

## Chapter 82

# Opportunities and Challenges for Entrepreneurial Activity and Non-Entrepreneurial Engagement in Colombia

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### ABSTRACT

*This chapter explores various aspects that might be associated with entrepreneurial activity and non-entrepreneurial engagement in Colombia between 2010 and 2012. These ratios were calculated from the GEM-Colombia report between 2010 and 2012. Aspects were obtained from the National Expert Survey (NES) of the GEM project and from the Doing Business Study. Sommer's  $d$  correlation was used to test significant association. Results show that in general, context conditions in Colombia are adequate to start a business. Positive aspects include public policies to stimulate business creation, skilled specialist teams and reduction in processes required to formally establish an SME. Yet further substantial advance need to be made in terms of access to financial resources, access to technology that is relevant for microbusinesses, implementation of innovation policies and education in entrepreneurship. This is required to enhance the creation of high growth businesses that result in a knowledge-based economy in contrast with a prevalent traditional economy as is the case at present.*

### INTRODUCTION

Entrepreneurship is a fundamental component of economic growth, productivity, generation of employment, innovation and socio-economic development (OECD, 2009). The Global Entrepreneurship Monitor (GEM) has been demonstrating since 1999 on a worldwide scale that there is a strong correlation between business start-up and economic growth (Amorós, Bosma and GERA, 2014). GEM also

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has demonstrated that the entrepreneurial activity varies widely across countries and regions. These entrepreneurial differences are not only found across countries, but also within countries across different regions and territories (Audretsch et al., 2012).

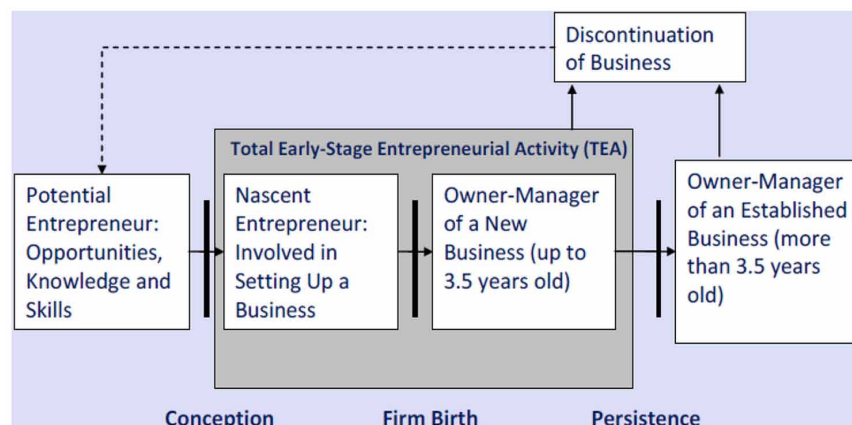
In recent years Colombia has presented one of the highest rates of the Total Early-Stage Entrepreneurship Activity (TEA) among countries in the Latin America and Caribbean Region (21%) (GEM-Colombia, 2013). TEA includes individuals involved in setting up a business (Nascent Entrepreneurship) and those running new businesses less than 3.5 years old (New Business Ownership) (Bosma et al., 2013) (see Figure 1). Within Colombia, entrepreneurial activity varies year after year between cities, territories and regions (GEM-Colombia, 2014).

In addition, the GEM methodology identifies individuals with entrepreneurial attitudes (i.e. potential entrepreneurs) and individuals involved as owner-managers in established firms (Bosma et al., 2012) (see Figure 1). Consequently, according to GEM the rate of individuals involved in entrepreneurial activities at different stages (i.e.: potential, new and nascent entrepreneurs, new business owners and owner-managers) normally varies each year among countries, between cities and territories in which GEM project is performed (Amorós, Bosma and GERA, 2014).

On the other hand, it has been confirmed that the potential for doing business varies between countries and different cities in the world (World Bank, 2013); “The Doing Business Project provides objective measures of business regulations and their enforcement across 189 economies and selected cities at the subnational and regional level” (World Bank, 2014). This study has a specific component namely Starting a Business, which is a ranking about the processes, cost and time associated specifically with starting a business. In 2014 Colombia occupied position 79 among countries. At the subnational level, four main Colombian cities, namely Bogotá, Medellin, Cali and Barranquilla occupied positions 7, 11, 4 and 14 respectively within the ranking of starting a business (World Bank, 2013). What could explain the differences in entrepreneurial activities rates between cities in Colombia? The main objective of this chapter is to explore some factors that according to the existing literature might be decisive in explaining this phenomenon. Data were extracted from the Adult Population Survey (APS) and National Experts Survey (NES) (GEM-Colombia, 2010; GEM-Colombia, 2012) and the Doing Business Report (World Bank, 2010; World Bank, 2013) for years 2010 and 2012. These years were chosen because the latter report is prepared every two years.

*Figure 1. Phases of entrepreneurship in the GEM research framework*

*Source: Bosma et al. (2012).*



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