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Factors related to the intention of starting a new business in El Salvador

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ABSTRACT

Even though nowadays entrepreneurship is a universal concept, there are still some gaps between understanding entrepreneurs and entrepreneurship, specifically in developing countries like El Salvador; which is the smallest and the most densely populated country in Central America. The purpose of this paper is to fill this gap and provide solutions and suggestions for business administration students and people interested in becoming future entrepreneurs.

The factors related to the intentions of starting a new business in El Salvador are the main problem for entrepreneurship in the country. The relevance to these problems is that there are many possibilities to improve the economy of the country, but there are not so many opportunities available for people to do it; furthermore, the lack of financial help and help from the government stops them from becoming entrepreneurs.

In the literature review section, the principal factors related to the intention of starting a new business in El Salvador are presented. The literature review is based on other research reviews, general concepts and the researchers' review of opinions of El Salvador. The factors are as follows: cultural and social norms, lifestyle, entrepreneurial aptitudes, perceived opportunities, perceived capabilities and fear of failure and finally, intention of starting a new business.

The methods used for this research includes a framework that is presented in order to give a better idea of the relation between the factors. In addition, the software SPSS for statistical analysis was used. Furthermore, a factor analysis, an ANOVA test and a correlation test were conducted in order to accept or reject the hypotheses proposed.

The results show that: lifestyle and entrepreneurial aptitudes are strong related to perceived opportunities, perceived capabilities, the intention of starting a new business and negatively related to the fear of failure. Perceived opportunities and perceived capabilities are related to the intentions of starting a new business in El Salvador.

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1. Introduction

In today's world, the necessity of understanding the concepts of entrepreneurship and entrepreneurs is growing among us. It is necessary that our society gets access to new, updated and detailed information about entrepreneurship in El Salvador which is a developing country. This will help in knowing that entrepreneurship is one of the most important parts in the development of a country and the promotion of productive individual initiatives is

essential for a better society; and a fair, secure and free environment for achieving social progress in every community. In El Salvador, jobs are one of the most important parts in the development of the country, growth of the economy and a way to emphasize the dignity of a person. In order to achieve all these, jobs need to be well paid and well protected by laws in favor of the employees and employers; and also, an enjoyable task for the ones doing it daily.

A lot of the jobs in El Salvador are obtained by self-employment and entrepreneurship, around 31% of Salvadorians between 18 and 64 years old work this way. Most of them, however, do not have any desirable conditions. The most important objective of this paper is to make entrepreneurship a way of work that can be converted into one of the most important parts of the economy in El Salvador and a great way of having a better life.

In El Salvador, the level of education is really low. Most people

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try to begin a business in order to survive, which makes it a necessity and not an option. The demand for new business to open day by day in El Salvador is growing not only for products that already exist and are better, but also for products that are new and innovative.

2. Theory and hypothesis

In 2014 in El Salvador, 31.2% older than 18 years old were entrepreneurs. El Salvador falls into the aforementioned group of countries. In the 2012 GEM Report (Sánchez-Masferrer, 2013), these tendencies are common in Central American countries which are efficiency-driven economic. The main reasons why some are still not entrepreneurs are: they already have a good job, they do not have necessity of an extra income, and they need to study full time, or become housewives.

To undertake a business is a decision that people make, and they depend on internal factors of each individual (capabilities, attitudes, perceptions and aspirations), resourcing (human, social and financial capital) and environmental conditions (social, political, legal, economic, etc.). Social values play a key role to determine whether individuals are behaving entrepreneurial or not.

Social values are revised through three dimensions: If most people consider starting a new business a desirable career choice; If those individuals who are successful at starting a new business enjoy a high level of status and respect in the society; and If media attention to entrepreneurship contribute or not to develop an entrepreneurial culture in a country.

During the years 2012–2014 it was possible to observe the increase in each value of entrepreneurship in El Salvador. There are two different interpretations of this data: in a positive way, it is an increase of entrepreneurship showing a better business environment or better perceived capabilities for entrepreneurs; it can also be understood as an increase in entrepreneurship in a negative way as a result of bad market conditions and lack of jobs.

In El Salvador, there are entrepreneurs by necessity and by opportunity. The percentage by opportunity is lower than the average for Latin American countries and the one by necessity is higher than the other countries. Higher entrepreneurship by necessity means an economic environment where there is a lack of jobs or where a group of the population does not have access to any type of salaries, lack of capabilities, etc.

The profile of entrepreneurship in El Salvador is lower than the in Latin America since it is the third poorest country in Latin America. The factors related to the intention of starting a new business in El Salvador are multiple; and the ones stopping them from becoming entrepreneurs are: financial help, lack of programs (public and private) that help entrepreneurs in general, the small market, the lack of competency in the internal market, etc.

2.1. Entrepreneurship

It is the process of designing, launching and running a new business and it will tend to include topics like government programs, services, entrepreneurship courses, financial support, etc. that promote and support entrepreneurs.

2.2. Entrepreneur

It might be described as a person who starts his or her own business, and assumes the risk but stands to gain the profits. There are so many reasons why people become entrepreneurs: cannot have a boss, easily bored, cannot keep a job, not too educated, etc. In El Salvador, 1/3 of the population is an entrepreneur. Salvadorians entrepreneurs are: Dynamic, visionaries, innovative, creative and

risk taker.

2.3. Cultural and Social Norms

Entrepreneurial culture is focused on remaining social roles and motivating new behaviors. Social entrepreneurship involves resources, investment, analysis, etc. Social entrepreneurs will tend to solve problems by disrupting existing systems and Cultural entrepreneurs will solve them by disrupting the belief systems (Witter, 2011).

“Culture is one of the most precious things a company has,” said Herb Kelleher, Founder, Southwest Airlines. “So you must work harder on it than anything else.” Salvadorians enjoy speaking about their job, family, customs and almost everything. Salvadorians are good talkers and very comprehensible with foreign people.

H1. Cultural and Social Norms relate to Perceived Opportunities in El Salvador.

H2. Cultural and Social Norms relate to Perceived Capabilities in El Salvador.

H3. Cultural and Social Norms relate to Fear of Failure for starting a new business in El Salvador.

H4. Cultural and Social Norms relate to the intention of starting a new business in El Salvador.

2.4. Lifestyle

Lifestyle can make a big impact on the current social success, and on the opportunities a person will have to practice and develop their skills in order to move forward and the importance of them changes over time.

Lifestyle entrepreneurship means creating a business around the kind of lifestyle a person desires, the business supports their life and allows them to create freedom while making an impact in people's lives. There are many reasons why people have intentions to become a lifestyle entrepreneur, for example, to be near their aging parents or stay at home with their young children, get off the travel grind and away from overbearing bosses and finally to do the kind of work that they love.

In El Salvador the majority of the population lives in the central area, everyone speaks Spanish and a good percent of the population can handle English as a second Language, urban cities in El Salvador include middle classes and military public employees, commercial middlemen, and small businessmen. People living in urban cities usually make a living being lawyers, doctors, politicians, etc. and some people are involved in real estate. Almost half of the population is below the poverty.

H5. Lifestyle is related to the perception of opportunities in El Salvador.

H6. Lifestyle is related to perceiving more entrepreneurial capabilities in El Salvador.

H7. Lifestyle is related to having more fear of failure when starting a new business in El Salvador.

H8. Lifestyle is related to the intentions of starting a new business in El Salvador.

2.5. Entrepreneurial aptitudes

Are defined as the skills to potentially create and develop enterprises and self-employment. Successful entrepreneurs present

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