

Entrepreneurial Motives, Success Factors and Barriers Among SMEs in Mexico

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SMEs are an important part of Mexico's economy in terms of job creation and GDP. It is therefore essential to better understand how SMEs are created and developed in order to build a stronger economy. This study aimed to determine the motivations of Mexican entrepreneurs, the success factors they value and the obstacles they face. To achieve this, this research identified and analyzed the entrepreneurial motives, success factors and obstacles experienced by a sample of 278 entrepreneurs in urban Mexico. The results show that entrepreneurs in Mexico are mainly motivated by economic goals, as four of the top six goals identified by firm owners were extrinsic. In terms of success factors, Mexican entrepreneurs favor those related to personal and product/service characteristics while difficulties related to finding reliable personnel as well as the weaknesses of the Mexican economic environment, were reported as the main obstacles by respondents.

Keywords: entrepreneurship, entrepreneurial motivations, success factors, barriers, SMEs in Mexico, gender

INTRODUCTION AND THEORETICAL FRAMEWORK

According to the March 2020 national census (INEGI, 2021a), Mexico has a total population of 126 million. Using international standard criteria developed in Mexico by Gordon (2010) and Gordon and Nandy (2012), Coneval (2018) reported that, despite improvements on some poverty indicators between 2008 and 2018, there were still 16.8 percent of Mexicans living with extremely low incomes, and 48.8 percent living below the poverty line. Moreover, the Covid 19 crisis was reported as seriously impacting the economy, particularly among women and young adults (International Labor Organization, 2020). De la Garza et al. (2020) also reported that sectors impacted the most by the pandemic were tourism, construction, and manufacturing.

In 2017, the U.S. Chamber of Commerce published data showing that trade between the U.S., Mexico and Canada created 13.7 million jobs in the U.S. and represented one-third of total U.S. exports. Zepeda and Virchez (2019) observed that trade between the three countries had quadrupled since 1994. Mexico and Canada were the main destination countries for over 125 000 small and medium-sized businesses in the U.S. However, North American trade was expected to be negatively affected by some of the changes implemented through the new USMCA trade agreement between the three countries. While the Mexican

automobile industry was booming since the 1994 NAFTA agreement, threshold quota raises in terms of regional content were seen as potential long-term threats to Mexican jobs in that sector. Even in the post-Trump era, protectionism remains part of U.S. federal and state political agendas. Zepeda and Virchez (2019) also observed that issues in the areas of national security and migration could represent opportunities for renewed bilateral conversations that could lead to further solutions in the coming years.

Like its trade partners, Mexico also looked beyond North America to further its trade relations with other partners. Agreements were signed with over 50 countries and trade blocks, particularly in Latin America, Europe, and Asia.

58.8 million Mexican people were identified as economically active during the fourth quarter of 2021 (INEGI, 2022a), representing an activity rate of 58.7% (INEGI, 2022b). After an 8.3% fall in 2020, the gross domestic product grew 1.1% in 2021 to \$ 1,086 billion. The GDP per capita equaled \$ 8,329 in 2020, while inflation was 3.4% that year (World Bank, 2022). According to the U.S. International Trade Administration (2022), Mexico has signed 13 trade agreements involving 50 countries: this includes the USMCA which entered into force on July 1, 2020, replacing the North American Free Trade Agreement (NAFTA) between Mexico, Canada, and the U.S. Besides bolstering exports, trade agreements indirectly impact Mexico's economy by stimulating foreign direct investments from the rest of North America, Europe, and China.

According to Konfio (2022), 60 per cent of Mexican Small and Medium-sized Enterprises (SMEs) owners expected to see 2022 as a year of recovery for their firm, following the Covid19 crisis that saw almost one million business closures. SMEs were still seen as generating over 50 per cent of the national GDP and over 72 per cent of employment (BBVA 2022).

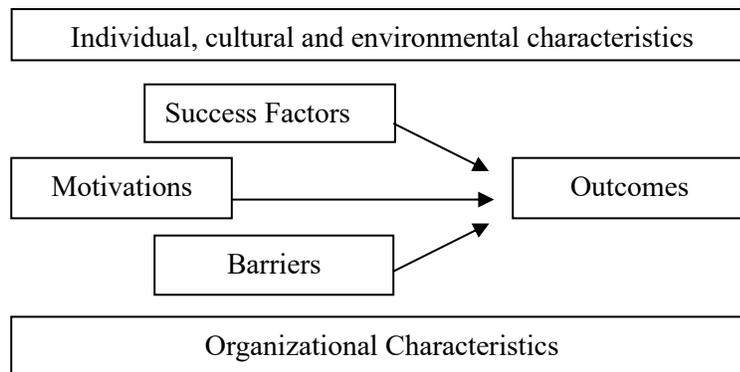
This research has three objectives: 1) to determine the entrepreneurial motivations, success factors, and obstacles faced by Mexican entrepreneurs, 2) to identify the direction and differences in entrepreneurial motivations, success factors, and obstacles by gender, and 3) to aggregate individual variables from the three dimensions into more limited components (factors).

Given these reasons and the importance of the contribution of SMEs to the Mexican economy, it is crucial to better understand how SMEs are created and developed in order to build a stronger economy. In this sense, a better understanding of the motivations, success factors and obstacles Mexican entrepreneurs face will help the government develop public policies. In addition, a better understanding of entrepreneurial motivations, success factors and obstacles would provide key information to the entrepreneurs themselves (e.g., which success factors to focus on) thus minimizing the failure rate of SMEs. In addition, such initiatives would reduce the level of uncertainty surrounding the creation and development of a business, making more individuals interested in a business career. To do this, we will use a sample of 278 respondents from Mexico. To date, very few empirical studies on entrepreneurship have been conducted in Mexico.

The conceptual framework used in this research (Figure 1) draws from the literature and specifically from the publications of Benzing, Chu et Kara (2009), Chu et al. (2007), and Kuratko et al. (1997). This conceptual framework emphasizes the following three dimensions: motivations, success factors, and barriers.

This article is divided into two parts: the first one presents the situation of entrepreneurship in Mexico and analyzes the entrepreneurial motivations, success factors and barriers, while the last part includes the methodology of the study, the results and the discussion and conclusion.

FIGURE 1
THEORETICAL FRAMEWORK: ENTREPRENEURIAL MOTIVES, SUCCESS FACTORS AND BARRIERS



REVIEW OF THE LITERATURE

Entrepreneurship in Mexico

Based on Porter et al. (2002) typology, the World Economic Forum classifies national economies in three categories, i.e. 1) Factor-driven economies based on adequate infrastructures and other basic economic requirements, 2) Efficiency-driven economies able to develop their market base and compete through higher education and efficiencies in technology and in labor, capital and goods and services markets, and 3) Innovation-driven economies able to compete through both innovation and business dynamism (WEF, 2016). According to WEF (2016), countries with higher business dynamism have economic conditions that allow new businesses to start more rapidly, at a lower cost, where attitudes towards financial risk are positive, and where new, innovative firms can grow more rapidly.

On a global scale, Mexico ranks high in terms of total entrepreneurial activity (TEA index), with a rate of 25 per cent in 2015 (Kelley et al. 2016). Moreover, in Mexico the younger generation is very entrepreneurial: the 16 to 24 age group represents almost 30 per cent of the total number of entrepreneurs, whose average age is 33.5 (Bosma et al. 2007). Mexico has been very dynamic in terms of business creation. Policies implemented in Mexico over the last decades have been credited for being behind this economic growth, including a disengagement of the state from the economy, progress towards more competition, as well as free trade with the U.S. and Canada (Méndez, 1998a and 1998b). It is notable that over 75 per cent of Mexican imports involve semi-finished products destined to manufacturing (Sánchez et al. 2014).

Furthermore, over the recent years, Mexico has increased its focus on entrepreneurship. In 2012, the federal government created a start-up fund for co-investments in new firms through the federal development bank, the Nacional Financiera (NAFIN): this was a first in Mexico (North, 2012). In addition, in early 2013 the government created the National Institute of the Entrepreneur (INADEM), an administrative entity integrated into the Ministry of the Economy, with a mandate to develop a stronger entrepreneurial ecosystem (INADEM). A support network of over 500 incubator programs available in 190 cities exists across Mexico, including 50 incubators dedicated to high-growth potential start-ups (New Venturist). Such actions underscore the commitment of the government to improve Mexico’s potential for innovation and competitiveness despite enduring difficulties in mobilizing venture capital.

To bolster these efforts, Mexico’s geographic proximity to the U.S. combined with its participation to NAFTA and twelve other free-trade agreements involving 44 countries offer enormous opportunities to exporters (Villareal, 2017). Increased labour costs in China also drove relocations back to Mexico from manufacturers supplying U.S. clients. Over the recent years, Mexico has progressed considerably since the federal government identified entrepreneurship as a vector of economic growth.

Some structural weaknesses still hamper Mexico's entrepreneurial drive, notably a limited access to short and long-term financing which limits firms' growth capacity, and a low level of postsecondary education which reduces the supply of qualified personnel. This could seriously limit Mexico's contribution to the knowledge-based economy (EY, 2013). Mexico's economy has also been directly hit by the oil prices collapse since 2014, by a sluggish world trade, by a reduced industrial output after 2009, before being hit by the adverse effects of the Trump administration's announcements regarding the Transpacific Partnership, NAFTA, and the erection of a wall between the U.S. and Mexico (Villareal, 2017, p. 16). Despite the above, Mexico remains one of the most competitive economies in the region and keeps forging ahead in terms of the fundamental factors necessary to its future prosperity.

Motivations of Mexican Entrepreneurs

Research on human motivation attempts to identify why people think and act in various ways, within the context of external factors affecting their perceptions and their means for action (Cachon et al. 2013). Early entrepreneurship scholars have widely adopted theories developed within the organizational behavior field, until Gartner et al. (1992) observed a gap between these theories and reality. This triggered further research relative to motives and entrepreneurial goals, as described below.

Theoretical models of performance have underscored the important role of goal setting by entrepreneurs in their firm's growth (Morris et al. 2006; Blawatt, 1995; Naffziger et al. 1994; Herron & Robinson, 1993). Bird (1988) has suggested that an entrepreneur's intentions would determine the shape of an organization and the direction it would take. She added that a given entrepreneur's intentions tend to change with the firm's evolution in time: « subsequent organizational success, development, growth, and change are based on these intentions, which are either modified, elaborated, embodied, or transformed. » (Bird, 1988, p. 444)

The literature points to a wide variety of motivations for entrepreneurs that can be economic such as obtaining monetary compensation and building wealth in the business (Langan-Fox & Roth, 1995), generating additional income after retirement (Aspaas, 2004), acquiring personal wealth, increasing personal income and/or increasing earnings (Kuratko et al. 1997) or non-economic reasons such as job security for oneself and one's family (Aronoff & Ward, 1995), self-actualization, the opportunity to create something (Aspaas, 2004), independence and autonomy, the control gained from being one's own boss, personal growth, recognition, challenge, and satisfaction of a need to succeed (Kuratko et al. 1997; Robichaud et al. 2001; Pereira, 2003).

Survey-based field studies on entrepreneurial motives in Mexico and Latin America are uncommon. Samaniego (1998) distinguished self-employed workers from entrepreneurs with employees and found motivational differences between these two categories. Among business founders having employees, 40 percent declared unsatisfactory remuneration as their main entrepreneurial motive, 25 percent chose as a second motive the closing of their employer or the end of a contract. Other reasons were more flexibility in a managerial position, shorter working hours, proximity from the residence, and other reasons. Conversely, 33 per cent of those who became self-employed without having employees mentioned an involuntary end of employment as the main motive for their decision. An insufficient salary and a need for flexibility were, in order, the next two motives.

Samaniego's results (1998) correspond to those obtained more recently by Radojevich-Kelley (2014), where 64 percent of the Mexican entrepreneurs surveyed had rated financial independence as their primary motive for having started a business. To realize their dream and personal independence were respectively mentioned by 18.7 per cent and 17.2 per cent of the respondents. Over 57.5 percent of them considered financial prosperity as the main reward for an entrepreneur, with a higher income, the possibility to sustain their family and to enjoy a certain financial and economic freedom. Autonomy and independence ranked second (33.6 per cent), providing the latitude to choose your own work hours and not having a boss telling you what to do. Kantis, Ishida et al. (2002) also identified the desire to be one's own boss as a most important motivation factor. In fact, 80.5 percent of Mexican entrepreneurs declared having been motivated by a desire for autonomy and independence.

Success Factors

A few empirical studies have examined the issue of entrepreneurial success factors in Latin America, including Mexico. In Argentina, Sastre (2013) interviewed entrepreneurs at three various stages of business activity: 1) potential – or at planning stage; 2) nascent – or during start-up, and 3) established entrepreneurs. They all agreed about three main categories of success factors: a) identifying a viable market niche; b) proposing a marketable product or service, and c) providing clients with an excellent service.

Kantis, Gonzalo et al. (2013) found that successful entrepreneurs (labeled as ‘ambitious’) running technology firms in Argentina, Brazil, and Chile were significantly different from could be identified in part by having previous experience in a large firm as well as an excellent track record in business. They also tended to have substantial capital to invest in their business, cater to an established market base, and the ability to maintain their firm’s working capital. Success was also dependent on attracting qualified human resources, finding skilled partners, and keeping up to date with technology. In terms of government support, Kantis, Gonzalo et al. (2013) reported that business incubators played a significant positive role in new business success in Brazil and Chile. Mentoring from other business people also played a major role in long-term success. These results confirmed previous ones across Latin America (Kantis, 2004).

Mexican empirical research about entrepreneurial success factors includes reports from Morales-Jiménez et al. (2015) and from Ynzunza Cortés and Izar Landéta (2021). Among informal micro-entrepreneurs in Guerrero, Morales-Jiménez et al. (2015) reported that location and spousal support were the most significant success factors. A research conducted in the state of Queretaro by Ynzunza Cortés and Izar Landéta (2021) revealed a positive relationship between general management skills, appropriate training, and spousal support variables over success factors.

In various other parts of the world, entrepreneurial success factors have been empirically examined by Benzing, Chu, and Bove (2005), Benzing, Chu, and Callanan (2005), Benzing, Chu, and Kara (2009), Chu et al. (2008, 2011), Zimmerman and Chu, (2013), and Gok et al. (2021). These studies used a survey questionnaire developed by Hung M. Chu (Chu & Katsioloudes, 2001).

In the Benzing et al. (2009) study, conducted in Turkey, the most important success factors were « Reputation for honesty », « Charisma; friendliness to customers », « Good general management skills » and « Good customer service ». Last on the list came the statement « Satisfactory government support ». Similar empirical data obtained in Vietnam (Benzing, Chu, & Callanan, 2005) and Romania (Benzing, Chu, & Bove, 2005) also put the statement « Charisma; friendliness to customers » at the forefront, followed by « Good customer service » in Romania, and « Good product at a competitive price » in Vietnam. In a Nigerian sample by Chu et al. (2008), respondents chose first the statement « Hard-work », with, ranking second, « Good general management skills », followed by « Good customer service » and « Charisma; friendliness to customers » in third and fourth positions as contributing to success. The statement « Political involvement » was the least preferred among Nigerian respondents. Another research conducted in China by Chu et al. (2011) revealed the same result except that Honesty came as a first choice as a success variable; a similar result was obtained in China by Gok et al. (2021), who also reported that Chinese entrepreneurs rated employee-related problems as the most critical problem among all. In Venezuela (Zimmerman & Chu, 2013) the first four choices were « Good general management skills », « Appropriate training », « Maintenance of accurate records of sales/expenses » and « Political involvement ». Table 1 summarizes the results obtained by these studies. Similar results were obtained in Bangladesh (Uddin & Bose, 2013).

TABLE 1
SUCCESS FACTORS IDENTIFIED IN THE LITERATURE

| Success Variables | Benzing et al. (2009) Turkey | Benzing et al. (2005) Vietnam | Benzing et al. (2005) Romania | Chu et al. (2008) Nigeria | Chu et al. (2011) Gok et al. (2021) China | Zimmerman et al. (2013) Venezuela |
|--------------------------------------|---------------------------------|----------------------------------|----------------------------------|------------------------------|---|--------------------------------------|
| Good general management skills | 3 | | | 2 | 3 | 1 |
| Charisma - friendliness to customers | 2 | 1 | 1 | 4 | 4 | |
| Appropriate training | | | | | | 2 |
| Good product at a competitive price | | 2 | | | | |
| Good customer service | 4 | | 2 | 3 | 2 | |
| Hard-work | | | | 1 | | |
| Maintenance of accurate records | | | | | | 3 |
| Political involvement | | | | | | 4 |
| Reputation for honesty | 1 | 3 | 3 | | 1 | |

The above results suggest that « Charisma - friendliness to customers », « Reputation for honesty », « Good general management skills » and « Good customer service » were cited (or equivalent variables) most often by respondents across cultures. Indeed, this was also true among male entrepreneurs, as well as in most countries where the same variables were measured. It will, therefore, be of interest to find whether those results will be corroborated here.

Barriers/Constraints

Another important dimension of entrepreneurship research focuses on the barriers or constraints faced by entrepreneurs (Yalcin & Kapu, 2008; Kantis, Gonzalo et al. 2013). Storey (1994) defines barriers as internal or external factors that prevent the growth of firms. In Mexico, certain structural weaknesses are likely to moderate the development of entrepreneurship in Mexico. Indeed, access to most types of financing remains very difficult, which hinders the growth of many firms. There is also the fact that Mexico's innovation performance seems to be declining, as there has been a decrease in the number of patents registered since 2008.

Despite some obstacles to business creation, Mexico has made considerable progress in recent years in several areas. For example, according to the World Economic Forum's Global Competitiveness Index 2016-2017 (World Econ. Forum, 2017), Mexico has moved up from 57th to 51st out of a total of 138 countries

and is considered to be in the transition phase from a country guided by efficiency concerns to one oriented towards innovation and sophistication. This rise in the ranking is mainly attributable to market efficiency gains. Mexico's domestic and foreign competitive position in the goods market has improved considerably, reflecting the results of policy choices and trade policy reforms. The labor market has increased both flexibility and incentives, and financial markets have improved their accessibility.

However, Mexico remains one of the most competitive economies in the region and is making progress on some of the fundamental factors responsible for future prosperity (WEF, 2016). According to the World Economic Forum (2016), the main obstacles to business creation in Mexico are, in descending order of importance, corruption, crime and theft, inefficient government bureaucracy, inadequate infrastructure, and an inadequately educated workforce.

METHODOLOGY

Sample Selection and SME' Definition

Chamber of Commerce registration being mandatory in Mexico rendered business listings readily available. 278 respondents participated, of which 78 were from Guadalajara and 200 from Monterrey. All Mexican entrepreneurs were interviewed in person. An average interview lasted 30 minutes. For this research, the Organization for Economic Cooperation and Development's (OECD) definition was adopted, i.e., any business with less than 250 employees.

Guadalajara (state of Jalisco) and Monterrey (state of Nuevo León) were chosen for this study because of their strong small business sector. The total population in the metropolitan area of Monterrey is 5.21 million people, according to Informador (2021). Across both states, 62.75 percent of the male population was part of the economically active population (EAP) in 2020 (INEGI 2021b and 2021c), while 40.2 percent of the female population was economically active.

SMEs occupy 76 per cent of the population in Nuevo León. Nuevo León is also one of the leading entities responsible for Mexico's economic growth and job creation. With 4 per cent of the population the state produces 7.5 percent of the national GDP, and 11 percent of domestic manufacturing; Nuevo León also generates 11 percent of exports, receives 10 percent of foreign direct investments (FDI) coming to Mexico, and creates 9 percent of total formal employment. Its per capita income of 20,000 dollars is almost double the national average. According to the latest data published by INEGI (2021b), Nuevo León is the state with the lowest rate of informal economic activity.

As for Guadalajara, it is Mexico's second biggest city with a total population of 5.27 million people in 2020 (Informador, 2021), with an economic participation rate of 64.1 percent for the state of Jalisco as a whole (INEGI, 2021b). This is the birthplace of mariachi music and tequila but also one of the country's leading industrial and business centers, sometimes called Mexico's Silicon Valley (Webber, 2015).

After Mexico City and Monterrey, Guadalajara has Mexico's third largest economy and industrial infrastructure, contributing to 37 per cent of the state of Jalisco's total GDP. Its economic base is diversified, mainly based on commerce and services, although the manufacturing sector plays a defining role. It is also ranked in the top ten in Latin America in terms of gross domestic product and the third highest ranking in Mexico.

Most of the economy revolves around commerce, employing 60 per cent of the population. This activity has mainly focused on purchasing and selling the following products: food and beverages, textiles, electronic appliances, tobacco, cosmetics, sport articles, construction materials and others. Guadalajara's commercial activity is second only to Mexico City.

Regarding information and communications technologies, which are required for most business operations, both states of Jalisco and Nuevo León were ahead of Mexico's national averages as of 2020. According to INEGI (2021a, b, and c), while 37.6 per cent of Mexicans had a personal computer, these proportions were 44.5 per cent in Jalisco and 47.8 per cent in Nuevo León in 2020. Cell phone ownership equaled 87.5 per cent across Mexico, 91.7 per cent in Jalisco, and 93 per cent in N.L. Land line ownership reached 37.5 per cent across the country, 43.4 per cent in Jalisco, and 55.7 per cent in N.L. Finally, while 52.1 per cent of Mexicans had access to the Internet, 61.8 per cent did in Jalisco, and 69.6 per cent in N.L.

Variables Measurement

Data on entrepreneurial motives were collected through a survey questionnaire developed and validated by Robichaud et al. (2001) and Robichaud (2011) based on a literature review identifying the major motives categories present in the extant literature. Motivational constructs were then validated among samples of entrepreneurs and through further research in various countries, including Canada (Robichaud et al. 2010), Mexico and the U.S. (Cachon et al. 2013), and France (Assaidi et al. 2015).

Data on success factors and barriers were collected through an instrument developed by Chu and Katsioloudes (2001). This questionnaire has been widely used in many countries, such as Romania, Vietnam, India, Venezuela, Canada, Mexico, the United States, Nigeria, Ghana and Kenya. The success factors scale comprises 17 items and the barriers scale 16 items. The aforementioned measurement instrument used for entrepreneurs' motives includes 18 statements. This scale has also been used in various studies, notably in France, Russia, Mexico, Morocco, Canada and the United States. Scales variables were measured with Likert-type scales ranging from 1 = unimportant to 5 = extremely important.

Data Analyses

Data were analyzed with the SPSS package, using the following statistics: descriptive statistics such as means and standard deviations, Mann-Whitney non parametric tests; T-tests of differences between means, and principal components analyses, generally referred to as factor analyses (with orthogonal rotation in varimax mode, which maximizes the variance of square loadings in each column).

RESULTS

Respondents' Profile

Table 2 summarizes the respondents' distribution according to personal and organizational characteristics. Results describing the respondents' personal characteristics reveal that 51 per cent of the entrepreneurs are between 30 and 49 years of age, they are educated at a high level (72 percent have a college or university education), and they have limited prior management and field experience: 70 percent had five years or less management experience, while 68 percent had five years or less of experience in their current sector. A majority of respondents are men (63 percent versus 37 percent for women), they are married or live with a spouse in 66 percent of cases, and 47 per cent of them were pushed into creating their business out of necessity. Moreover, 36 percent of them have a spouse involved in the business and spousal contribution to the family income can be described as minimal, since only 25 per cent of spouses contribute more than 26 percent of the total family's income. Finally, about half of the respondents in the sample (45 percent) reported working over 40 hours per week.

In terms of organizational variables, respondents' businesses are more concentrated in the retail and service sectors (92 percent are located in these two sectors), they are relatively young (50 percent of the businesses have been created within five years), and they are located in urban communities (85 percent of the businesses are located in cities with 100,000 plus populations). Secondly, a majority of entrepreneurs tend to operate alone (55 per cent of them), with sales under \$100,000 in 38 per cent of the cases and 84 per cent of them had started their own business (instead of inheriting or purchasing it). Finally, most of them rate their business' debt level as low (56 per cent) and have limited staff (64 percent have less than six employees).

TABLE 2
RESPONDENTS' PERSONAL AND ORGANIZATIONAL CHARACTERISTICS (N=278)

| Personal Characteristics | | Organizational Characteristics | |
|--|----|--------------------------------|----|
| | % | | % |
| Age | | Population | |
| 20 to 29 years | 23 | Under 25,000 | 6 |
| 30 to 49 years | 51 | 25,001 to 100,000 | 9 |
| 50 + | 26 | Over 100,000 | 85 |
| Education | | Sales | |
| High School | 28 | Under \$100,000 | 38 |
| College/university degree | 72 | \$100,001- \$500,000 | 26 |
| | | \$500,001 and + | 36 |
| Gender | | Staffing Complement | |
| Male | 63 | 1 to 5 employees | 64 |
| Female | 37 | 6 to 10 employees | 13 |
| | | 11 + | 23 |
| Status and spousal involvement | | Economic sector | |
| Married | 66 | Retail | 50 |
| Spouse involved in business | 36 | Services | 42 |
| Started business for necessity reasons | 47 | Manufacturing | 8 |
| Past experience in current business sector | | Start-up process | |
| None | 29 | Created by owner | 84 |
| 1-5 years | 39 | Bought | 9 |
| 6-10 years | 14 | Inherited/Franchised | 7 |
| 11+ years | 18 | | |
| Past management experience | | Age of the firm | |
| None | 28 | 1-5 years | 50 |
| 1-5 years | 42 | 6-10 years | 23 |
| 6-10 years | 17 | 11-20 years | 20 |
| 11+ years | 13 | 21 years and + | 7 |
| Spousal contribution to family income | | Number of owners | |
| None | 62 | 1 owner | 55 |
| 1% - 25% | 13 | 2 owners | 33 |
| 26% - 60% | 18 | 3 owners and + | 12 |
| 61% - 100% | 7 | | |
| Weekly hours worked in firm | | Importance of debt | |
| 0-20 hours | 28 | Low/very low | 56 |
| 21-40 hours | 26 | Medium | 21 |
| 41 – 55 hours | 23 | Important/very important | 23 |
| 56 hours and over | 22 | | |

Motivations

Table 3 presents the scores for each of the 18 variable items forming the motivation scale. The top-ranked statement for all respondents was “Increase my income” with a total mean score of 4.31. The second highest ranked statement is “For my own satisfaction”, with a mean score of 4.24, while “Increase sales and profits” and “Create my own job” ranked third and fourth with mean scores of 4.16 and 4.11 respectively, followed by “Be my own boss” and “Maximize business growth” (mean scores of 4.07 and 4.06). On the other hand, the two choices least favored by respondents are, in order: “Gain public recognition” and “Have fun” with average scores of 2.99 and 2.75. Extrinsic choices seem to have been the most important for respondents, since four of the first six choices are economic.

TABLE 3
ENTREPRENEURIAL MOTIVATION SCALE MEANS AND STANDARD DEVIATIONS

| Motivation Variables | Means | Standard deviations |
|--------------------------------|-------|---------------------|
| Increase my income | 4.31 | .898 |
| For my own satisfaction | 4.24 | .947 |
| Increase sales and profits | 4.16 | .939 |
| Create my own job | 4.11 | 1.109 |
| Be my own boss | 4.07 | 1.113 |
| Maximize business growth | 4.06 | 1.027 |
| To always have job security | 4.04 | 1.028 |
| Make my own decisions | 4.00 | 1.058 |
| Acquire a comfortable living | 3.97 | .985 |
| Maintain my personal freedom | 3.93 | .956 |
| Meet the challenge | 3.89 | 1.103 |
| Prove I can succeed | 3.75 | 1.221 |
| Be closer to my family | 3.74 | 1.277 |
| Build a business to pass on | 3.50 | 1.237 |
| Build up equity for retirement | 3.36 | 1.247 |
| Provide jobs to my family | 3.25 | 1.233 |
| Gain public recognition | 2.99 | 1.277 |
| Have fun | 2.75 | 1.424 |

Interestingly, there were no statistically significant differences in motivations between genders. In addition, “Increase my income” and “For my own satisfaction” were the top two choices for both men and women in the sample, while “Gain public recognition” and “Have fun” were their last two choices in the same order as well.

A factor analysis (varimax principal component analysis) of the respondents’ motivations was conducted to determine motivational factors. The criterion for factor retention was Kaiser’s, i.e. all factors with an eigenvalue superior to 1 may be retained. As recommended by Hair *et al.* (2006), we retained statements whose commonalities between variables were greater than 0.50 with a factor loading exceeding 0.40. Applying these criteria resulted in the elimination of the following statements: “ To always have job security “, and “ Gain public recognition “. The main observations derived from Table 4 are as follows:

- Four motivational factors resulted from the principal components analysis: Independence and autonomy motives (six statements), Extrinsic motives (four statements), Intrinsic motives (three statements), and Family security and wellbeing goals (three statements).
- The total percentage of variance explained was 60.15 per cent.

- The internal consistency of the four scales calculated by Cronbach’s alpha ranges from 0.69 to 0.77 which indicates a good internal consistency taking into account the number of statements. On this subject, Nunnally and Bernstein (1994) mention that for an instrument composed of small scales of three to four statements, an alpha coefficient of 0.70 or more is considered satisfactory and indicates that items forming the scales are likely to measure the same construct.

Principal component analysis reduces a larger set of variables to a few general dimensions, thus providing an overall picture of the factors instead of an individual consideration of each variable. Eigenvalues obtained for each factor indicate its relative importance by explaining the proportion of total variance associated with a factor’s component variables. For example, the “extrinsic motives” factor explains most of the total variance (32.66 percent), followed by the “independence and autonomy” factor with 10.08 percent, and by the “intrinsic motivations” and “family security and well-being” factors, with 9.72 percent and 7.69 percent respectively.

It is important to understand that factor analysis results do not inform us about the relative importance of each factor from the respondents’ perspective. For example, although the factor “intrinsic motivations” ranks third in the percentage of variance explained in the factor analysis with 9.72 per cent (Table 4), Table 5 shows that its cumulated score ranks second in the importance attributed to factors by sample respondents, with a cumulative average score of 3.97. Moreover, the factor “extrinsic motives” was found to be the most important factor according to respondents’ scores, with a cumulative average of 4.12. Both factors “independence and autonomy” and “family security and well-being” ranked third and fourth respectively with mean scores of 3.77 and 3.37.

**TABLE 4
MOTIVATIONS – FACTOR ANALYSIS**

| Variables | Extrinsic Motives | Independence and autonomy | Intrinsic Motives | Family security and wellbeing | Communalities |
|--------------------------------|-------------------|---------------------------|-------------------|-------------------------------|---------------|
| Acquire a comfortable living | 0.605 | | | | 0.538 |
| Maximize business growth | 0.525 | | | | 0.598 |
| Increase sales and profits | 0.797 | | | | 0.709 |
| Increase my income | 0.836 | | | | 0.743 |
| Make my own decisions | | 0.607 | | | 0.614 |
| Be my own boss | | 0.584 | | | 0.694 |
| Maintain my personal freedom | | 0.773 | | | 0.680 |
| Be closer to my family | | 0.605 | | | 0.577 |
| Have fun | | 0.521 | | | 0.504 |
| Create my own job | | 0.502 | | | 0.542 |
| Meet the challenge | | | 0.810 | | 0.722 |
| Prove I can succeed | | | 0.750 | | 0.633 |
| For my own satisfaction | | | 0.624 | | 0.502 |
| Build up equity for retirement | | | | 0.561 | 0.512 |
| Provide jobs to my family | | | | 0.761 | 0.603 |
| Build a business to pass on | | | | 0.697 | 0.511 |
| Eigenvalues | 5.226 | 1.614 | 1.556 | 1.229 | |
| Explained Variance | 32.66 | 10.08 | 9.72 | 7.69 | |
| Cronbach’s Alpha | .77 | .73 | .70 | .69 | |

**TABLE 5
MEAN SCORES - MOTIVATION FACTORS**

| Factors | Mean | Standard Deviation |
|--------------------------------|------|--------------------|
| Extrinsic Motives | 4.12 | .74317 |
| Intrinsic Motives | 3.97 | .86336 |
| Independence and autonomy | 3.77 | .80861 |
| Family security and well-being | 3.37 | .92648 |

Scales' means were computed by averaging all the statements' scores composing each factor. For example, the mean score equal to 3.37 obtained for the « family » factor equals the average score for the statements forming that factor. (see table 4).

Success Factors

Table 6 presents an analysis of the importance attributed to all success factor loadings. The most important success factor was “good customer service” with an average of 4.61, followed by “reputation for honesty” and “charisma - friendliness to customers” with averages of 4.53 and 4.49, respectively. The factors “work long hours” and “good product/service at a competitive price” took fourth and fifth place with averages of 4.38 and 4.30 respectively. The least important choices were “satisfactory government support” and “political involvement” with averages of 2.44 and 2.27. These are the only statements, among the 17 in the success factors measurement instrument, that obtain a mean of less than 3.00. This means that, in general, the entrepreneurs in our sample do not rely on government or political support to ensure the success of their business.

**TABLE 6
ENTREPRENEURIAL SUCCESS SCALE MEANS AND STANDARD DEVIATIONS**

| Success Variables | Means | Standard deviations |
|---|-------|---------------------|
| Good customer service | 4.61 | .717 |
| Reputation for honesty | 4.53 | .777 |
| Charisma; friendliness to customers | 4.49 | .773 |
| Hard work | 4.38 | .882 |
| Good product at a competitive price | 4.30 | .908 |
| Ability to manage personnel | 4.11 | .777 |
| Good general management skills | 4.08 | 1.043 |
| Maintenance of accurate records of sales/expenses | 4.03 | 1.003 |
| Adequate training | 3.83 | 1.123 |
| Location | 3.81 | 1.141 |
| Marketing factors such as sales promotion | 3.76 | 1.141 |
| Support of family and friends | 3.70 | 1.196 |
| Previous business experience | 3.61 | 1.258 |
| Access to capital | 3.56 | 1.282 |
| Community involvement and networking | 3.35 | 1.082 |
| Satisfactory government support | 2.44 | 1.344 |
| Political involvement | 2.27 | 1.259 |

The results of the gender analysis reveal that women prioritize marketing factors (mean of 4.11 versus 3.60) and political involvement (2.39 versus 1.96) more than men. These last two results are statistically significant at the 0.001 level. Men scored higher than women on the following factors (statistically

significant at 0.05): good general management skills (4.16 versus 3.86), appropriate training (3.92 versus 3.61) and business experience (3.70 versus 3.37).

Table 7 presents the result of the factor analysis (principal component analysis) for the success factors. As in the case of the motivations, only the statements whose communities (also called representation quality) between the variables were greater than 0.50 and whose factorial weight exceeded 0.40 were retained. Following the application of these criteria, the statement “known for its honesty” was eliminated. The final results of the factor analysis suggest four groupings: Factor 1 corresponds to personal and product/service characteristics (4 statements), Factor 2 includes 5 statements on different aspects, Factor 3 deals with management skills and training (3 statements), while the fourth factor concerns the immediate and external environments (4 statements). The personal and product/service characteristics scale was found to be the strongest in the analysis (percentage of explained variance of 16.26 and an eigenvalue of 2.602) followed in order by the miscellaneous factor (percentage of explained variance of 14.09 and an eigenvalue of 2.255), the management skills and training factor (percentage of variance explained of 13.06 and an eigenvalue of 2.177), and the immediate and external environments factor (percentage of variance explained of 13.4 and an eigenvalue of 2.149). The total percentage of variance explained is 57.4 percent and the internal consistency of the 4 scales calculated by Cronbach’s alpha ranges from 0.66 to 0.74.

TABLE 7
SUCCESS FACTORS - FACTOR ANALYSIS

| Variables | Personal and product/service characteristics | Miscellaneous | management skills and training | Immediate and external environments | Communalities |
|--------------------------------------|--|---------------|--------------------------------|-------------------------------------|---------------|
| Charisma; friendliness to customers | 0.665 | | | | .523 |
| Good product at a competitive price | 0.737 | | | | .610 |
| Good customer service | 0.797 | | | | .653 |
| Hard work | 0.695 | | | | .517 |
| Previous business experience | | 0.521 | | | .510 |
| Location | | 0.788 | | | .673 |
| Access to capital | | 0.510 | | | .537 |
| Community involvement and networking | | 0.560 | | | .514 |
| Maintenance of accurate records | | 0.676 | | | .592 |
| Adequate training | | | 0.708 | | .653 |
| Good general management skills | | | 0.672 | | .553 |
| Ability to manage personnel | | | 0.653 | | .536 |
| Satisfactory government support | | | | 0.715 | .677 |
| Marketing factors | | | | 0.557 | .523 |
| Support from family and friends | | | | 0.678 | .562 |
| Political involvement | | | | 0.659 | .643 |

| | | | | | |
|--------------------|-------|-------|-------|-------|--|
| Eigenvalues | 2.602 | 2.255 | 2.177 | 2.149 | |
| Explained Variance | 16.26 | 14.09 | 13.60 | 13.40 | |
| Cronbach's Alpha | .74 | .73 | .66 | .66 | |

Table 8 presents the success factors' cumulative means, to determine which factors are most important to respondents. The factor "personal and product/service characteristics" was found to be the most important factor among respondents with a cumulative average of 4.44 followed by the factor "management skills and training" with an average of 4.00. The factors "miscellaneous" and "immediate and external environments" ranked third and fourth in the importance attributed to factors by respondents with cumulative means of, respectively, 3.67 and 3.04.

**TABLE 8
MEAN SCORES – SUCCESS FACTORS**

| Factors | Means | Standard deviations |
|--|-------|---------------------|
| Personal and product/service characteristics | 4.44 | .61608 |
| Management skills and training | 4.00 | .79782 |
| Miscellaneous | 3.67 | .82373 |
| Immediate and external environments | 3.04 | .86363 |

Scales' means were computed by averaging all the statements' scores composing each factor. For example, the mean score obtained for the « Miscellaneous » factor equals the average score for the statements forming that factor. (see table 7).

Barriers

Table 9 presents the results obtained on the barriers entrepreneurs face in Mexico. The top three choices of respondents that stand out from the rest were "weak economy," "unreliable and undependable employees," and "too much competition," with average scores of 3.59, 3.50, and 3.42. Obtaining short-term financing came in fourth with an average score of only 3.19. The only gender difference that emerged from the analysis was on the competition item (statistically significant at the 0.05 level): women perceived competition to be stronger than men did (mean of 3.84 versus 3.34 for men).

**TABLE 9
ENTREPRENEURIAL BARRIERS SCALE MEANS AND STANDARD DEVIATIONS**

| Barriers Variables | Means | Standard deviations |
|---|-------|---------------------|
| Weak economy | 3.59 | 1.170 |
| Unreliable and undependable employees | 3.50 | 1.359 |
| Too much competition | 3.42 | 1.196 |
| Obtaining short-term financing | 3.19 | 1.224 |
| Inability to maintain accurate accounting records | 3.18 | 1.269 |
| Obtaining long-term financing | 3.03 | 1.184 |
| Too much government regulation/bureaucracy | 3.01 | 1.457 |
| Lack of management training | 2.99 | 1.288 |
| Lack of marketing training | 2.99 | 1.243 |
| Unsafe location | 2.94 | 1.395 |

| | | |
|---|------|-------|
| Complex and confusing tax structure | 2.91 | 1.351 |
| Complicated business registration process | 2.76 | 1.301 |
| Electricity problems | 2.71 | 1.501 |
| Poor roads – transportation | 2.59 | 1.411 |
| Limited parking | 2.55 | 1.357 |
| Foreign trade limitations | 2.42 | 1.346 |

The data on entrepreneurial barriers were also subjected to a principal component analysis to determine their factor structure. The statements “unreliable and undependable employees”, “limited parking” and “too much competition” were eliminated. Table 10 presents the results of the factor analysis, suggesting three groupings as follows: Factor 1 represents infrastructural issues (6 statements); Factor 2 represents the lack of skills (3 statements), while Factor 3 encompasses the external environment (4 statements). The infrastructural issues scale was found to be the strongest in the analysis (percentage of variance explained of 24.53 and an eigenvalue of 3.189) followed in order by the lack of skills factor (percentage of variance explained of 22.19 and an eigenvalue of 2.886) and the external environment factor (percentage of variance explained of 18.56 and an eigenvalue of 2.413). The total percentage of variance explained was 65.29 per cent. The internal consistency of the 3 scales calculated by Cronbach’s alpha varies from 0.76 to 0.86, indicating good internal consistency.

**TABLE 10
BARRIERS – FACTOR ANALYSIS**

| Variables | Infrastructural issues | Lack of skills | External environment | Communalities |
|---|------------------------|----------------|----------------------|---------------|
| Complex and confusing tax structure | 0.520 | | | .677 |
| Unsafe location | 0.540 | | | .572 |
| Complicated business registration process | 0.710 | | | .650 |
| Foreign trade limitations | 0.690 | | | .616 |
| Poor roads/ transportation | 0.852 | | | .761 |
| Electricity problems | 0.751 | | | .666 |
| Inability to maintain accurate accounting records | | 0.569 | | .623 |
| Lack of marketing training | | 0.864 | | .780 |
| Lack of management training | | 0.824 | | .761 |
| Obtaining short-term financing | | | 0.837 | .713 |
| Obtaining long-term financing | | | 0.821 | .693 |
| Too much government regulation/bureaucracy | 0.751 | | 0.591 | .510 |
| Weak economy | | | 0.606 | .515 |
| Eigenvalues | 3.189 | 2.886 | 2.413 | |
| Explained Variance (%) | 24.53 | 22.19 | 18.56 | |
| Cronbach’s Alpha | .86 | .82 | .76 | |

Table 11 presents those factors most important to respondents. The ‘External environment’ factor ranked first with an average score of 3.20, while ‘Lack of skills’ and ‘Infrastructural issues’ ranked second and third, with cumulative average scores respectively equal to 3.06 and 2.71.

TABLE 11
MEAN SCORES – BARRIER FACTORS

| Factors | Means | Standard deviations |
|------------------------|-------|---------------------|
| External environment | 3.20 | .96045 |
| Lack of skills | 3.06 | 1.08201 |
| Infrastructural issues | 2.71 | 1.06849 |

Scales' means were computed by averaging all the statements' scores composing each factor. For example, the mean score obtained for the « External environment » factor equals the average score for the statements forming that factor. (see table 10).

DISCUSSION AND CONCLUSION

This study attempted to better understand entrepreneurship in Mexico through the study of motivations, success factors and barriers. To this end, Mexican entrepreneurs' entrepreneurial motivations, success factors, and constraints/barriers were identified to highlight the most important ones. A factor analysis was also used to group the statements into smaller groups.

First, statistical analyses of the results reveal that entrepreneurs in Mexico are primarily motivated by extrinsic goals, as four of the top six choices are economically motivated. Only the second choice “help my personal development” and the fifth choice “be my own boss” are intrinsic in nature. The entrepreneurs in the sample are therefore seeking, through their business, to achieve mainly economic objectives, help their personal development, and satisfy their need for independence. The results of this study seem to show that entrepreneurs in Mexico share similarities with their counterparts in Kenya, Ghana, Nigeria, Venezuela, Romania and Turkey where extrinsic motivations are predominant, but also with countries such as Canada and the United States where intrinsic motivations are more important. (Benzing et al. 2009; Benzing & Chu, 2009).

Secondly, the factor analysis final results suggest four factors: extrinsic motivation, intrinsic motivation, independence and autonomy, and family security and well-being. This grouping is similar to the results obtained in the studies by Robichaud et al. (2001), Kuratko et al. (1997), and Benzing et al. (2009). In addition, the extrinsic motivations factor ranked first in the calculation of cumulative means with a mean of 4.12 followed closely by the intrinsic motivations factor with a mean of 3.97. In conclusion, these results support what was stated in the previous paragraph that Mexican entrepreneurs would give more importance to extrinsic motivations while favoring certain intrinsic objectives such as autonomy and independence. Moreover, the study of Radojevich-Kelley (2014) agrees with this insofar as the financial aspect constituted, for a Mexican entrepreneur, the main reward for being in business, followed in second place by the need for autonomy and independence. In addition, the presence of intrinsic objectives in the first choices of the respondents could be explained by the fact that the study was conducted in two important cities in Mexico where the economic conditions are more favorable. In conclusion, no significant differences were observed between men and women in the sample. Indeed, our results show that women entrepreneurs favored essentially the same motivations as men entrepreneurs.

Results from the analyses reveal many similarities in the success factors identified in this study as compared to previous research (Partida et al. 2012). Indeed, the top three choices identified as “providing good customer service,” “honesty,” and “charisma or being friendly with customers” were among the top choices mentioned in the literature (see Table 1). Moreover, Benzing et al. (2005b) obtained the same choices, but in a different order. In contrast to the results on motivations, there were several significant gender differences relative to success factors. Women favored marketing factors and political involvement more strongly than men, while men put more emphasis than their female counterparts on general management skills, appropriate training and business experience as dominant success factors.

Factor analyses identified four groups of success factors: “personal and product/service characteristics,” “miscellaneous,” “management skills and training,” and “immediate and external environments.” Thus, the

factor analysis reduced the set of 17 success variables into more general dimensions allowing for an overall picture of the factors instead of an individual consideration. Comparing the cumulative means of the four success factor scales, we find that respondents agree on the importance of the “personal and product/service characteristics” and “management skills and training” scales in the success of their business. In fact, these two scales come out on top with averages of 4.44 and 4.00 respectively. This means that the respondents in our sample prioritize the personal characteristics of the entrepreneur and the product/service, namely charisma, working long hours, good customer service and a good product/service at a competitive price, as well as management skills (good general management skills, ability to manage personnel, appropriate training), to the detriment of factors related to the internal and external environments, such as satisfactory government support, support from family and friends and being politically involved. We can therefore conclude, with the caution required in the context of such a sample, that emphasis should be placed on these categories of factors by organizations that train, support and advise future entrepreneurs and those already running their firm.

As with success factors, results from the analyses of the barriers/constraints faced by respondents reveal many similarities with previous research. The choices that stood out the most to respondents were “weak economy,” “unreliable employee,” and “too much competition” with averages of 3.59, 3.50, and 3.42 respectively. The problem of attracting and retaining reliable employees who can be relied upon appears pervasive. Indeed, this problem was found in many studies including Argentina, Chile, Brazil, Romania, Turkey, Nigeria, Kenya, Vietnam, China, and Serbia where it ranked either first or second on the list while the competition problem was reported as a very significant barrier in the following countries: Nigeria, Venezuela, Kenya, China and Vietnam.

In this regard, a paper published by the World Economic Forum (2016) raises some structural weaknesses, including the personnel problem, which are likely to moderate the development of entrepreneurship in Mexico. The paper mentions that the country’s low enrollment in higher education is responsible for a skills gap, which slows productivity growth and limits the supply of talent for new businesses. As a result, Mexico may find itself unable to cope with the knowledge economy in the medium term. However, during 2008-2010, Mexico had spent 5.1 per cent of its GDP on education, which was higher than the G20 average of 4.8 per cent for the same period.

Finally, the factor analysis conducted on barriers suggests three groupings: “infrastructure problems,” “lack of skills,” and “external environment. The three factors generated by the factor analysis appear to be fairly consistent since barriers of the same nature were grouped together. For example, the “external environment” factor includes the statements “weak economy,” “too much government bureaucracy,” and “obtaining short- and long-term financing,” while the “lack of skills” factor includes the statements “inability to maintain up-to-date accounting records,” “lack of marketing training,” and “lack of management training. In fact, these two factors rank first and second in the calculation of the cumulative factor averages with averages of 3.20 and 3.06 respectively, ahead of the “infrastructure problems” factor (average of 2.71).

LIMITS OF THIS RESEARCH

This research has certain limitations in four areas: 1) in terms of the choice of variables used (questionnaire used), 2) on the limitation related to the measurement instruments used in the study. These instruments represent perceptual measures of the objectives pursued by the entrepreneurs, as well as the success variables and obstacles, and not an objective evaluation. 3) A third limitation resides on the choice of the regions studied. In the latter case, the sample was drawn exclusively from urban settings, which precludes any generalization of results to the general population (a problem of external validity). 4) A fourth limitation resides in the importance of the underground activities reported by respondents. As indicated earlier, 58 percent of the respondents considered that over 50 percent of the activity in their sector was not reported. This would suggest that further in-depth research would be needed to find why this situation occurs and what are its consequences.

Nevertheless, knowing, for example, that Mexican entrepreneurs' motives are mostly focused on extrinsic outcomes and that they face problems in recruiting qualified, reliable staff with appropriate training, and have difficulties in accessing financial support should help the local governments in the respective states of Nuevo León for the Monterrey area, and Jalisco for the Guadalajara region, to design appropriate policies able to improve support for current and potential entrepreneurs. More specifically, knowing that the training and reliability of the Mexican workforce is the main obstacle for Mexican entrepreneurs could encourage government authorities to develop workforce training programs better adapted to business needs.

This exploratory research could be extended to other cities and rural areas to allow for an urban versus rural comparison of a country. Such a study would provide more information to better understand the issues surrounding the motivations, success factors and obstacles according to the size of the localities in which SMEs operate and thus generalize the results to all populations.

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