

Chapter 7

Key Factors of Dynamic SMEs in Colombia Using GEM Data: Reflections for Public Policy

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ABSTRACT

This chapter contributes to the public policy discussion about the key factors related with dynamic SMEs in Colombia. Authors analyze the case of Colombia through a quantitative approach with a binomial logistic model to estimate the level of association between selected independent variables and dynamic SMEs in the country using GEM data 2017. One of the most important outcomes was that the export activity as well as the level of education of entrepreneurs and previous business experience increase the propensity of Dynamic SMEs in the country. In contrast, variables such as seed capital at the beginning of business and business training did not show a significant relationship with Dynamic SMEs for this case. Notwithstanding the prosperity entrepreneurship ecosystem in Colombia, only 3% of entrepreneurs and their companies are classified as dynamic by authors' model, and there are still great challenges to changes in public policy toward knowledge-intensive entrepreneurship.

INTRODUCTION

The process of business creation and consolidation of companies in early stage are two of the major challenges in the new trends for growth and economic development of nations. There is empirical evidence that indicate a positive relationship between the creation of new businesses and economic growth of a country (Reynolds, Bygrave, Camp, and Autio, 2000). However, there are still several issues to be resolved on topics such as: the types of businesses which generate wealth, the factors involved in success

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or failure and the type of support that should receive new entrepreneurs to take their businesses forward (Kantis, Ishida, and Komori, 2002).

There are several studies related to determinants of entrepreneurial success, and the importance of emerging economies as case studies (Arráiz, I., Meléndez, M. & Stucchi, R. Small, 2014; Aparicio, Urbano and Gómez, 2016). But, there is a need of empirical studies that conduct to determine the key factors affecting high-impact and Dynamic SMES in the country, differentiating between those who have the potential of dynamic and innovative growth (EDI), of those who could be classified as subsistence. This in order to implement public policy decisions that benefit the stages of success business cycle, from the moment to the business idea arises to the moment it goes into operation. This research investigates and analyses the factors related to Dynamic SMES using Global Entrepreneurship Monitor Data for Colombia in 2017. The main research questions are: ¿Which are the key factors related to Dynamic SMES in Colombia 2017? and ¿what are the implications for public policy? The answer to these questions draws the path to support of successful decision making in business strengthening programs.

The chapter is developed as follows. The first section contextualizes the study and review theoretical references about entrepreneurship topic; furthermore, deepen in Dynamic SMES concept, in the associated factors to Dynamic SMES and the importance of adequate public policies to strength this type of venture. In the second section, we present the methodology and the empirical model to determine the associated factors to Dynamic SMES in Colombia in 2015 using GEM data. In the third section, the results of statistical model will be exposed to identify key factors of Dynamic SMES for Colombian case. Finally, the fourth section closes with a discussion about the findings and its implication in decision –making of public policy.

LITERARY REVIEW

There is a wide theory regarding entrepreneurship in general and innovative entrepreneurship in particular (Audretsch, Kuratko & Link, 2016; Rothaermel, F. T., Agung, S. D., & Jiang, L., 2007). The relationship between entrepreneurship and economic dynamics has been studied since the beginning of economic science and it does not remain many doubts. For Schumpeter (1934), the economic development was related to the strengthening of businesses and these in turn supplied the innovations needed in the production process to generate feedback and development of the economic system. In the other hand, for Kizner (1997) and Mises (1961), the role of entrepreneur in the society determines the extent of utilization of the factors of production. That means, the entrepreneurship would be the agent that regulates the production cycle according to the most urgent desires of consumers using the most optimal way.

Among the most complete studies, Rothaermel, Agung and Jiang (2007) perform a theoretical review that systematize the study of university entrepreneurship subject in United States and Europe through the analysis of 173 articles published in academic journals. They identify four research streams: entrepreneurial research university, productivity of technology transfers offices, new firm creation and environment context, to construct a framework describing the dynamic process of entrepreneurship. In the side of empirical studies, it noteworthy the Global Entrepreneurship Monitor Project (GEM), which in the last decade has collected information from more than one hundred countries worldwide characterizing the entrepreneurial activities of adult population (Amorós, Ciravegna, Mandakovic, V., & Stenholm, 2017; Bruns, Bosma, Sanders & Schramm, 2017). In Latin America (LA) the first studies in this matter begin in 2000 with the research of Kantis, Ishida y Komori (2002a) about Dynamic SMES, and their study

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