Spanish, therefore, the author translated all of the information recovered to the purpose of this dissertation.

On the next chapter, we will show and discuss the most important findings of the qualitative research regarding the dissertation’s objectives and main questions; and also will compare and contrast the findings with the theoretical review mentioned in chapter 1 and 2.

Interview Guide (English)

SECTION 1. ETICAL ASPECTS AND SOCIO DEMOGRAPHIC DATA.

Important Notice: All the recovered information of the following interview will be exclusively used for the academic purposes of the dissertation research. The interviewee has voluntarily accepted to share their thoughts with the researcher and he reserves the right of choosing not to answers any of the following questions.

Personal Data:

a. Name or Nickname of the Entrepreneur: ex. Luis.
b. Age:
c. Higher level of formal education completed:

<table>
<thead>
<tr>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
</tr>
<tr>
<td>Primary</td>
</tr>
<tr>
<td>High School</td>
</tr>
<tr>
<td>College / University degree</td>
</tr>
<tr>
<td>Masters</td>
</tr>
</tbody>
</table>

d. Where do you live: Urban / Rural
e. Name of the Business:
f. Brief Description of your business:
g. How old is your business?
h. Actual Average Monthly Invoice:

<table>
<thead>
<tr>
<th>Invoice Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>From 1 to 500 USD</td>
</tr>
<tr>
<td>From 500 to 2000 USD</td>
</tr>
<tr>
<td>From 2000 to 10000 USD</td>
</tr>
<tr>
<td>From 10000 to 50000 USD</td>
</tr>
<tr>
<td>From 50000 and above</td>
</tr>
</tbody>
</table>

i. Average monthly income per entrepreneur.

<table>
<thead>
<tr>
<th>Income Range</th>
<th>S/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>From 1 to 831 USD</td>
<td>High</td>
</tr>
<tr>
<td>From 831 to 2205 USD</td>
<td>Mid</td>
</tr>
<tr>
<td>From 2205 USD</td>
<td>Low</td>
</tr>
</tbody>
</table>


1. Why did you decided to start an own business? (remembering what was happening on the person’s life when started up the entrepreneurship, why did he choose this path while other’s didn’t?)

2. Which environmental / external conditions have motivated you to be an entrepreneur? (Positive or negative factors influencing entrepreneurship as: having an idea or being laid off, etc.)

Categories/ Common

Economic Needs
Academic Orientation
An Idea or innovative discover
Family tradition
Any Discrimination / an escape.
Independence Desire
Others, Specify:
3. Is there any institution or person other than yourself who has gave you support and motivation in your career as entrepreneur? (Emotional and motivational supporters not only economical, how does this support was manifested)

Categories/ Common
Family: Partner, Spouse, etc.
Financial Institutions, incubators, societies, etc.
Church
Others, Specify:

4. What sources of funding did you use to start up?

Categories/ Common
Savings
Loans
Profits
Others, Specify:


5. Which personal characteristic (behaviours, competences) have you learned or developed which influenced you to become an entrepreneur? (Who taught it, how did you learn/developed it?)

6. Which personal characteristics (behaviours, competences) have influenced you to develop your business? (how do you put it into practice day by day?)

7. Which differences have you noticed in your personality now that you are an entrepreneur? (how was before?)

8. According to your experience, which behaviours or personal characteristics are a must to have when doing entrepreneurship in Ecuador.

Source: Developed by the author
CHAPTER 5. RESULTS.

The following results will be presented in two forms: 1. Charts of relevant, summarized and processed information provided by the interviewee’s, related with the theoretical concepts and terms which back up this dissertation and 2. Quotes of proper answers to specific questions (cursive), followed by an explanation done by the author. Together constitute the summary of qualitative information raised with the semi structured interview guide. All interviewee’s have agreed to have their names on this dissertation, however if necessary, we will refer to them only by their first name.

5.1. About High Socio Economic Entrepreneurs (HSE).

As general information; both interviewees at this segment are importers and retailers of manufactured and technological appliances, performing business on an urban context. Nicolas and Luis differ in the level of education reached (Master in Business) and (Unfinished College) respectively, however their history of start up’s are similar, as both identified the opportunity to bring goods form other countries and re sell them in Ecuador. They refer having wide and resourceful network of contacts overseas that helped them to reach this business idea and also to be able to introduce their products into the Ecuadorian market.

Concerning the Macro dimension, both interviewees mentioned that being immerse in the right business and social environment, determined their desires to become an entrepreneurs. They said that being in college was a good opportunity to relate with other people and open their eyes to possible business aspirations and “broad horizons”; as one of the interviewee’s said: “I saw that my classmates had expensive calculators, so I ask an uncle that was going abroad, to buy four of this artefacts in credit for me, to sell them in college... this is how I started doing business”.

In some extent they both mentioned that their parents also encouraged them as role models to become entrepreneurs. “My mom was always independent and at the time I was in college, she introduced me to several business partners in Panama which increased my desire to become independent as well” (Nicolas).

It’s interesting that both interviewees didn’t saw college education as a motivation per se to become entrepreneurs, but more as the right environment in which opportunities are found. Also, although they tend to give more importance to the environmental factors such as networking or opportunities, they mentioned having accessibility to initial capital sources to
finance their start-ups coming from other people or institutions proper of their socio economic status. On the process of growing his business, Luis had used loans and financial products from banks, using his godfather as guarantor, but mentioned that: “Once I worked for the banks in Ecuador, and I would never do it again”. Nicolas also tried to get a loan at the bank recently, but as he mentioned: “the bank asked for a 150% guarantee in assets, for me it meant to mortgage all my patrimony”

TABLE 8. Processed information collected from HSE entrepreneurs about the Macro Dimensions.

<table>
<thead>
<tr>
<th>MACRO DIMENSION</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivating factors, Question 1 &amp; 2</td>
<td>Environmental factors, Networking, Initial Partners &amp; Family as role models. Broad environment leads to Identifying Opportunities.</td>
<td>N/A</td>
</tr>
<tr>
<td>External institution or support when start up, Q.3</td>
<td>Family</td>
<td>N/A</td>
</tr>
<tr>
<td>Start up Financing, Q.4</td>
<td>Self Financing (savings, loans from family, profits)</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: Source Interviews performed by the Author

It seems that for this segment, the environmental factor influencing their motivation to become entrepreneurs began with relationships and networking, with a strong support from close relatives in both emotional and financial matters.

The HSE entrepreneurs were more eloquent talking about the micro dimension, they easily pointed relevant personal traits encouraging entrepreneurship; this tendency can be related with their self esteem, as entrepreneurs first have to believe in their self to back up their initiatives (Gartner W. B., 1989) (Kao, 1991). For them, the main “trigger” allowing entrepreneurial behaviour is a strong desire to be independent. They both were very categorical to their reluctance to have a “boss” or to “work for somebody else who tells you what to do”. They both also relate their strong desire of independence to experiences in childhood and high school, were they behave always independently. This “lack of control” in childhood does not refer to being “rebel” or opposed to law, but more to be self-responsible or auto controlled. Also, in a lower extent, they both referred to their desire to reach economic power and financial achievement: “I have always liked to be able to buy the best things and treat me right” as a said by Luis.
TABLE 9. Processed information collected from HSE entrepreneurs about the Micro Dimensions.

<table>
<thead>
<tr>
<th>MICRO DIMENSION</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal Characteristics (traits) motivating to become entrepreneur. Q.5</strong></td>
<td>Desire of independence and financial achievement</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Personal Characteristics (traits) related with being successful and survive in business. Q.6,7</strong></td>
<td>Over optimism, being open to see the good face in everything. Risk Tolerance</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>To succeed in Ecuador. Q8</strong></td>
<td>Tolerance to disappointment, Socially opened, resourceful and patient</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*Source: Source Interviews performed by the Author*

They referred to “*Being optimistic all the time, keep looking for opportunities, do not feel frustrated*” as the best ways to succeed in the entrepreneurial activity, along with the ability to tolerate uncertainty and risk when necessary. “*you can not be scared when you have to use your credit card to the limit, not knowing how are you going to pay at the end of the month, if you will sell the merchandise or not... just be optimistic*” (Nicolas). Regarding to entrepreneurship in Ecuador, Nicolas pointed that “*expecting institutions and government to support my initiatives with financial or policy aid, has been frustrating, but I have learned to cope with it and keep focused*”. Also both have mentioned strong capacity to be socially opened to establish a good network to use them according to the circumstances.

5.2. About Mid Socio Economic Entrepreneurs (MSE).

Entrepreneurs interviewed in this segment have a business running for at least 5 years and reported profits in the latest accountable year. They differ in the type of business and also the sector in where they perform; hence, it is useful to review their profiles:

On the Urban sector of Quito we found; Stalin, founder and CEO of a training company specialized in development of competences for network marketing; Daniel, who founded and manages the production and sales of his own brand of sportswear and Ivan, who developed and runs a retail company selling massive consuming food products. On the Rural context: Vinicio: funder and manager of a chain of three pharmacies in Pifo, Yaruqui, and El Quinche and Geovanni who owns a carpenter workshop in Latacunga. Every entrepreneur interviewed
in the urban area had a college degree, while in the rural area none attended university or college.

TABLE 10. Processed information collected from MSE entrepreneurs about the Macro Dimensions.

<table>
<thead>
<tr>
<th>MACRO DIMENSION</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivating factors, Question 1 &amp; 2</td>
<td>Displacement (leave the dependent work relation) Finding an opportunity of business</td>
<td>Environmental (no other career path) Finding an opportunity of business</td>
</tr>
<tr>
<td>External institution or support when start up. Q.3</td>
<td>Family</td>
<td>Family</td>
</tr>
<tr>
<td>Start up Financing. Q.4</td>
<td>Self Financing, personal savings</td>
<td>Self financing, personal savings</td>
</tr>
</tbody>
</table>

Source: Source Interviews performed by the Author

The desire of independence is recognized as the main motivator to establish an entrepreneurship both in the macro and micro dimensions. Regarding the macro view, two interviewees of the urban segment expressed that their past experiences in dependant jobs generated feelings of frustration and desires of independence, as they found themselves at a standstill on their careers; as Stalin said “I got tired of my role and the limitations of working in a private institution, I wanted to do more things, proposed many initiatives and constantly was rejected, or faced a bureaucratic barrier… in the end I asked for allowance to attend a training course and they denied it… at my age I wanted to achieve more but the institution couldn’t let me”. Although there has been said that “Feeling out of place in a job” can be a motivator to become entrepreneur by displacement (Kuratko & Hodgetts, 2007), the interviewees referred to this influence more as by exhausting or frustration. Feeling “out of place” in this case does not come from the environment to the individual (idem), but more in opposite; the individual choose to leave, motivated by a strong desire of independence plus a transcendental need for achievement and sense of self reliance that the regular job is not satisfying or recognizing. It does constitutes a displacement condition, however it is more noticeable how they chose to voluntarily follow a different path which supported their intrinsic desires, while others remained static.

On the other hand, Ivan didn’t have a displacement motive coming from job frustration, but more an environmental motivation per se. He was one of the few entrepreneurs who told that
formal entrepreneurial education received in College nurtured his desire of self-employment: “during formal education in college they (lecturers) focused in encouraging and promoting entrepreneurship, this is the regular way in my uni, the other way (dependant job) is not an option”. On second place, all the MSE entrepreneurs referred to being motivated by “an opportunity”, generally introduced by a partner, family or friend, which also relates to the environmental school of thought.

At this segment, family support is key for realising their entrepreneurial activity. Daniel said: “My cousin had experience in manufacturing of clothes and my partners are all family, this give us support when someone in the team is low headed” or Stalin: “At the beginning, my wife had to take charge over all the household expenses, this support allowed me to concentrate in starting my own enterprise”. For funding, interviewees started with their own savings or capital from sales of their own patrimony, although they mentioned that they did turn to banks later on looking for funds.

TABLE 11. Processed information collected from MSE entrepreneurs about the Micro Dimensions.

<table>
<thead>
<tr>
<th>MICRO DIMENSION</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal Characteristics (traits) motivating to become entrepreneur. Q.5</strong></td>
<td>Desire of independence. Self Reliance</td>
<td>Desire of Independence. Need for achievement</td>
</tr>
<tr>
<td><strong>Personal Characteristic (traits) related with being successful and survive in business. Q.6,7</strong></td>
<td>Need for achievement Internal locus of control (believe in yourself) Risk taking propensity</td>
<td>Self reliance, Hard Work, Need for achievement, Reliability.</td>
</tr>
<tr>
<td><strong>To succeed in Ecuador. Q8</strong></td>
<td>Tolerance to disappointment. Socially opened, resourceful and patient.</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Source Interviews performed by the Author.*

Along with being independent, self reliance or internal locus of control was also influential in all Urban MSE entrepreneurs; as pointed by Ivan: “believing in yourself will encourage you to choose the independent path... sometimes only having this belief on yourself can lead to overcome obstacles”. Similar to the others, as they confirmed that past work colleagues had independent desires as well but lacked on “self-esteem” or “self confidence to get the courage of become independent”(Stalin). On the other hand, when talking about the
characteristics enabling success in business, we had variety of criteria, similar to the taxonomy that provided by Kao (2011) such as: Need for achievement or to upgrade their economic conditions, capability to take risks, innovative thought and perseverance. For this segment of entrepreneurs, the path to achievement of success rely on themselves and their capacity to arrange resources, more than in external opportunities coming from partners or networking. They’ve expressed more references about doing extended work efforts and schedules, being available 24/7 for their clients and struggling with market conditions, labour restrictions, tax policies and financing: “being disciplined and prepared to be awake at any time in the early mornings for gaining a client is a must to do if you want to succeed” or “before in the dependant job you had the assurance that your salary will come, now you have to work to ensure that the salaries of your labour force can be paid every month” (Daniel).

On the Rural segment similarities were founded regarding strong independence desires motivated by displacement and hard work, however, in this case interviewees mentioned the limitation of not having formal education and lack of alternative career opportunities to follow in order to make their living, in other words, they decided to be independent as no other alternative showed when finished high school. Both rural MSE entrepreneurs didn’t get to go to college, as Geovanny said: “the alternative for me when I grew up was to work for someone else in agriculture, just like my parents. I learned carpentry in high school, which leaded me to another path, however, everyday is full time work for me, I work 14 hours per day”. Somehow it seems that they have felt “displaced” by the limitations of their rural context and obligated to choose a different path which lead to entrepreneurship, achievement and socio economical mobility, but also to extensive work and sacrifice.

In this case, self reliance to work hard, arrange resources and make any sacrifices to get their products sold are key for the subsistence of business: as Vinicio said “We were the first pharmacy in Yaruqui, people used to ring us at any time in the evening to ask for medical consultation or medication, at that time we didn’t have any spare time with my wife, we worked a lot didn’t matter the time, no holiday or vacations”.

It is worth to highlight that choosing to be an entrepreneur in this environment seems to be particularly difficult, as Rural MSE entrepreneurs started in LSE class and overcome severe limitations like lack of access to education, sources of financing, lack of jobs, etc., relying only on their hard work as the main capital. Based on the interviews at this segment, it can be
argued that the rural macro dimension showed to be very influential in motivating entrepreneurship appearance form early age, determining how long does the business last (permanent history of constancy in management of a single business) and the appearance of certain distinctive individual traits, such as hard work, responsibility, reliability and resourcefulness.

When answering to the question of how to be successful in Ecuador doing entrepreneurship?, responses were different; they didn’t complained about law, market conditions, bureaucracy and institutions, but referred more to values such as: “constancy”, “sacrifice”, “not being lazy” and willing to risk. Vinicio gave us a piece of insight:

“The problem of the current generation of youth here in Ecuador is that they feel very comfortable with their actual way of life, I see them “doing nothing”, people have to be risky and willing to progress, always curious and hard worker”

It’s interesting how does they understood the question; somehow on the Urban sector, interviewee’s talked about tolerance of frustration as a response to unconformity with the external institutional system of Ecuador (taxation, policies, lack of support from government, bureaucracy, etc.); but for the Rural the key lies in the internal, being more persistent, willing to sacrifice, reliable and no lazy “as long as there is still demand of my products, everything is fine, only delivering on time, and honouring your commitments will keep clients coming to you” (Geovanny)

5.3. About Low Socio Economic Entrepreneurs (LSE)

In this segment, regarding Rural sector we known Belgica who drives a wooden cart in which she sell diced fruit in plastic containers to the tourists of Tonsupa; Cenon who for 18 years have been running a business of manufacturing “inflatable bananas” (a source of floating device which can be a rode towed by a boat on the sea) and offering the banana ride at the shore of the beach, and Isidro who runs a small house minor maintenance service in Quito. Profiles are diverse, some of them work with their family or hire casual labour force of one or two people depending on the amount of business, while others formally employ a wider labour force; none of them completed high school, and in some cases only completed few years of formal education.
The economic constraint environment influences strongly to this segment in both sectors (Urban & Rural); every interviewee mentioned economical constraint as the major motivation for becoming an entrepreneur, while also lack of opportunities, education and employment being very influential. They all said “you have to go out day by day and seek the life for yourself”, Cenon said: “in here, there is no other way than rely in yourself” Belgica: “I worked in a restaurant for a while as an employee, I used to work there for 14 hours per day and earned USD 350, nowadays I work a bit less and earn a bit more, however I can be watching my kids more often. They refer happily to their entrepreneurship as their “only way” to stand against their limited and unequal reality, for them is the only mean of subsistence in an unfair society.

TABLE 12. Processed information collected from LSE entrepreneurs about the Macro Dimensions.

<table>
<thead>
<tr>
<th>MACRO DIMENSION</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivating factors, Question 1 &amp; 2</td>
<td>Economic constraint (Displacement of their socio economic limitations)</td>
<td>Economic constraint (Displacement of their socio economic limitations)</td>
</tr>
<tr>
<td>External institution or support when start up. Q.3</td>
<td>Family Union</td>
<td>Family</td>
</tr>
<tr>
<td>Start up Financing. Q.4</td>
<td>Self Financing, personal savings, credit institutions.</td>
<td>Self financing, personal savings, credit institutions.</td>
</tr>
</tbody>
</table>

Source: Source Interviews performed by the Author.

On both areas, families are those who support entrepreneurs on daily basis, -“My husband built my cart for me so that I can deliver my fruit”(Belgica)- not only emotionally but also with resources and in many cases as a source of labour force. However, the role of the union appeared on the Rural sector as a supporting association, grouping entrepreneurs of the area, providing guidelines like: “where is possible to sell” or “where to park the boat and safety regulations” and even sometimes “legal or accountable support”. It requires a monthly deposit from every member, but the interviewees agreed that is a good initiative that provides support. A need to explore the role of this kind of institutions in deep has been found, as we think that they play an important role on the rural communities.
Regarding financial sources for start-ups, most of the LSE entrepreneurs relied only in their own effort and work to generate savings, like Isidro said “I began building houses with contractors, here I learned about plumbing and construction, then I started to work by myself and became known in town, I have saved enough to buy a used pick up truck in where I transport tools and employees when needed.”. However, they have also referred to credit institutions and cooperatives that provided small credits or loans when needed.

**TABLE 13.** Processed information collected from LSE entrepreneurs about the Micro Dimensions.

<table>
<thead>
<tr>
<th>MICRO DIMENSION</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Characteristics (traits) motivating to become entrepreneur. Q.5</td>
<td>Drive to Achieve and to grow Internal locus of control</td>
<td>Drive to achieve and to grow Internal locus of control</td>
</tr>
<tr>
<td>Personal Characteristic (traits) related with being successful and survive in business. Q.6,7</td>
<td>Hard work, integrity and reliability</td>
<td>Persistence, hard work.</td>
</tr>
<tr>
<td>To succeed in Ecuador. Q8</td>
<td>Hard work, integrity and reliability</td>
<td>Persistence, hard work, reliability</td>
</tr>
</tbody>
</table>

*Source: Source Interviews performed by the Author.*

Concerning the micro dimension; we have mentioned that entrepreneurship in this segment is perceived as a source of unique path to overcome an environmental socio economic reality of basic limitations, hence they felt passionate when talked about their personal traits, mentioning their drive to achieve “a better life” for their families, to never give up, to “strive” everyday and to rely on their own limited resources to achieve success. People interviewed at this stage have developed set of strong traits of entrepreneurship by experience and necessity. The discourse of both rural and urban is similar regarding the Micro Dimension at this segment, few differences were identified specially regarding traits generating success and business survival, however we couldn’t argue that this differences exists because of the sector but maybe more because the kind of business. Finally, regarding traits and characteristics to succeed in Ecuador, also very similar, responses emphasized on values that have been key to last on the business.

Responses to questions were more straightforward at this segment, as the reality here is living on daily basis of subsistence, it can be argued that privation of resources and a restrained
socio economic environment motivates entrepreneurship, however with limited opportunities, there are still significant entrepreneurs that generate employment and economic growth. These findings are opposed to what was mentioned earlier at the literature review, regarding Education being definitive for developing dynamic enterprises (Arteaga, & Lasio, 2009) and undercover need for performing research of entrepreneurial potential on low Socio Economic environments.

In despite of the developmental issues, is worth to highlight the spirit of optimism of this LSE entrepreneurs, those who became entrepreneurs in this segment and lasted are very talented and should be supported by the state. The aspirations of entrepreneurs as well as major traits of entrepreneurship are shown on this segment, we argue that there is a lot of potential to exploit the entrepreneurial capital founded in the LSE, however it seems that the government and NGO’s in Ecuador are not realising it.

5.4. Limitations.

The most relevant limitations of the primary research are: (1) not having rural interviewees of the HSE segment, which could have completed the analysis of the sector. We encourage further initiatives investigating traits of this segment, also (2) the fact that interviews were performed via video conference could have affected the rapport, environment of the interview and somehow the amount of information provided by the interviewee. Especially at the LSE segment, having interviews by video was a source of surprise for the interviewee, therefore at this segment we had to use an assistant which enabled the communication on site, also sometimes questions at the interview guide were difficult to understand and difficult to differentiate by this segment, the assistant helped to interpret the questions while interviewing.

Although the author tried to establish a delimitation of Rural and Urban sectors according to the amount of population, we acknowledge that Geovanny performs in Latacunga, which is the capital of the province of Cotopaxi (more than 2000 habitants), however we decided to choose him as he comes from a rural context.
The interviewed entrepreneurs at this study reflected several common traits and characteristics responding to question of this study, however the diversity of initiatives (business) that can be called entrepreneurship could also affect in some extent the type of answers provided; some variations could appear in performing this research on entrepreneurs with similar types on business. This limitation open doors to subsequent studies relating certain type of similar entrepreneurs with specific traits such as: (same age, same gender, same industry, same education level, etc.)
6. CONCLUSIONS AND RECOMMENDATIONS.

Regarding the objectives of this exploratory qualitative study, two main questions were established to explore (1) differences between entrepreneurs coming from different socio economic backgrounds of Ecuador (2) What are the main individual traits shared by Ecuadorian successful entrepreneurs?

Independence desires appeared in every sector of Ecuador as the main motive, consistent with previous research in the country, however we can conclude that in every case, the specific SE environment motivated entrepreneurs of every sector on a different base. The amount of opportunities available and the displacement conditions founded in the context influenced significantly the motives allowing entrepreneurship path to appear. Within HSE & MSE entrepreneurs, the available opportunities such as access to university, start-up capital, role models and status generated independent desires, risk-taking propensity and need for achievement; while on the LSE, the lack of opportunities obligated the desire of independence as a meaning of subsistence.

The SE context also affected the development a set of characteristics which entrepreneurs find useful for running and succeeding in their initiatives. The availability of resources and characteristics of every sector tuned the development of certain traits; for instance, we saw that struggling with labour conditions, lack of financing, tax policies, etc. motivated the MSE entrepreneurs to execute management skills of arrangement of resources (Ordeñana, Arteaga, Lora, & Castellani, 2013) and customer orientation, while access to capital sources, partners and role models influenced to HSE entrepreneurs to develop management traits of social openness, networking and calculated risk taking. The displacement effect of LSE influenced the appearance of entrepreneurial values of persistence, reliability and optimism.

We have acknowledged some differences of performing an initiative on the Urban and Rural sectors. Rural entrepreneurs reported having only one or two initiatives of independent business undertaken though many years, without previous experience, hence we could argue that the context shapes the duration of an initiative and the development of traits of persistence, hard work and sacrifice within entrepreneurs since early ages. Furthermore, the appearance of early aged entrepreneurs in this particular sector can be related with a
strong sense of self-reliability, resourcefulness and need for achievement executed almost unconsciously or automatically by entrepreneurs since the childhood, not been trained or developed by formal methods of education. The rural actors does not get to choose or try before becoming entrepreneurs, they must do it to increase mobility in the economic ladder, in response to the lack of opportunities. On the other hand, urban entrepreneurs had reported being involved in previous experiences of dependant jobs or entrepreneurship, that have been influential in their development of specific set of skills and willingness to enterprise as a career as stated by Brookesbank, Thompson, & Williams, 2006.

Notice that there are significant more entrepreneurships in Urban areas, the conclusion is extended to the fact that there are significant motivation for rural actors to become entrepreneurs, however few opportunities to encourage it

**Family have an important cultural role in developing and nurturing Entrepreneurs of Ecuador.** All of the interviewees have reported a dependence or strong relation with their families, which have been influential in their history and success. This influence can be traced to the early development of entrepreneurs as: a source of role models and self-reliance reinforcement. Furthermore, they find in their families, the emotional support and a reason to persist thru difficulties. The government is not yet perceived as a supportive; as a matter of fact, several criticisms regarding tax policies, frequent amendment of public policies, lack of support and availability of resources have been identified in all sectors. We recommend that in the short term, there must be increased and permanent entrepreneurial support initiatives focused to specific talented entrepreneurs, especially in LSE and Rural context.

**People of Ecuador in every sector have a high propensity to look for profitable activities that lead to independence (Entrepreneurial Capital) and mobility.** However we must refer to Mid class entrepreneurs in Ecuador, as they represent the largest segment of population (INEC, 2014) and according to the theory, have a decisive impact on mobility (Ordeñana, 2012). Their paths to mobility seems to be difficult at the time, due to some macro conditions affecting significantly this segment: lack of resources and favourable policies (credit, tax, labour) to facilitate their business development; a culture which not promotes self-employment as much as encourages expenditure and debits to overcome economic constraint and lack of development of entrepreneurial traits by the educative institutions. These Macro constraints limit the appearance and survival of MSE entrepreneurs and
question the existence of a favourable cultural environment for entrepreneurship in Ecuador (GEM, 2012)

Finally, we strongly believe that Human Resources professionals could have a transcendental role in changing this perceptions and providing guidance to governments, institutions and policy makers to generate a more entrepreneurial environment in Ecuador and Latin America. HR professionals understand deeply both Micro and Macro dimensions affecting entrepreneurial behaviour and are capable of managing tools and interventions for the development of traits and personal characteristics. Further efforts have to be made to identify specific interventions of HR practitioners in aiding entrepreneurship.

We hope that this exploratory approach have also raised new questions regarding entrepreneurial reality in developmental regions, and also about the individual characteristics of entrepreneurs performing on this context.
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APENDIX 1 Semi Structured Interview Guide in Spanish (Original). Source: Developed by the author

Guía de Entrevista

PARTE 1. ASPECTOS ETICOS E INFORMACION SOCIO DEMOGRAFICA.

Importante: Toda la información recopilada en la siguiente entrevista será de exclusivo uso de la investigación con fines académicos. Los entrevistados han accedido a compartir sus criterios con el investigador de manera voluntaria y se reservan en derecho de no contestar aquellas preguntas que no deseen.

Datos personales:

a. Nombre o seudónimo del Emprendedor: ej.: Luis:
b. Edad:
c. Nivel máximo de educación formal:

<table>
<thead>
<tr>
<th>Nivel</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ninguna</td>
<td></td>
</tr>
<tr>
<td>Primaria</td>
<td></td>
</tr>
<tr>
<td>Secundaria</td>
<td></td>
</tr>
<tr>
<td>Universitaria</td>
<td></td>
</tr>
<tr>
<td>Maestría</td>
<td></td>
</tr>
</tbody>
</table>

d. Sector donde Vive: Urbano / Rural

e. Nombre del Negocio:
f. Descripción del negocio:
g. Antigüedad del Negocio:
h. Promedio de Facturación mensual:

<table>
<thead>
<tr>
<th>Rango de Facturación</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>De 1 a 500 dólares</td>
<td></td>
</tr>
<tr>
<td>De 500 a 2000 dólares</td>
<td></td>
</tr>
<tr>
<td>De 2000 a 10000 dólares</td>
<td></td>
</tr>
<tr>
<td>De 10000 a 50000 dólares</td>
<td></td>
</tr>
<tr>
<td>De 50000 dólares en adelante.</td>
<td></td>
</tr>
</tbody>
</table>

i. Promedio de Ingreso por emprendedor

<table>
<thead>
<tr>
<th>Rango de Ingreso</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>De 1 a 831 dólares</td>
<td></td>
</tr>
<tr>
<td>De 831 a 2205 dólares</td>
<td></td>
</tr>
<tr>
<td>De 2205 dólares en adelante.</td>
<td></td>
</tr>
</tbody>
</table>

PARTE 2: Macro Dimensión: Socio Económica.

1 Porque decidió emprender su propio negocio. (recordar que pasaba en la vida de la persona al momento de iniciar el negocio, porque emprendió este camino mientras otros no?.

2. Qué condiciones externas le motivaron a emprender su negocio propio? (Se refiere a aspectos externos positivos o negativos que motivan el emprendimiento) positivo se refiere por ejemplo a tener una idea o una oportunidad, negativos a causa de quedarse sin trabajo o por necesidad elemental, etc.:

- Necesidad Económica o familiar
- Formación académica
- Una idea
- Tradición familiar
- Discriminación, escapar de algo
- Casualidad
- Afán de Independencia
Otros Especifique:
3. Que institución o persona le ha brindado soporte o apoyo para su carrera como empresario, no solo económico sino emocional o motivacional ¿cómo se manifiesta este apoyo?

Familia
Conyuge
Cooperativas
Gremios
Iglesia
Otros Especifique

4. De donde obtuvo dinero para empezar su empresa?
Ahorros
Prestamos
Ganancias
Otros (herencias, premios, etc.) Especifique:

PARTE 3. Micro Dimensión Características Individuales:

5. Que característica personal (comportamientos) aprendió desde pequeño, que permitieron optar por ser un empresario? Quién se lo enseñó? Como lo aprendió?

6. Que características personales le han permitido salir adelante con su propia empresa? Ej. Perseverancia, dinamismo, optimismo, creatividad, disciplina, contactos sociales etc. Como lo pone en práctica en el día a día?

7. Que ha cambiado en su personalidad ahora que es un empresario?, como era antes?

8. Según su experiencia, que Comportamientos o características personales debe tener un emprendedor para tener éxito en el Ecuador.

See Next Page.