

The History of Entrepreneurship in Mexico

Contextualizing Theory,
Theorizing Context

ARACELI ALMARAZ ALVARADO

OSCAR JAVIER MONTIEL MÉNDEZ



The History of Entrepreneurship in Mexico

Required reading for those that wish to understand entrepreneurship in Mexico. It provides a realistic, practical and down-to-earth understanding of structures, processes, and cultures associated with effective entrepreneurship specific to Mexico.

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This is an important book storytelling entrepreneurial identity, its grounding in the family idyll, more about, a sense of place. There are glimpses of a shift from egoistic-hero-narrative to the process of storytelling of place, in which entrepreneurs struggle to gain legitimacy for partners to invest capital needed to mobilize their projects by being part of their community. Mexico's entrepreneurial partners prefer knowing each other's families, attending the same school, and growing up in the same place. Grounding entrepreneurship in the storytelling of place, community, and family makes all the difference to sustaining effective practice.

David M. Boje, Professor Emeritus, New Mexico State University,
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This book responds to research calls for contextualizing entrepreneurship in emerging economies and developing countries and invites us to understand the field of entrepreneurship in Mexico better. The book gathers Mexican contributors, who are mostly based in Mexican universities, researching entrepreneurship in Mexico. The chapters in this book include descriptive studies, applied research, as well as case studies. The chapters help build awareness of the practice of entrepreneurship across industries, clusters, urban and rural places, as well as individuals' backgrounds. The chapters also analyzes public policies and programs developed over time. The book is a valuable tool to study how institutional frameworks at the micro-, meso-, and macro- levels shape the Mexican entrepreneurial spirit.

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The History of Entrepreneurship in Mexico has moved thinking forward in an important, but understudied topic – entrepreneurship in Mexico. Drs. Oscar Javier Montiel Mendez and Araceli Almaraz have brought together the cutting-edge perspectives of twenty Mexican scholars from distinguished universities

inside and outside of Mexico who share their views on innovation, creativity, entrepreneurial diversity, business history, the impact of context on entrepreneurialism, and of course the process of entrepreneurship. The *History of Entrepreneurship in Mexico*, a rare compendium, will become a comprehensive, important, and valuable resource for scholars and students around the world.

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The History of Entrepreneurship in Mexico: Contextualizing Theory, Theorizing Context

EDITED BY

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Introduction

Mexico and the Routes of Entrepreneurship: Beyond Traditional Discussions

Araceli Almaraz Alvarado and Oscar Javier Montiel Méndez

The entrepreneur remained prominent in economics but only to the extent that the area of investigation was economic development.

(Hébert & Link, 2006)

In the last two decades, organizations, such as the World Bank through the studies section on Latin America and the Caribbean, and the UN through the Economic Commission for Latin America and the Caribbean (ECLAC), have presented a series of studies related to the development of Latin American region (LATAM). Several of them have focused on the analysis of structural gaps, as well as the scope of competitive contexts, the strongest or weakness of business networks, type of entrepreneurship, and the financing schemes to promote business development. Nevertheless, they are showing a part of the Latin American reality where not all companies, agents, and institutions have been considered, where only the economic dimension of entrepreneurship has been the focus.

On one hand, the analysis of global markets has been complemented with local and national ones, but the entrepreneurial history (mainly its process) in LATAM has been missed in a deeper sense. In the other one, international organizations maintain a conceptual perspective that prevails focused on the variability of foreign demands, leading to study and promote cooperation instruments and networks, building capacities, quality control on products and encourage innovations associated with external requirements. In consequence, the dynamic sectors and technologically advanced branches are the main goals. These notions leave out of the radar the rural economies, regions that are labeled as losers, and many products and services that aren't technological or not directly linked with it. What it means to ignore entrepreneurial heterogeneity in our countries and its multidimensionality.¹

¹For example, what might be the latest theoretical effort on entrepreneurship, the Entrepreneurial Value Creation Theory by [Mishra and Zachary \(2014\)](#), which is difficult to imagine in a general Latin American context. There is an urgent need to develop an entrepreneurship theory model for this region and should integrate history as a fundamental element within.

The monitoring of ventures in LATAM, carried out by the World Bank, indicates different levels of progress and stagnations among countries, as a result of the evaluations of legislation and institutions that influence them, as well as the structural factors that can be favorable to environments for creation of innovative startups, such as infrastructure and the quality of human capital (Lederman, Messina, Pienknagura, & Rigolini, 2014, p. 18). This perspective, however, essentially rests on some external factors surrounded by the innovative entrepreneurial processes and do not recover the importance of the historically constructed socio-territorial organization and the variability of branches, despite endorse Robert Shiller point of view (2013) who understanding that “capitalism it is culture” and that fundamental role is played by “the basic human spirit of independence and initiative.” The visions focused only on institutional and technological external dimensions neglect transcendental discussions about imagination and sociocultural factors and entrepreneurship in Latin America. We are mainly concerned with creativity, so fundamental for innovation and entrepreneurship, because it has been mostly forgotten from most literature.²

Montiel and Calderón in Chapter 1 highlight what have been the advances in the construction of analytical and conceptual frameworks to understand entrepreneurship in Mexico and how universities are positioned in different areas of knowledge and had encouraged discussions on business and entrepreneurship. Chapter 1, entitled *The History of Entrepreneurship in Mexico: A View from the Academic Lens*, makes a timely reference to the literature on entrepreneurship in the last decade, evidencing a growing concern from Mexican educational institutions, universities, and foreign organizations. The scope of business research in Mexico is reflected in two ways according to Montiel and Calderón. Authors have classified published products on entrepreneurship and identified the presence of social aspects in business development, such as family and the role of women. On the other hand, authors make clear the national panorama, concluding absences and future research streams to work on. The most important is the difficulty that still exists to publish results of projects and/or works that have already been presented in academic events on entrepreneurship. As an example, it is the number of papers presented over two decades at the annual congresses of Academy of Administrative Sciences A. C. (ACACIA) versus the number of those works published in journals, books, reports, and other formats.

Montiel and Calderón raise the need to focus on areas of opportunity that have not yet been explored and that must be added to local, regional, and international debates, which require not only the publication in Spanish but English and other

²The literature always speaks about innovation and entrepreneurship national or regional ecosystems, but, what about creativity? See Montiel (2018) for a proposal on a creativity national system. Inquiring it with a focus on its historical processes might shed light on determining if the lack of public policies that support it (or changes within society) has played a decisive role into the present conditions of the economic arena for Mexico and Latin America.

languages. The current tendency of Mexican researchers to publish in social sciences, including management, remains the mother language despite growing pressure to do so in others. Additional to this academic delay, the official monitoring of entrepreneurship in Mexico has also been scarce despite historical data collection experiences and publishing of the Economic Census each five years where units are divided by sector as presented in Chapter 2. The timely monitoring of entrepreneurship in Mexico arrived at the end of 2009 and focused only on the MSMEs group, finding possibilities to expand in 2013 with the creation of the National Institute of Entrepreneurs (INADEM in Spanish) managed by the Ministry of Economy of Mexico. However, this year INADEM, which had a business training area and coordinated the granting of resources for new companies, stopped working.

Currently, after the disappearance of INADEM, financial support for entrepreneurs continues to be granted by the Federal Government. We don't know yet if this type of rupture in the official posture will limit new strategic monitoring of startups but we think that any commitment to be exerted by Federal Government to promote entrepreneurship should include in the first place the recognition of heterogeneity of entrepreneurial agents, the diversity of business regional trajectories in our country, and monitoring the multiple forms of creativity as a constant assertion of initiatives of individuals and groups.

Babson College is an American institution that since 1999 has led the monitoring of perceptions of entrepreneurial activity through the Global Entrepreneurship Research Association ([Global Entrepreneurship Monitor, GEM, 2019](#)) in more than 70 countries. For Mexico, the national reports published by GEM correspond to 2010, 2011, 2013, and 2014. The national report, in 2015, added the regional summaries of Jalisco, Querétaro, and Guanajuato. In 2017, only regional report to Querétaro was published, and in 2018 only regional reports to Querétaro, Guanajuato, and Yucatán were. Based on these publications, one can compare characteristics of entrepreneurial ecosystems based on business financing, government policies, and programs; entrepreneurial education at a fundamental and higher level; technology transfer; commercial, physical, and legal infrastructure; the dynamism and size of internal market; and barriers to entry. Nevertheless, entrepreneurship behavior data offered are a very limited point of view of how complex it is (and has been historical). The behavioral data collection must be focused on entrepreneur experiences. For us, monitoring prosperous can be oriented to startup and mature phases.

Mexico must overcome limitations (the National Observatory of the Entrepreneur, ONE, was funded with support from the United Nations Development Program (UNDP) and shut down a couple of years later) monitoring entrepreneurial agent's behavior and include testimonies of active entrepreneurs. Attitudes and beliefs that are also factors of the sociocultural dimension must be understood in their own configuration process and not limited to the business that has already been started. Chapter 2, entitled *Origins of Entrepreneurship: The Other Faces of the Rhombus*, emphasizes in three phases that precede formalization of a startup (selection of ideas, prototyping, and entry to market).

The analytical framework defends that the actions of entrepreneurial agents are influenced strongly by sociocultural factors that are historical and territorially constructed. For the author's chapter, the main questions are: Why non-technological ventures are a higher option for entrepreneurs? Why some entrepreneurs prefer focusing on generating ideas or seeds? What different types of accelerators are acting beyond investor angels and public organisms? Why family must still be considered as a historical angel investor in Mexico? The debate opened by Almaraz is accompanied by a methodological proposition to analysis that is the complement of one previous typology to study family business (Almaraz, 2016).

Culturally, the entrepreneurial agents and their interpretation skills to decision-making respond to values, meanings, and signifiers. All are important factors to generate and select ideas, create prototypes, access into markets, and assume risks. For this reason, all companies are based on knowledge accumulated along history pathways. As an example of territorial experience, the last part of Chapter 2 shows the experience of a craft brewery entrepreneur located in the northern border region of Mexico, where the founder is maintaining a medium-sized company, exploiting a high degree of innovation and market penetration and adaptation to this novelty outside high-tech waves.

Chapter 3 focuses on normative frameworks (rules), emphasizing that they should not necessarily be associated with formal institutions. Guerrero and Santamaria show that culturally some regions seem to have a greater proclivity to entrepreneurship while others do not. These differences represent perceptions of different entrepreneurs because the cultural frameworks that are built in the territorial actions are mediated by values and customs, and the mechanisms of participation implemented locally are part of a sense of belonging and are configured by trust relationships.³ Inequalities in entrepreneurial development should also be considered as discussion points. While some entrepreneurs reflect optimal conditions to compete, others seem to maintain a trajectory of survival strategies under conditions of wide disadvantage and regulatory frameworks that do not help but limit them. That is why many surveys seem not to respond to reality.

Global Entrepreneurship Survey 2019 by *GoDaddy* firm stands out among its findings about the perception of entrepreneurship in Mexico that the majority of owners and small- and medium-sized companies surveyed (46%) believe that entrepreneurship is respected in Mexico, that 4 out of 10 entrepreneurs expect that their business will grow 50% or more between the next three to five years, that 96% of the Mexican entrepreneurs interviewed would do everything again, that eight out of ten they have been happier since they became entrepreneurs and 70% of small business owners perceive entrepreneurship as an

³Where entrepreneurship might has begun to be perceived into this societies as a way of life, integrally, more than just a mere business creation, a future research stream to explore in many axes, e.g., for the Mexican universities its very common this orientation on their courses offered, or in the media.

economic activity that makes them less likely to lose their jobs or be negatively affected by artificial intelligence and robots.

In Chapter 4, from a quantitative perspective, Librado and Ramírez show us a methodology to analyze at least two entrepreneurial routes in the different regions of Mexico. Using a time series from 2009 to 2014 for the SMEs segment, the authors find that a greater number of companies and jobs do not necessarily refer to a landscape of better economic conditions for the different regions. These results invite us to broaden the debate about the quality and scope of entrepreneurship in countries like ours, where declining unemployment rates are not necessarily linked to knowledge spills and corporate durability. To complement the quantitative exercise about entrepreneurial agents, the authors retain the institutional perspective and exhibit structural heterogeneities as elements that reflect different ways of undertaking entrepreneurship.

In this line of discussion, it cannot be ignored rural contexts where small and medium enterprises acting too. In those spaces must be understood the evolution, cultural organization, and structure of businesses. While for recent countries discussions have focused on the relevance of race and sex in the entrepreneurial process and increase of number of small business, researchers from LATAM regions have an obligation to analyze the different configurations, integration, and business distancing from phases linked to pre-Hispanic organization, the colonizing or dispossession of land, a postcolonialist approach.

In the early 1990s, [Beggs, Dorothy, and Garsombke \(1994\)](#) published an article to discuss “a shift away from the traditional profile of the entrepreneur to a wider diversity of entrepreneurs from different races, ethnic groups, gender, and classes.” The authors discussed the historical development of entrepreneurs and the following trends in the US workforce, so since the period 1980–1985 women are being more protagonists in the labor force increasing the percentage of self-employed women and businesses owned by women. Considering the data of Small Business Administration based in the United States (1992), [Beggs et al. \(1994\)](#) show that in the 1990s, 28% of all US companies were owned by women and they employed more than 4.1 million people, while 34% of independent workers were women and 66% men. Nevertheless, the ethnic ascendance is not a variable despite the immigrant groups that starting up a business.

For Mexico, although SMEs have also experienced high participation of women for two decades, as shown in Chapter 5, it must consider the urgency of discussing aspects like ethnic, rural, and their corresponding social processes. It is very important to discuss current social effects of cultural inheritance or depopulation rates caused by emigration, and the impacts of more remittances (mainly from the United States) associated with new local business tendencies. The chapter entitled *Rural Entrepreneurship and Small Businesses in Mexico*, written by de Gortari and Santos, should be placed in the middle of international discussions about race and business. The richness of this work is the reintroduction of indigenous and rural contexts taking an example from the state of Oaxaca that is scarcely considered as avant-garde business space to contrast it to Jalisco. De Gortari and Santos analyze the role of entrepreneurial actors in these two entities, in which importance of social capital and networks are advantages

for rural entrepreneurship. For the authors, the values and norms are very important because all of them allow entrepreneurial articulation.

The recognition of cultural processes in Jalisco as colonial territory and Oaxaca as rural and indigenous context permits emphasize in no technological possessions such as land, natural ecosystems, animals, and crafts as key assets to start a different kind of business. Although some technological tools are used to entrepreneurship, these are not essential to business. Another success in this chapter is the reference to collective action, formal education and territorial reproduction of knowledge processes included as part of intangible attributes of entrepreneurship. Over the past three decades, the international debates about entrepreneurship and the role of business agents in the United States were directed by the need to expand discussions about entrepreneurship. In 1992, a scholars team integrated by William B. Gartner, Kelly G. Shaver, Elizabeth Gatewood, and Jerome A. Katz call for papers “to encourage entrepreneurship researchers to re-conceptualize the nature of entrepreneurship by focusing on the individual and social/psychological processes involved in entrepreneurial activity” (Gartner, Shaver, Gatewood, & Katz, 1994, p. 5). Two years later was published a synthesis which considered new suggestions to rethink entrepreneurship and entrepreneurial actions in the US context, exposing the importance to include singularities, collective action, temporalities, the transference of knowledge, initiative processes, and differences between entrepreneurs.

Beyond these valuable guides to study entrepreneurship and entrepreneurs, we think that it is imperative for Mexican specialists in business, business history, and entrepreneurship to advance in showing entrepreneurial territorial contexts and its historical richness. One example is the entrepreneurship in many indigenous communities in Southern Mexico. Historically, they have been implementing economic arrangements and specific forms to create value and interchange. They represent a fertile space to research entrepreneurial processes. In contrast, some Mexicans in the northern border regions constituted at the beginning of the twentieth century started entrepreneurial processes in conditions completely different from the center and other Mexican regions. As Almaraz (2007) has remarked, in localities like Mexicali the broker land intermediaries were the first entrepreneurs who converged with American capitalists and investors from California, and later with Chinese and other Mexican entrepreneurs who were displaced from their original places mainly due to internal conflicts and revolution (Almaraz, 2007).

As we can see, the peculiarities of Mexican entrepreneurship are complex and beyond traditional discussions. Toward this book *The History of Entrepreneurship in Mexico: Contextualizing Theory, Theorizing Context*⁴, we want to rebuild the ideas and debates about Mexican entrepreneurial agents. We try to recover recent discussions of entrepreneurship and placing itself in aspects of the Mexican business organization that scarcely have been discussed in broadly look. This is the case of key factors to start businesses and make decisions, whose nature becomes visible in the sociocultural field, which represents one of the three

⁴The book subtitle underlines the explicit call towards this approach, made by Welter (2011, 2019).

external dimensions. However, the complexity of the business process now as never before is related to human mobility and the different types of knowledge transfer that we do not know or due to a lack of registration.

Chapter 6, written by López, Moreno, and Sánchez, shows us how the immigration process to Mexico footprint business organization permitted transferring knowledge when a family experienced the integration to a community. As pillars of innovations, inventions, and regional development, a Japanese family used their cultural codes to develop a productive niche following a long entrepreneurial route for more than four decades as we can read in the *Sea Urchin: From Plague to Exotic Delicacy*. The birth of an export company was started by the first ideas of one Japanese patriarch. The second generation directed by his son are discussed around adaptation and development of commercial initiatives derived from the arrival of Japanese families in the early twentieth century to a coastal city in Baja California and its continuity, the use of cultural codes transferred was useful to successors. The natural conditions in Ensenada offered advantages to the patriarch to detect opportunities and innovate as well as to open market niches abroad beyond an evolutionary traditional process to internationalization.

The initial debate on this case allows us to predict new research on migration and entrepreneurship. Soon we can compare entrepreneurial immigrant configurations, sense of belonging, and intergenerational business families, and of course, its legitimization process (Wadhvani & Lubinski, 2017).⁵ On the other hand, the impact by the first company dedicated to the extraction, cleaning, and packing of sea urchins in Ensenada encourages us to maintain discussing many agribusinesses and their links to I+D+e (Innovation, Development, Entrepreneurship) as biotechnology and marine species. The strategic position of Baja California in the extraction of sea urchin and the recent effects on the regional competitive aquaculture rates and the gastronomy are other discussions inspiring from this chapter.

Business studies, including economic and business history, have left out aspects related to the human mobility of entrepreneurs and their families. It is necessary to discuss the ties a long time, the prevalent connections to origin contexts and hybridization of codes influenced business practices in different spaces, with which the discussion about geographical proximity and forms of knowledge transmission would be extended. The other element of great relevance to the socio-cultural dimension is the “family” in business development. Here we have advanced in the mainstream, in this book is discussed an accelerating business structure too, in complement as a source and transmitter of knowledge, an accompanying structure from first stages of entrepreneurship.

The debate already started from the economic and business history that distinguishes processes of family continuity and the presence of business families. The advances that are required for now imply an exhaustive regional registry of

⁵Where the implementation of a transformative design where an individual learns to be an entrepreneur, then a businessman, and once again, an entrepreneur when managing its business, as a growing and iterative system that might increase the survival rate of family businesses, must be explore to support this trajectories.

families and businesses, as well as the identification of schemes or processes that were established in the colony and maintain valid features, including pre-Hispanic prevalence. This task should provide answers to our questions and others about entrepreneurship in Latin American companies made by Jones and Wadhvani recently (2006).

It is also important to rediscuss how current generations of Mexican business families faced the transition from a protectionist model to one characterized by economic liberalization and then the recent shift toward a socially responsible economy and business. The concepts of the mainstream in construction proposed by Almaraz are for now: ethnic business origin, family business structure, relational capital, family and business extension, family corporate governance, and generational succession.⁶

Chapters 7 and 8 somehow recover the processes of family continuity and business durability. In the first case, Riojas and Basulto provide us a scenario of personal initiatives encouraged by territorial conditions in the state of Jalisco. The protectionist model was adopted by the second generation and through its agents, we see how the individual and the collective action of entrepreneurship, as well as the relation to social class entitled *Cultural Milieu and Business Initiatives in Mexico's Midwest*. In the penultimate chapter, entitled *Footwear Cluster: A History of Entrepreneurship in Crisis*, written by Álvarez-Castañón, a history of local ventures and processes of adaptation to the turn to a new economic model are presented. The different business development routes experienced by entrepreneurs and families in Guanajuato in the footwear industry show that the nature of entrepreneurship is in permanent reconfiguration. As Wadhvani and Bucheli (2013) pointed out, there exists a sense of plausibility and desirability of future opportunities despite uncertainties, and how such envisioned opportunities are shared and reshaped over time. So valuable is this to understand individuals, regional culture, reactions over public policies in the industry, and possibly the reallocation of resources, and parts of factories, even their negotiation processes, etc.

At this moment is necessary to point out the conjunctures generating impacts on Mexican entrepreneurial actions and that never alien to the institutional development of geopolitical because we live in a capitalist world economy as Wallerstein argued (1988). However, each country generates its own mechanisms of attention to economic development, being influenced by internal and external contexts, and each country promotes entrepreneurship trying to overcome any kind of barriers. We are obliged to discuss global and national economic processes giving the present business configurations and their heterogeneities and asking constantly, who are our entrepreneurial agents. The chapter entitled *Public Policies on Entrepreneurial Activity in the Mexico of the 20th Century* written by

⁶Regarding family business structure, we follow the next classification: (1) nuclear family businesses whose shareholder structure is only direct parental ties, (2) extended family businesses where shareholders have direct and indirect parental ties, and (3) composite family businesses where core group of shareholders is a family but it includes partners who have no parental ties (Almaraz, 2016).