

# Chapter 1

## Entrepreneurial Process and Financial Well-Being Generated by a Colombian Association of Vulnerable Individuals

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### ABSTRACT

*Entrepreneurship is considered relevant in the economic growth of nations because of its impact in the creation of new jobs and innovations in the social and economic fields. Thus, governments and academia worldwide have shown interest on how to leverage on entrepreneurship in order to develop strategies that improve the quality of life of individuals. Entrepreneurship as a development strategy is extensive; it goes from the creation of new enterprises born as a result of a high market potential to those that arise as the only income-generating alternative. This chapter addresses the study of the entrepreneurial process in organizations created by associations of vulnerable individuals engendered by the income generation need, and using as reference the case of AGROSEC, located in Colombia. Data were collected from primary and secondary sources. Five interviews were completed using pre-established protocols that were applied to 3 members of the association.*

### INTRODUCTION

The study of entrepreneurship has focused more on the analysis of innovative companies that arise due to market needs than on those arising from the income generating need of entrepreneurs. The existing cases in the latter have been anecdotal, leaving behind the fundamental aspects of entrepreneurship, like the distinctive features of the entrepreneurial process from entrepreneurs living in highly supportive environments and the differences of such process when it is performed by individuals in less supportive

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ones, as well as the impact in each surrounding community. This has been the case despite the power and importance of entrepreneurship in the reactivation of highly vulnerable regions and economies, from the point of view of employment generation (Audretsch & Fritsch, 2003; Wennekers, Van Stel, Thurik & Reynolds, 2005).

Given the lack of literature mentioned above, this chapter addresses the analysis of the entrepreneurial process in organizations created by vulnerable individuals grouped in associations, emphasizing its characteristic aspects and the way in which it impacts their communities. It is based on the concepts of social and collective entrepreneurship and the theoretical models proposed by Gartner (1985) and Timmons (1999), using as empiric reference the case of a Colombian organization created by individuals displaced by the armed violence which took place from the mid-twentieth century until almost the second decade of the twenty-first century.

The chapter begins with a concise presentation of basic entrepreneurship concepts such as: entrepreneurship, types of entrepreneurial initiatives, individual features that distinguish entrepreneurs from non-entrepreneurs and the entrepreneurial process. Other concepts such as social entrepreneurship, collective entrepreneurship and financial well-being are then presented given their relevance for the case that was analysed. These concepts are then used to analyse the case of an associative initiative of a vulnerable community in Colombia. The chapter concludes with issues, solutions and future avenues of research regarding the entrepreneurial process of vulnerable communities in Latin America.

## **BACKGROUND**

### **1. Entrepreneurship and Economic Development**

Entrepreneurship is a socioeconomic phenomenon of unquestionable importance. Motivations to study this field include the need of countries and regions to boost their economies through job creation and the impact of entrepreneurship dynamics (Wennekers & Thurik, 1999; Verheul, Wennekers, Audretsch & Thurik, 2002; Thurik, 2003; Audretsch & Fritsch, 2003; Wennekers, Van Stel, Thurik & Reynolds, 2005; Carree, Van Stel, Thurik & Wennekers, 2007). Additionally, Baumol (2004) considered that entrepreneurship is crucial for economies to flourish.

More than a large-scale economic development, new venture creation is based on pull and push factors that motivate individuals to improve first their personal economic development and then that of their families, neighbourhood, regions and countries.

The pull factor drives individuals who are interested in starting a new venture because of high expectations on the benefit that a new business can generate in the future; this is considered entrepreneurship driven by an opportunity. On the other hand, push factors motivate individuals to become entrepreneurs when conflict and negative situations surround them; in that case, entrepreneurship is motivated by necessity.

Entrepreneurship is not a new term. It was derived from the French term “entrepreneur” which has been used since the mid-1700s. The earliest reference to the term entrepreneurship has been traced to Richard Cantillon in 1734, who defined it as self-employment with an uncertain return (McMullan & Long, 1990, as cited in Sharma & Chrisman, 1999). Conceptually, there are plenty definitions for entrepreneurship; the most cited definitions were introduced by Cole (1953), Timmons (1990) and Gartner (1985). Cole (1953) defined entrepreneurship as several productive factors being used by one productive

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