

## **An Exploratory Study of Potential Entrepreneurship in Puerto Rico**

The paper looks to answer the following research questions: What is the general level of potential entrepreneurship in Puerto Rico?; Does the rate of potential entrepreneurship in Puerto Rico differ by demographic factors?; and What are the determinants and baseline characteristics of potential entrepreneurs in Puerto Rico? This study utilizes data from the Adult Population Survey (APS) for 2013 from the Global Entrepreneurship Monitor (GEM) Project. For 2013, data consists of a stratified representative sample of individuals in 70 economies, including Puerto Rico. The survey was conducted through telephone interviews, and includes an array of questions related to the individual's demographics, business characteristics as well as attitudes and awareness of entrepreneurship in each country.

In terms of potential entrepreneurs, Puerto Rico is positioned between Europe and the United States and the Latin American countries. The results suggest that there is an inverse relationship between economic development (as measured by per capita income) and the rate of latent or potential entrepreneurship. In uncovering distinctions between potential and non-potential entrepreneurs in Puerto Rico, we estimated a logistic regression. Our results suggest that possession of embedded entrepreneurial networks, participation in start-up funding of other businesses, opportunity awareness, skill recognition, and confidence in business start-up success differentiates between potential entrepreneurs and their opposites. Relative youth is also a marker of potential entrepreneurship.

***Keywords: Potential Entrepreneurship, GEM, Puerto Rico.***

## **An Exploratory Study of Potential Entrepreneurship in Puerto Rico**

### **I Introduction**

Within capitalist economic systems, entrepreneurs have been both extolled and vilified as drivers of economic development or exploiters of labor. These positions are not static and represent a continuum of views. Eckhardt and Shane (2003) suggest that entrepreneurship requires disequilibrium in the system where opportunities are capitalized upon within a dynamic (and changing) environment. We believe that most entrepreneurs—those individuals who are willing and able to make the most of opportunities (Shane & Venkataraman, 2000) — are more engines of economic growth and development (Baumol, 2004; Kirzner, 1973; Pisani & Patrick, 2002) than radical economic transformation (Schumpeter, 1911). We also believe that governmental policy-makers should foster environments where entrepreneurship may flourish (see De Soto, 2000). Whereas entrepreneurs are easily identifiable—after all they are the business owners— would be or potential entrepreneurs are not. One way in which policy-makers may facilitate growth and development is through policies which enable potential entrepreneurs to move from the business planning stage to the business implementation stage. This present study is a first step forward in defining potential entrepreneurship or those individuals planning on, or intent upon, starting a business within the Puerto Rican context.

Generally, the economic environment in Puerto Rico is conducive to business start-up even if the macroeconomic environment has been challenging since the Great Recession of 2008. The World Bank ranked Puerto Rico in 2010 as the easiest place in Latin America to start a business and sixteenth easiest for business start-up globally (of 183 countries; World Bank, 2011). While the institutional environment facilitates entrepreneurship in Puerto Rico, Puerto Ricans have been relatively reluctant to become entrepreneurs as compared to the United States or Latin

America (Santiago-Castro & Pisani, 2011). Davis and Rivera-Batiz (2005) argue that several distorting effects impact employment and entrepreneurship levels in Puerto Rico. With regard to employment, they suggest the dominance and largesse of the public (and welfare) sector inhibits and dis-incentivizes employment growth and entrepreneurship.

Utilizing a unique and representative sample of Puerto Ricans generated through the auspices of the Global Entrepreneurship Monitor (out of Babson University), we explore potential entrepreneurship, through respondent agreement with the following phrase: “You are, alone or with others, expecting to start a new business, including any type of self-employment, within the next three years”. Our research purpose is to shed light on and identify the determinants of potential entrepreneurship.

The results reveal that in terms of potential entrepreneurs, Puerto Rico is positioned between Europe and the United States and the Latin American countries.<sup>1</sup> In addition, the results suggest that there is an inverse relationship between economic development (as measured by per capita income) and the rate of latent or potential entrepreneurship. In uncovering distinctions between potential and non-potential entrepreneurs in Puerto Rico, we estimated a logistic regression. Our results suggest that possession of embedded networks through existing knowledge and exposure to external knowledge indeed differentiates between potential entrepreneurs and their opposites. Moreover, foreseeing future business opportunities, being a male, and youth also determines the possibility of business endeavors in Puerto Rico.

The paper proceeds as follows. Section 2 discusses the relevant literature concerning potential entrepreneurship. Section 3 describes the data sources, sample selection, variables of interest and the descriptive statistics as well as the methodology employed in our multivariate

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<sup>1</sup> This statement is based on the GEM survey for 2007 which allows comparison between Puerto Rico and other surveyed economies. GEM surveys have been conducted in 2013 and 2007 for Puerto Rico. The more recently conducted 2013 GEM surveys for all economies have not been released publicly.

analysis. Our results and a discussion thereof are presented in Section 4. Concluding remarks are presented in the last section of the paper.

## **II Theory and Research Questions**

Per Davidsson (1991) argued that entrepreneurship research should move beyond the dichotomous view of entrepreneur or non-entrepreneur and focus on the process of entrepreneurship. This process uncovers a continuum from business conception to business divestiture. In this paper, we are interested in the front end of the continuum—business conception in the form of those aspiring or potential entrepreneurs. Potential entrepreneurs are the cadre in which the supply of future entrepreneurs emerge (Liñán, Rodríguez-Cohard, & Rueda-Cantuche, 2011; Sserwanga & Rooks, 2013) and may serve as an engine of economic growth (Wong et al., 2005). De Clercq and Arenius (2006) have linked higher education, belief that one possesses the skills needed to become an entrepreneur, and personal knowledge of an entrepreneur with nascent entrepreneurship. Demographic variables, such as ethnicity, gender, self-employed parents, and education, continue to be associated with the prospect of entrepreneurial business development (Athayde, 2009). Additionally, Harada (2005) notes the importance of the macroeconomic environment in facilitating potential entrepreneurship.

Liñán et al. (2011, p. 205) argue that “perceived feasibility and perceived desirability” constitute the primary components of “entrepreneurial intention.” In essence, knowing one’s self—both capabilities and interest—provides a pathway toward entrepreneurship. Liñán et al. (2011) seek to intervene in the higher education process to provide awareness of one’s self in order to foster prospective new business development at least through students studying business and economics (e.g., entrepreneurship orientation).

In other words, individuals might become an entrepreneur if (s)he has the confidence in this career choice based on their knowledge and skills (De Clercq & Arenius, 2006). Furthermore, the exposure to others with previous entrepreneurial experience can provide nascent entrepreneurs with useful knowledge (Boyd & Vozikis, 1994; Chen, Greene & Crick, 1998; Krueger & Brazeal, 1994) and lower their uncertainties (Bandura, 1978). In sum, potential entrepreneurs might be fostered with two kind of knowledge: exiting knowledge and external knowledge (De Clercq & Arenius, 2006).

Within this backdrop, we seek to explore the characteristics and determinants of potential entrepreneurs in Puerto Rico. The purposes of this paper and hence our research questions are to: 1) determine the general level of potential entrepreneurship in Puerto Rico, 2) explore whether the rate of potential entrepreneurship in Puerto Rico differ by demographic factors, 3) provide baseline entrepreneurship characteristics of potential entrepreneurs in Puerto Rico, and 4) examine the determinants of potential entrepreneurs in Puerto Rico.

### **III Data and Methodology**

This paper utilizes data from the Adult Population Survey (APS) for 2013 from the Global Entrepreneurship Monitor (GEM) Project. GEM is an ongoing large-scale academic project designed to study the causes and implications of entrepreneurial behavior across many countries (Reynolds et al., 2005). For 2013, data consists of a stratified representative sample of individuals in 70 economies, including Puerto Rico, the U.S. and Canada in North America, and fourteen Latin American and Caribbean countries (Argentina, Barbados, Brazil, Chile, Colombia, Ecuador, Guatemala, Jamaica, Mexico, Panama, Peru, Suriname, Trinidad and Tobago, and Uruguay). The 2013 GEM survey is the third such survey to be conducted in Puerto Rico; the first survey was conducted in 2007.

For over decade and a half, the GEM has organized national teams to survey entrepreneurship across dozens of countries using a standardized questionnaire designed by GEM's Consortium research team. In 2013, the GEM survey was conducted through telephone interviews of about 2,000 individuals or more from each economy. For Puerto Rico, the sample is 2,000 respondents for 2013. The questionnaire includes an array of questions related to the individual's demographics, business characteristics as well as attitudes and awareness of entrepreneurship in each economy.

The level of potential entrepreneurship for Puerto Rico, the Western Hemisphere, and select other economies utilizing the latest available comparable GEM data is reported in Table 1. These other countries are reported as a comparator for Puerto Rico and to determine the level of potential of entrepreneurship of the Island (research question #1). Puerto Rico's level of potential entrepreneurship 46.2% is higher for both the United States and the European average by 12.6%. The rate of potential entrepreneurship for Puerto Rico is substantially lower in comparison with the Latin America, the Caribbean, Middle East and North Africa, Sub-Saharan Africa, and Asia and Oceania averages, by 56.4%, 56.7%, 73.8%, and 34.5% respectively. These results suggest that there is an inverse relationship between economic development (as measured by per capita income) and the rate of latent or potential entrepreneurship.<sup>2</sup>

*// TABLE 1 ABOUT HERE //*

Examining the GEM 2013 descriptive data<sup>3</sup> for Puerto Rico, Table 2 provides the demographic characteristics (gender, age, working status, education, and income) for potential entrepreneurs (research question #2). As there are multiple questions regarding business

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<sup>2</sup> We regressed 2010 per capita income (the independent variable derived from the World Bank) against the percentage indicating potential entrepreneurship (the dependent variable derived from GEM) by nation (n=60). Our ANOVA results are significant (p=.000) and inversely related. This analysis is available from the author's upon request.

<sup>3</sup> We utilize the recommended weights provided by GEM for the adult population to harmonize the GEM survey with the Puerto Rican population.

ownership and self-employment, we have grouped potential entrepreneurs as those indicating that they expect to start a business in the next three years, but are not currently a business owner or self-employed. Of the 2,000 respondents, 134 meet the requirements of potential entrepreneurs. For comparison, the descriptive statistics for respondents with no interest in starting a business or current ownership in a business or current self-employment are categorized as non-potential entrepreneurs. A third category of respondents indicating business ownership and/or self-employment are also displayed in Table 2.

Men are more likely to report that they intend to start a business within the next three years matching the current state of self-employment/business ownership (SE/BUS) revealed in the GEM survey. Further, potential entrepreneurs are younger than both SE/BUS and non-potential entrepreneur respondents. Interestingly while most respondents (92.6%) were born in Puerto Rico, potential entrepreneurs and SE/BUS have a slightly lower rate of nativity on the island. There was no large difference household size or in civil status among the groups where just under 40% are single and the remainder either married or once married. Clearly, those respondents who were SE/BUS were actively engaged in the labor market, not so for potential and non-potential entrepreneurs, though potential entrepreneurs were employed at a higher rate (49.3%) than non-potential entrepreneurs (33.0%). Educational achievement was higher for potential Entrepreneurs vis-à-vis non-potential entrepreneurs and SE/BUS respondents. Lastly, household income was relatively low for all three groups especially (most for SE/BUS respondents) for about half of the respondents earning less than \$15,000 per year; however SE/BUS displayed the greatest percentage of respondents earning over \$40,000. Among the three groups displayed in Table 2, Puerto Rican potential entrepreneurs are younger and slightly better educated than their peers.

*// TABLE 2 ABOUT HERE //*

For determining the baseline characteristics for Puerto Rican potential entrepreneurs (research question #3), we have selected a priori the following five variables: whether or not provide funds for new business, knowledge of others who had started a business, future business opportunities, possession of business acumen, and whether or not the fear of failure would inhibit business initiation. These variables and coding are offered below. The null hypothesis that the mean of these variables were different between potential and non-potential entrepreneurs was tested using univariate *t*-tests (cross tabulations).

Furthermore, for assessing whether knowledge determines the Puerto Rican potential entrepreneurs (research question #4), a logistic regression was estimated. A stepwise logistic procedure was used to identify the significant independent variables, which explained the probability of being a potential entrepreneur in Puerto Rico. A significant level of 95% was used to determine which variables entered and remained in the model. The following equation (Equation 1) models the relationship between the knowledge and the probability of starting a business (potential entrepreneur):

$$PE_i = \alpha + \beta_1 EK + \beta_2 EE + \beta_3 CONTROL + \varepsilon \quad (1)$$

Where:

- PE = Potential Entrepreneur.
- EK = Exiting Knowledge.
- EE = Exposure to External Knowledge.
- CONTROL = Control variables for perceptions about fear of failing and availability of opportunities, and four demographics variables (age, income, work status, and gender).

Dependent Variable

The dependent variable – Potential Entrepreneur – represents observations *i*'s of individuals that are expecting to start a new business within the next three years. This variable includes those respondents that affirmatively answer whether “You are, alone or with others, expecting to start a new business, including any type of self-employment, within the next three

years”. This is dichotomous variable is coded “1” if the individual is a potential entrepreneur and “0” otherwise.

### Independent Variables

Following De Clercq and Arenius (2006) we identified two sources of knowledge that might foster entrepreneurship among individuals: existing knowledge and external knowledge. Previous studies have provide evidence that the odds for entrepreneurship increases with higher levels of education (Arenius & De Clercq, 2005; Arenius & Minniti, 2005); and individuals’ self perceptions of having the necessary skills for a successful end (Arenius & Minniti, 2005; Boyd & Vozikis, 1994; Chen et al., 1998). Therefore, existing knowledge is measured by two variables: Education and Capabilities of launching a venture (SUSKILL). Education represents respondents’ highest degree. The responses were harmonized across all countries into a five-category variable<sup>4</sup>. For this study, we categorized the variable into three groups: no education, high school or less, and more than high school. SUSKILL represents the respondents’ self-perception about whether he/she has the knowledge, skills and experience required to start a business. This dichotomous variable is coded “1” if the individual’s response was “Yes” and “0” otherwise.

Although an individual might have the knowledge and skills to engage in a new venture, uncertainty about the outcomes might hinder her or his aspirations. Based on the social capital<sup>5</sup> literature, Johannisson (1996) argues that access to knowledge from other entrepreneurs may decrease the ambiguity and lower the uncertainty of the entrepreneurial process (Bandura, 1978). Exposure to embedded networks via external knowledge is proxied by two variables: Knew

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<sup>4</sup> The categories are: some secondary school, secondary degree, post-secondary degree, graduate experience, and no education.

<sup>5</sup> Social capital is the actual or potential benefits that one accrues from exposure to knowledge provided by others (De Clercq & Arenius, 2006).

entrepreneur (KNOWENT) and Business Angel (BUSANG). KNOWENT reflects whether the respondents personally knew someone who started a business in the two years preceding the survey. BUSANG records whether the respondent personally provided funds for a new business in the past three years. Both variables are dichotomous and were coded “1” if the individual’s response was “Yes” and “0” otherwise. The rationale behind this variable is the assumption that an individual’s experience as an informal investor can be a means of exposure to the entrepreneurial experience of others (De Clercq & Arenius, 2006).

The control variables include self-perceptions of respondents about fear of failing (FEARFAIL), opportunities availability (OPPORT), and demographics variables for age, income, work status (WORK), and gender. FEARFAIL follows whether the respondent would not start a business due to the fear of failure. OPPORT reflects whether the individuals believed that, in the six months following the survey, good business opportunities would exist in the area they lived. Both variables are dichotomous and were coded “1” if the individual’s response was “Yes” and “0” otherwise. Age is a continuous variable, representing the respondent’s age at the time of the survey. Income represents the respondents’ household income divided in three categories<sup>6</sup> based on the income distribution of their country of origin. WORK is the respondents’ occupational status at the time of the survey. For this study, the seven original categories<sup>7</sup> were re-coded into a dichotomous variable where “1” represents individuals who work full time, part time or self-employed and “0” represents individuals not working (includes students, retired/disabled, and house-makers). Gender is a dichotomous variable coded “1” if the individual is a female and “0” if the individual is a male.

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<sup>6</sup> The three income categories are: lower 33%, middle 33%, and upper 33%.

<sup>7</sup> The six original categories were: full time, part time, retired/disabled, homemaker, student, self-employed, not working.

## **IV Results and Discussion**

In this section, we discuss the results of analyses which seek to shed light on our two latter research questions – what are the baseline entrepreneurship characteristics of potential entrepreneurs and what are the determinants of potential entrepreneurship in Puerto Rico.

### Baseline Characteristics of Potential Entrepreneurs in Puerto Rico

Building upon our demographic work in previous section which concluded that potential entrepreneurs are younger and possess high levels of educational attainment, we added entrepreneur specific context to the baseline characteristics of potential entrepreneurs in Puerto Rico along five variables of interest among the three groups—potential entrepreneurs, non-potential entrepreneurs, and self-employed and/or business owners (see Table 3).

According to the GEM survey, potential entrepreneurs have not generally provided funds to others to help start a new business over the past three years, but neither has SE/BUS respondents. Yet, non-potential entrepreneurs are even more reluctant to financially assist businesses where 99.7% have not done so. Potential entrepreneurs are active in the business community where 43.1% personally know someone who has started a business in the last two years similar to SE/BUS respondents. Non-potential entrepreneurs on the other hand are unlikely to know someone recently engaged in the creation of a new business. Hence we believe that social networks play an important positive role in encouraging potential entrepreneurship in Puerto Rico. Furthermore, potential entrepreneurs are nearly 2.6 times more alert in recognizing future business opportunities than non-potential entrepreneurs and potential entrepreneurs report a higher level of opportunity awareness than current SE/BUS respondents. This optimism is also reflected into their self-reported ability to conduct business, where more than eight in ten felt confident in their business skill set to open and run a business (about double that of non-potential

entrepreneurs and similar to SE/BUS respondents). Perhaps this high level of optimism is a function of a greater awareness and embedded networks toward entrepreneurial opportunities. Fear of failure of starting a new business was most evident in the non-potential entrepreneur respondents, though all three groups were not overly concerned with potential failure as a rationale for not engaging in business start-up. In all, these results show a significant difference between potential and non-potential entrepreneurs along the five variables with SE/BUS responses offered for comparison.<sup>8</sup>

*// TABLE 3 ABOUT HERE //*

#### Determinants of Potential Entrepreneurship in Puerto Rico

In uncovering potential distinctions between potential and non-potential entrepreneurs in Puerto Rico (research question #4), we estimated a logistic regression specified in equation (1). Those respondents who were self-employed or owned a business were omitted from this analysis. Significant variables in the model include possession of business acumen (SUSKILL), engagement in the funding business start-ups over the past three years (BUSANG), personal knowledge of a business start-up over the last two years (KNOWENT), awareness of near-term future business opportunities (OPPORT), gender, and age. The results of our logistic regression robust model appear in Tables 4 and 5.

We next focus on the significant variables or determinants identified above. Those reporting the requisite business acumen to start and run a business are 3.5 times more likely to be a potential entrepreneur. Respondents who have provided some start-up funds over the last two years are 4.6 times more likely to be a potential entrepreneur. Also, personal knowledge of

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<sup>8</sup> A cross-tabulation between potential and non-potential entrepreneurs revealed the following statistically significant differences: business angel (Pearson Chi-Square = 54.675,  $p = .000$ ), knowledge of others (Pearson Chi-Square = 173.590,  $p = .000$ ), fear of failure (Pearson Chi-Square = 22.863,  $p = .000$ ), future opportunities (Pearson Chi-Square = 111.471,  $p = .000$ ), and possession of business acumen (Pearson Chi-Square = 208.909,  $p = .000$ ).

someone who has started his or her own business over the last two years increases the odds of becoming a potential entrepreneur 2.1 times. Those who are fearful of failing in a new business enterprise are 47.8% less likely to identify as a potential entrepreneur. And those who are able to recognize short term business opportunities in the marketplace are 1.5 times more likely to be a potential entrepreneur. Two demographic variables were also important: household income and age. Only one range of household income vis-à-vis the lowest income households was significant. For those households earning between \$30,000 and \$39,999 per year, respondents were 66.1% less likely to identify as potential entrepreneurs than respondents earning less \$5,000 per year. As respondents' age, each additional year reduces the likelihood of being a potential entrepreneur by 3.3%.<sup>9</sup>

*// TABLES 4 & 5 ABOUT HERE //*

In summary, possessing the rights skill set, being embedded within an entrepreneurial environment via financing a start-up or personally knowing the owner of a recent business start-up, reduced fear of business start-up failure, and awareness of opportunities in the marketplace facilitate potential entrepreneurship. Potential entrepreneurs are also more likely to be younger in Puerto Rico.

## **V Summary & Conclusion**

We set out in this study to answer four related research questions concerning potential entrepreneurship. Utilizing the 2013 Global Entrepreneurship Monitor national survey undertaken in Puerto Rico we focus on those respondents indicating an expectation of starting a business in the next three years (i.e., potential entrepreneurs). First, we calculate the rate of potential entrepreneurship in Puerto Rico at 15.2%. Next we uncover significant demographic differences between self-identified potential entrepreneurs and others (including the non-potential

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<sup>9</sup> Table 5 reports the accuracy of the model. The model best estimates non-potential entrepreneurs.

entrepreneurs and the self-employed). With reference to non-potential entrepreneurs, potential entrepreneurs are comprised of a greater percentage of men, are younger, work more, and possess slightly greater rates of educational achievement.

Other characteristics of potential entrepreneurs vis-à-vis non-potential entrepreneurs include embedded networks where most potential entrepreneurs know recent owners of business start-ups and occasionally invest in business start-ups that are not their own. Potential entrepreneurs also are aware of near-term business opportunities and believe they have the requisite business acumen with less fear of failure to exploit these opportunities if they were to engage in actual business start-up. Oftentimes, potential entrepreneurs characteristically are more likely to resemble established business owners and the self-employed.

Lastly, we model the determinants of potential entrepreneurship through a logistic regression. In line with most of the previous conclusions, potential entrepreneurs are most influenced by embedded networks, self-reported business acumen, confidence in the face of potential failure, and business opportunity awareness. The regression also illustrated the importance of youth in the determination of potential entrepreneurship.

While this study has limited its analysis to one economy, the same analysis could be extended to include other countries of the Caribbean, Latin American and North America. Despite this limitation, the study does shed some light on the profile of potential entrepreneurs in Puerto Rico. Perhaps policy-makers within Puerto Rico may consider utilizing this study to assist in moving potential entrepreneurs to actual entrepreneurs particularly in the present economic crisis.

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**Table 1. Potential Entrepreneurship by Select Economy (2010)**

Country	Potential Entrepreneurship* (%)	Country	Potential Entrepreneurship* (%)
<b>Caribbean</b>		<b>Europe</b>	
Jamaica	38.1	Azores	7.8
Puerto Rico <sup>^</sup>	15.2	Belgium	8.9
Trinidad & Tobago	32.2	Bosnia & Herzegovina	18.6
<b>North America</b>		Croatia	9.8
United States	10.4	Denmark	7.5
<b>Latin America</b>		France	16.0
Argentina	27.9	Germany	7.8
Bolivia	58.3	Greece	13.9
Brazil	26.6	Hungary	14.9
Chile	43.6	Italy	4.7
Colombia	46.2	Latvia	24.5
Costa Rica	20.2	Macedonia	28.8
Ecuador	48.7	Montenegro	40.9
Guatemala	29.9	Netherlands	7.1
Mexico	28.6	Norway	10.6
Panama <sup>~</sup>	15.0	Portugal	10.4
Peru	38.7	Romania	10.7
Uruguay	34.6	Russia	4.4
Venezuela <sup>~</sup>	35.3	Slovenia	9.8
<b>Asia &amp; Oceania</b>		Spain	6.7
Australia	10.8	Sweden	10.4
China	30.1	Switzerland	7.8
Japan	4.9	United Kingdom	6.9
Malaysia	7.1	<b>Middle East &amp; North Africa</b>	
Pakistan	32.4	Egypt	24.9
South Korea	11.8	Iran	32.7
Taiwan	27.8	Israel	15.3
Vanuatu	60.9	Saudi Arabia	6.0
<b>Sub-Saharan Africa</b>		Turkey	21.9
Angola	60.5	West Bank & Gaza	31.1
Ghana	63.1		
South Africa	19.6		
Uganda	76.9		
Zambia	70.0		

Notes: ~ year = 2009; ^ year = 2013.

\*Percent of population expecting to start a new business in the next three years.

**Table 2. Descriptive Statistics for Potential Puerto Rican Entrepreneurs**

	Potential	Non-Potential	SE/Business Owner
<b>Variable</b>			
<b>Gender (%)***</b>			
Female	45.2	56.1	33.6
Male	54.8	43.9	66.4
<b>Mean Age Years***</b>	36.9	44.8	41.1
(Std. Dev.)	(13.2)	(16.4)	(13.3)
<b>Birthplace (%)***</b>			
Puerto Rico	91.8	93.3	88.8
US	6.7	4.1	4.2
Other	1.5	2.6	7.1
<b>Civil Status (%)*</b>			
Single	38.5	34.9	39.6
Married/Living Together	49.6	47.6	49.2
Divorced/Widowed	11.9	17.5	11.2
<b>Mean Household Size</b>	2.8	2.7	2.7
(Std. Dev.)	(1.3)	(1.3)	(1.4)
<b>Work Status (%) ***</b>			
Full- or Part-Time	38.1	28.2	97.9
Part-Time Only	11.2	4.8	1.1
Retired/Disabled	11.9	29.5	0.4
Homemaker	13.4	16.8	0.4
Student	3.0	5.3	0.4
Not Working/Other	22.4	15.6	0.4
<b>Education (%)***</b>			
0 to 8 <sup>th</sup> Grade	2.2	7.4	6.3
Some High School	9.0	13.2	11.8
High School	33.6	31.0	33.2
Some College	12.7	14.8	7.6
AA/AS Degree	21.6	12.2	21.0
BA/BS Degree	17.2	17.9	14.7
Post Graduate Studies	6.8	3.5	5.5
<b>Household Income (%)***</b>			
\$5k<	23.3	23.0	16.5
\$5k to \$9.9k	18.1	20.5	21.1
\$10k to \$14.9k	18.1	17.3	16.5
\$15k to \$19.9k	9.5	10.6	12.4
\$20k to \$24.9k	7.8	10.4	8.8
\$25k to \$29.9k	9.5	6.2	4.1
\$30k to \$39.9k	4.3	5.7	5.7
\$40k to \$49.9k	4.3	4.0	6.2
> \$50k	5.2	2.3	8.8
<b>N (weighted)</b>	134	1625	241
Note: ***, **, * imply statistical difference at the 1%, 5%, and 10% level, respectively.			

**Table 3. Baseline Characteristics of Potential Entrepreneurs in Puerto Rico**

Characteristic	Potential (%)	Non-Potential (%)	Self-Employed/ Business Owner (%)
Provide Funds for New Business***			
Yes	4.5	0.3	5.0
No	95.5	99.7	95.0
Knowledge of Others Who Had Started a Business***			
Yes	43.1	15.5	48.3
No	56.9	84.5	51.7
Future Business Opportunities***			
Yes	58.2	22.2	45.7
No	41.8	77.8	54.3
Possession of Requisite Business Acumen***			
Yes	84.2	42.8	84.8
No	15.8	57.2	15.2
Fear of Failure***			
Yes	20.1	31.4	18.1
No	79.9	68.6	81.9
N (weighted)	134	1625	241

\*\*\* imply statistical difference between potential entrepreneurs and their opposites at the 1% level.

**Table 4. Determinants of Potential Entrepreneurship Among Puerto Ricans  
(potential entrepreneurship = 1)**

Variable	$\beta$ Coefficient	S.E.	Wald	Sig.	Exp( $\beta$ )
Constant	-2.925	.899	10.590	.001***	.054
Gender (Female =1)	-.233	.245	.906	.341	.792
Education			2.011	.919	
Some High School	.761	.801	.903	.342	2.141
High School	.597	.761	.616	.433	1.817
Some College	.306	.805	.145	.703	1.359
AA/AS Degree	.620	.787	.620	.431	1.858
BA/BS Degree	.355	.806	.194	.660	1.426
Post Graduate Studies	.533	.960	.308	.579	1.704
Age (years)	-.033	.009	13.316	.000***	.967
Household Income			4.452	.814	
\$5k to \$9.9k	-.047	.388	.015	.903	.954
\$10k to \$14.9k	-.185	.378	.238	.626	.831
\$15k to \$19.9k	-.264	.473	.312	.576	.768
\$20k to \$24.9k	-.651	.490	1.763	.184	.522
\$25k to \$29.9k	-.102	.498	.042	.838	.903
\$30k to \$39.9k	-1.081	.636	2.885	.089*	.339
\$40k to \$49.9k	-.219	.617	.126	.723	.803
> \$50k	-.508	.810	.392	.531	.602
Work Status (work = 1)	.379	.275	1.907	.167	1.461
SUSKILL (yes=1)	1.502	.316	22.617	.000***	4.492
BUSANG (yes=1)	1.729	1.045	2.737	.098*	5.637
KNOWENT (yes=1)	1.135	.251	20.467	.000***	3.110
FEARFAIL (yes=1)	-.651	3.02	4.632	.031**	.522
OPPORT (yes=1)	.921	.246	14.057	.000***	2.511

-2 Log Likelihood = 521.637, p= .000  
Cox & Snell R<sup>2</sup>= .127 Nagelkerke R<sup>2</sup>= .288

\*\*\* and \*\* imply statistical significant at the 1%, and 5% level, respectively.

Reference categories: education = 0 to 8<sup>th</sup> grade; household income = under \$5,000.

**Table 5. Classification Table**

Observed	Potential Entrepreneur		% Correct
	Predicted No	Predicted Yes	
No	1065	10	99.1
Yes	87	12	12.1
	Overall percentage		91.7