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CAREER REASONS AND FINANCIAL PERFORMANCE OF SMES IN A DEVELOPING ECONOMY (SUMMARY)

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≈ SUMMARY ≈

**CAREER REASONS AND FINANCIAL PERFORMANCE
OF SMES IN A DEVELOPING ECONOMY**

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Principal Topic

Our main research question was “Do the motive patterns of entrepreneurs in Nicaragua, the second poorest country in the Western hemisphere, predict the survival and/or financial performance of their firms?” Much of the previous research on motivation for business ownership was based on data from countries with developed economies. Only two of these earlier studies looked at the relationship between career reasons and outcomes, only one with established business owners in Great Britain.

Methodology

Our stratified sample was drawn from a database of 13,000 firms of three sizes as defined by Nicaraguan standards (microenterprises, small, and medium sized businesses), representing five industries (agricultural production, manufacturing production, mining, commercial, and services), across 7 of the 17 departments (states) of Nicaragua, representing the major economic regions. Data were collected through direct, face-to-face interviews of 500 business owners in the first round and, because of attrition for various reasons, 357 (204 females and 153 males) business owners in the second round who participated in the first round.

Results and Implications

Factor analyses of the career reasons revealed common factor structures for men and women. The three factors consisted of reliable multiple-item scales that showed significant sex differences--scale means for women were lower than those for men. Only 305 respondents reported 2012 revenues. In a developing economy, large revenues likely derive more from market forces than owner characteristics, so we eliminated the 18 respondents (6%) with monthly revenues greater than 200,000 Cordobas (\$7,450). Linear regression showed that two of the factors – one we labeled Recognition, the other Communitarianism – predicted the 2012 revenues. This means that two person variables measured in 2010 predicted financial performance in 2012. An intriguing question for future research is whether the relationship between the career reason factors and financial performance will continue beyond the two year time period. An important implication for practice is that motivations for business ownership may be very different in developed economies versus developing economies. Moreover, though women may not voice as strong a motivation for business ownership as men, investors and bankers should not assume that motive strength alone predicts financial outcome.

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