

Essays on entrepreneurship in Colombia

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ADDENDUM ON VALORISATION

This addendum on valorisation is added in accordance with article 23.5 of the 'Regulation governing the attainment of doctoral degrees at Maastricht University' decreed by the 2013 resolution of the Board of Deans.

These ***Essays on Entrepreneurship in Colombia*** explore several aspects of the microenterprise sector and its contribution to inclusive social development in the country. The results presented inform a wide range of policy issues relevant to development, policymaking, practitioner and research communities, in particular in Colombia, Latin-America and other low- and middle-income economies.

First, by showing that the divide in the study of the topics of innovative and subsistence entrepreneurship is the result of the evolving interests of different governments with a preference to the role of entrepreneurship in economic growth, Chapter 2 lays out the historical evolution of the study of entrepreneurship in Colombia. This Chapter shows that universities and think-tanks are mainly interested in the former, while consultancy and government agencies are mostly interested in the latter.

These results also reflect the trends in research of Latin American countries which have moved historically along thanks to the labour of UN's Economic Commission for Latin America and the Caribbean (ECLAC). This is of relevance for the research community and the governments to orient research budgets and initiatives, in particular for topics close to social inclusion and development such as micro-entrepreneurship.

Complementarily, by finding that there are significant differences in the effect of start-up motivation on business performance (revenue, profitability, and growth) among the quantiles within the Micro and Small Enterprise sector, Chapter 3 presents evidence to policymakers about the motivation divide that is at the centre of the occupational choice debate. Entrepreneurship is a recurring component of unemployment schemes; this sort of evidence can help guide the design of active labour market interventions that consider business start-up as an alternative. From the perspective of private sector development interventions and policies whose objective is business growth, these findings inform the important role of start-up motivation as a defining stage of nascent entrepreneurship.

For researchers and practitioners, Chapter 3 highlights the need to refine the methods to elicit most adequately this motivation trait. For instance, by characterising the employment trajectories, the conditions defining the start-up stage, the thought process in the conception stage (ideation and decision process) and the psychological factors associated with the start-up process.

As a result of the analysis of the operation of the entrepreneurship support in Cartagena, Chapter 4 informs policymakers and practitioners of the importance of measuring outcomes and impacts. Behind this measurement process lies a wider definition process of a theory of change and its corresponding monitoring indicators. By testing and comparing several measurements for business performance, the results in Chapter 4 contribute to the discussion on performance measurement in the MSE sector, both

from the economic and the accounting approach. For practitioners and researchers, this is an ever-evolving debate that, beyond the methodological aspects, requires some strategic thinking because it implies an effort in the reporting of entrepreneurs. For the reporting itself, it implies a behavioural aspect; for the traceability of operations, it implies technical training. These become particularly daunting when doing research or implementing policies in contexts of vulnerability and poverty.

In addition, the survey instrument employed in Chapter 4 proposes a methodological approach to elicit information from the population living under vulnerable and poor conditions. The findings show practitioners and researchers the potential of enquiring information otherwise difficult to capture. The potential for psychometrics in the study of entrepreneurs is widening and its applications for entrepreneurship support and poverty reduction policies are starting to be used to refine the interventions designed and implemented.

By presenting a characterisation of the mental wellbeing among the population of entrepreneurs studied, Chapter 5 highlights the relevance of the entrepreneurship psychometrics. This is particularly important for entrepreneurship under pressing conditions, be it poverty or state fragility. Given the interest that mental wellbeing has received as a dimension to understanding poverty, these results are likely to be at the centre of the social policy and development debate.

Chapter 5 uses the results of the psychometric tests conducted on the group of entrepreneurs to study its relationship with their business performance. By delving into the association present between mental wellbeing and psychological traits and the performance of entrepreneurs, Chapter 5 raises awareness of this matter to policymakers, practitioners and researchers. This reflects the consolidation of a research agenda around the psychological dimension in entrepreneurship as one of the defining issues of being an entrepreneur. This chapter contributes to the operationalisation of these measures and indicators. Unpacking this interaction, I find that entrepreneurship not only deals with entrepreneurial talent in its business performance form but also, and especially under vulnerability and poverty, with the individual traits of entrepreneurs.

From the public policy perspective, Chapters 6 and 7 contribute to the debate around entrepreneurship support and its interaction with social policy. This is of particular interest to policymakers and the research community in developing countries where the entrepreneurial fabric is mainly constituted by microentrepreneurs and a large extent of the households associated to these microenterprises live in vulnerability and poverty. By showing that complier entrepreneurs are more credit-oriented and work more hours per day, Chapter 6 contributes to the current debate about the incentives or disincentives to work caused by the participation in social policy.

The interaction between social and entrepreneurship policies in the configuration of inclusive development is a rich field, yet to be studied deeply from the harmonization of policies standpoint. The inclusion of the income generation dimension into social policy schemes is still a matter of current

debate, mostly around the best way of implementing it, for instance, to avoid the clash of incentives between policy instruments.

By inquiring about the role of entrepreneurship in the process of graduation out of poverty, Chapter 7 contributes to the Capability Approach presenting evidence that supports the inclusion of entrepreneurship as a functioning linked to poverty overcoming. Entrepreneurship presents a great potential given its multidimensional nature. In its more basic conception, it is connected to income-generation, and in its more complex conception, it is connected to the concept of agency. In the search for poverty reduction, these findings contribute from the entrepreneurship and the social policy strands of literature and inform policies that seek an integral view and addressing of all dimensions of poverty.

The essays contained in this thesis offer insights by contesting and refining existing thinking in different fields such as entrepreneurship, social policy, policy evaluation and poverty reduction. Analytical chapters are currently being reshaped to be submitted to academic journals. They have been presented in internal and external conferences, seminars and workshops attended by both academics and policymakers. These were fruitful opportunities to disseminate results and receive comments and suggestions.

For instance, Chapter 2 titled: *Entrepreneurship and its analysis in Colombia: A contextualized literature review* has been published in 2015 in the special issue of "Iberoamerican Economic History" in the journal *Cuadernos de Economía* (O. Rodríguez, 2015).¹ The results of Chapters 3 and the methodology of Chapter 4 were shared to the microenterprise unit at the Colombian National Statistics Bureau (DANE). Sections of the survey employed in this dissertation have been applied by the microenterprise survey conducted by DANE, in particular, in the 2016 wave. These results have also been shared with the implementation team at Cartagena, this helped to strengthen their set of monitoring indicators. The measurement section of the survey was also employed in 2018 in a UNDP project to a broader group of entrepreneurs in six cities in Colombia. This project focused on micro-franchising, crowdfunding, and innovation campus to measure the impact of these policies on microenterprises and entrepreneurs (Diaz et al., 2019).² Finally, Chapter 6 has been presented at the UNU-MERIT internal seminar, and at the What Works Global Summit 2016 (2016, London).

¹ Rodríguez, O. (2015). Entrepreneurship and its analysis in Colombia: A contextualized literature review. *Cuadernos de Economía*, 34(66), 605–628. <https://doi.org/10.15446/cuad.econ.v34n66.49424>

² Diaz, Y., Narvaez, L., Rodríguez, O., Cortés, M., & Silva, J. (2019). Evaluating three UNDP entrepreneurship programs for the economic inclusion of the poor in Colombia. United Nations Development Programme.