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Start-Up Culture in Latin America

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Declaration:

I hereby declare that I am the sole author of the thesis entitled “Start-Up Culture in Latin America“. I duly marked out all quotations. The used literature and sources are stated in the attached list of references.

In Prague on30/06/2019...

Signature

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Acknowledgment

I hereby wish to express my appreciation and gratitude to the supervisor of my thesis, doc. Ing. Mikulaš Pichanič, who helped me throughout the process of idea generations and in the overall aspect of the thesis.

Table of Content

Introduction.....	7
Chapter 1 Importance of StartUps in L.A	11
1.1. Definition of Startup Entrepreneurship.....	11
1.2 Comparison of Latin American countries.....	15
1.2.1 Social Analysis.....	16
1.2.2 Economic Analysis.....	19
1.2.3 Political Analysis.....	20
1.2.4 Technological Analysis.....	22
1.3 Importance of Startups in Latin America.....	23
Chapter 2 Evaluation of L.A countries.....	24
2.1 Chile.....	24
2.2 Brazil.....	26
2.3 Mexico.....	28
Chapter 3 Trade Agreements.....	30
3.1 NAFTA.....	30
3.1.1 Benefits from NAFTA.....	31
3.2 CAFTA-DR.....	32
3.2.1 Benefits from CAFTA.....	33
3.3 MERCOSUR.....	33
3.3.1 Benefits from MERCOSUR.....	34
3.4 CARICOM.....	35
Chapter 4 Idea Generation for Startups.....	36
4.1 Research and Development.....	36
4.2 Government involvement.....	38
4.3 Monopolies.....	39
4.4 Creation of Hubs.....	40
4.5 Innovation is Key.....	41
Chapter 5 Hugo's Story.....	43
5.1 Hugo's Launch.....	43
5.2 Success of Hugo.....	45
5.3 External Factors.....	46
5.4 Hugos Functionality.....	49
5.4.1 Innovation.....	50
5.4.2 Regulations.....	51
5.4.3 Banks.....	51
5.4.4 Competition.....	52
5.5 Hugo doing right.....	53
Chapter 6 Lesson from Hugo for L.A.....	55
Conclusions.....	59
Bibliography.....	64
Appendix A.....	68

Table of Figures

Figure 1.1 Europe StartUp Jobs Created.....	12
Figure 1.2 World Economic Forum Risks	16
Figure 1.3 Poverty in Latin America.....	17
Figure 1.4 Homicides	18
Figure 1.5 GDP per capita Central America.....	19
Figure 1.56 GDP per capital South America	20
Figure 1.7 Political Stability in Central America	21
Figure 1.8 Political Stability in South America	22
Figure 2.1 GEDI points for Chile	25
Figure 2.2 GEDI points for Brazil	27
Figure 2.3 GEDI points for Mexico	29
Figure 3.1 Flow of Trade NAFTA	30
Figure 3.2 MERCOSUR Facts	33
Figure 4.1 R&D spending	37

Introduction

The topic for this paper is connected to the creation of new companies, or so-called “Start Ups”, in Latin America. In today’s world, Start-Ups have become a most crucial part for the continuous development of country’s economies, whether it is in developed, developing, or under-developed countries. New companies have made it possible for the economy to continue growing and as technology continues advancing, the incorporation of new products or services is almost unavoidable; therefore, there has been a growing importance in the way countries deal with the creation of these new companies. However, realizing that the world has always been uneven and inequality has always existed at some point, the concern of whether or not countries, despite their economic classifications, will be able to adjust or adapt their systems to help new companies be created and helping them grow to a point of reaching competition in local and, hopefully, international markets. Taking a look at the differences between countries and how they deal with Start-Ups can help individuals realize that when there’s a will, there’s a way. Nonetheless, it is important to make a remark that differences between countries need to be taken into consideration before deciding what the best way to start a company is and how to go about the local step backs, if any, in order to make the most out of the situation. This could serve as a guideline for those wanting to start their own business, focusing mainly in Latin America and in those countries in the region that are still considered too small to be attractive for investment from abroad. With this being said, the main goal of this master thesis is to analyze the differences between Latin American countries and to explore the opportunities that could benefit an individual or a group that is intending to open up a new company in the region, thus, using the example of the Hugo App.

With the way the Latin American region has been developing through the centuries, ever since it became independent from Spain, it was an important factor that needed to be assessed and that is why this paper was developed, to be able to realize the differences these countries have not only with each other but also with the rest of the world. The Latin American region has not always had the best reputation in the world’s

eyes but it is mainly because of factors that need to be taken care of by local government. Nonetheless, investment from abroad needs to become more and more present to have a better possibility of economic growth in the region.

In order to reach this goal, the paper was divided into three different parts. The first chapter is used as a theoretical background in order to define what constitutes a Start-Up and it also incorporates definitions of what are the classifications of countries and how these countries, depending on their classifications, provide a better or more advantageous position for new companies to be created. It takes into consideration the definition and classification of countries regions provided by the World Bank and the International Monetary Fund, as well as the incorporation of the Center for Distributive, Labor and Social Studies in Latin America. Part of this first chapter also includes research from the Corporate Innovation and Entrepreneurship book of Donald Kuratko, Michael Morris, and Jeffrey Covin to be able to analyze and explain what constitutes a new business. This first part is essential to the development of this paper, as it gives an idea of what a Startup is and why it is important for countries to generate Startups. Latin America was assessed the most and specifically to look further into the way the countries in the region have dealt with Startups thus far and how they will continue to do so.

The second part of this paper is devoted to analyzing the countries that have had success in developing a Start-Up culture in Latin America and it will also define the things that are being done right, whether it involves the local government or the advantages that such countries have and that provide a step forward into opening new companies. An examination of the three best places with Start-Ups was done with the help of the CIA World Fact book and the World Bank, in order to see the things each country was best on. Additionally, a fraction of this second part of the paper was included to explain how the relationship of Latin American countries can become advantageous for the creation of new companies. Therefore, the most important trade agreements were discussed and also the reason why they would benefit a new company. These agreements are important to be analyzed because they are going to be a basis for economic growth in the region and have been a basis for growth; therefore, it is necessary

to introduce them and to assess what are the benefits that come from each of these agreements. The benefits were given directly from the websites of the agreements and provide a better reasoning as to why the area will always encourage the incorporation of new companies in countries other than the home country.

The third part of this paper was devoted to the analysis of one of the most impressive and nowadays most important Start-Up in Latin America, a mobile phone application called HUGO. An overview of the company and also of the reasons why the company has succeeded in the markets it has entered was given in this part. Moreover, it is accompanied by listing the most interesting things Hugo has done in order to grow and to remain profitable. Incorporated in this part also comes the success stories of other Start-Ups that have, just like Hugo, succeeded and grown in this complicated market environment, as it is the case for Central America, specifically. This final part includes major points of important aspects within Hugo's success that will help and inspire the formation of new companies but also inspire the growth of StartUps that have been left behind due to competition or lack of innovation. This major key steps Hugo has been surpassing for the past two years will be analyzed and serve as a base for other to follow suit and have success for themselves.

With regards to the methodology and the major sources used throughout this paper, the first part is based mainly on the World Bank, the International Monetary Fund, and the Center for Distribution, Labor and Social Studies in Latin America, which helped provide an overview of how the world is separated into different categories and how these different categories will provide a framework for StartUps. To give a description of new business and entrepreneurship, the Corporate Innovation and Entrepreneurship book of Kuratko, Morris, and Covin was used. Also, a PESTLE analysis was run for countries in the region to provide an idea of why this region has remained behind from other global competitors in terms of new business creations. The PESTLE analysis provides an overview of the concerns of international investment into these countries. Conducting a PESTLE was important for this paper because it shows what are the risks of doing business in the region.

For the second part, there was a collection of secondary data due to the inability to reach top experts on the manner of the mentioned countries. Therefore, the data was delivered through and with the help of the World Bank and the CIA World Factbook to provide an enhanced analysis of successful countries with regards to StartUp culture.

The third part of this paper incorporates both primary and secondary data to analyze the example of Hugo App, but also to analyze the success story of other companies that managed to grow in complicated scenarios. The companies that were used are of a smaller scale regarding Hugo but did serve as to give an idea that other companies are doing things right and not just Hugo.

Primary data was recollected with the use of skype interviews with founders, co-founders, owners, and members of the governing body of small, medium, and large companies in the Central American area. This type of research was done to be able to add up to the importance of the most recent success story in Latin America. The advantages of this implemented research is that it provides a detailed idea into the process that was applied by different StartUps in order to succeed in a difficult environment. A disadvantage was the difficulty to incorporate top executives of companies that have been in business for years and have proved to outgrow its competition within the Central American region.

Chapter 1. Introduction concerning the importance of startups in developing countries

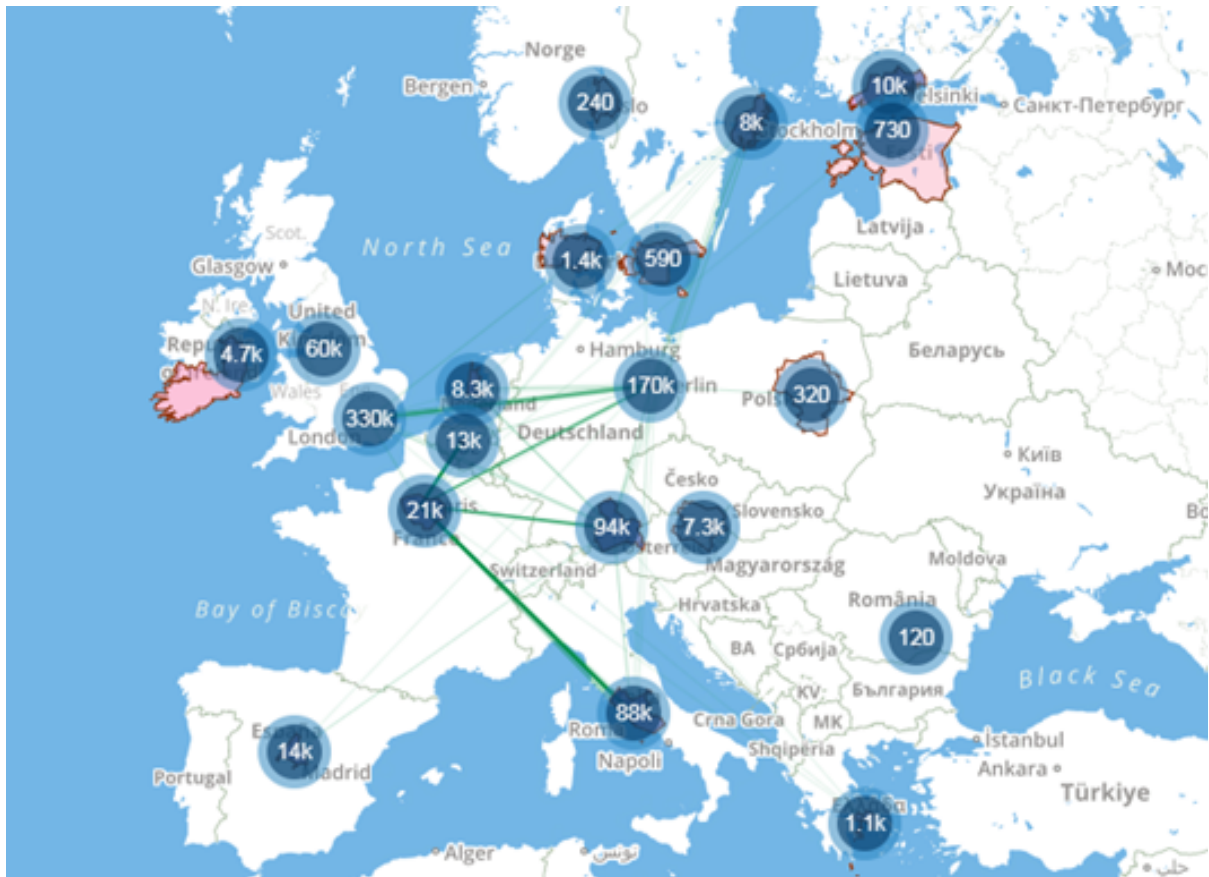
1.1 Definition of Start-Up Entrepreneurship

Throughout history, the creation of new businesses and thriving for innovation has never failed to show that it has been a key factor for the development of economies worldwide. It has been one of those key success factors pushing around economies since centuries ago and some of those businesses have prevailed until most recent times. With the creation of new businesses comes along the creation of new job opportunities and this, regardless if the business is located in a developed, developing, or underdeveloped countries, has proven to be true and does not differ. However, one of the most interesting factors to notice is to figure out and understand what are the differences that separate the creation of new business in any of these three country clusters, whether it be developed, developing, or underdeveloped.

Developed countries are sovereign states with a high industrial and Human Development Index compared to other countries. These countries have a technologically advanced infrastructure, and its economy must be highly developed. Some of the determining factors are income per capita, political stability, industrialization, freedom and living standards of the general population. The difference between a developed country, which are mostly European countries, and a developing country is that it has low levels of industrialization and fares poorly on the Human Developing Index (World Atlas, 2017). These countries have lower life expectancy, lower educational attainment, lower per capita incomes, and high fertility rates. Most countries in South and Central America are regarded as developing. The other category, which are mostly African countries, is the least developed, or underdeveloped, countries. These countries are categorized by ranking extremely low on the Human Development Index, with low life expectancies, low per capita incomes, low educational attainment, and high fertility rates. The countries that will be focused on in this paper will be the developing countries, as most of the Latin American countries are classified as such (World Atlas, 2017).

To give an idea of Start-Ups in developed country, there are over 4.5 million people working for around 830,000 companies across 20 Europe Start-Up Hubs (Europa Start-Ups, 2019). These figures add on the importance of why countries need to become involved in the generation of new companies, because the enhancement of the economy and the job creation is going to help countries grow. The graph below shows a more detailed picture of the amount of people in countries around the European continent.

Figure 1.1 Europe Start-Up Jobs Created



Source: (Europe Start-Up, 2019)

The idea of the creation of new business might perhaps be the same but the implementation and more importantly, the motivation might differ from country to country. The step-by-step process of having a business idea come to reality will vary

according to regulations in each individual country and it may take a few days in some cases, to a few weeks or even months depending on the laws and regulations. In countries with a better system of regulations and with Hubs incorporated, it has been easier to continuously develop new companies and it is relatively easier for individuals to start a new company, which serves as a motivator. The doing business score and opening a new business score of OECD high income countries ranks as first in the world in the last decade (World Bank “Doing Business”, 2019).

There has been a growing movement in the idea of entrepreneurship worldwide and with this comes two major parts of entrepreneurship, corporate entrepreneurship and Start-Up entrepreneurship. Entrepreneurship is a term that has been around for almost 200 years and can be defined by the creation of organization, change, innovation, and wealth. It is “the process of creating value by bringing together a unique combination of resources to exploit an opportunity” (Stevenson & Jarillo-Mossi, 1986). Corporate entrepreneurship is more related to when the company assumes the risk and owns concept and intellectual rights. The type of entrepreneurship that will be discussed in this paper is Start-Up entrepreneurship. With Start-Up entrepreneurship, the entrepreneur takes the risk, owns the concept or innovative idea, owns all or much of the business and the potential rewards are unlimited. Start-Up entrepreneurs have little security, severe resource limitations, no safety net, are vulnerable to outside influence and failure can occur by one misstep.

Start-Ups have been around for years as well, however, due to the above mentioned, it is quite hard for all the Start-Ups created to succeed, in fact, 90% of Start-Ups fail to succeed (Start-Up Genome Project, 2018). The reason behind this high percentage is related to all aspects of running a business, such as acquiring customers, product problems, lack of management, bad marketing, and etcetera (ForEntrepreneurs, 2019).

The Latin American countries have had a characterization slightly different from developed economies, as it is the case of many countries in Europe and Asia, due to their

history. It is interesting to see how a new business can emerge from an unstable economy or disruptive policies in place.

Being able to understand the motivation and the implementation of a new endeavor in Latin America has been of special interest to countries foreign to the region due to its potential concerning its market population and its richness in natural resources. This report will provide with the background necessary to understand how and why Latin American economies can be seen as important pillars to the expansion of global business and as a land of opportunity to the implementation of new startups.

The Latin American region in the most recent decades has struggled in maintaining stable economies and governments. It is a region where corruption, crime, poverty, and unemployment are more overheard than positive aspects such as job opportunities and ability to grow and invest. The Latin American countries rank high on being collective countries that value the “group” more than the “individual” (HOFSTEDES, 2019), and this sense of collectivity is one of the motivating factors helping startup founders become more active and accomplishing their task.

The young generation is taking a stand in the creation of startups motivated more by the opportunity than by the necessity, this is why they are leaning more towards the creation of jobs than looking for them (World Bank, 2018). This mindset has been ongoing for the past few years and it has shown in different countries throughout Latin America, with more businesses being created but most importantly, with more advising firms and companies that work with entrepreneurs to facilitate the generation of their own business. This is a step towards improving and even urging others in the region to take the risk that comes along with it.

It is true that not all Latin American countries are jumping into this risky field of startups, but the example that some countries in the region are setting allows others to follow the lead. The region is now a breeding ground for young people generating own

businesses and it has now become the second most enterprising region in the world (World Bank, 2018).

1.2 Comparison among countries in Latin America

Within the Latin American region, there are some differences among countries, some which have been doing better than others in relation to their economy and technological advancements, and some which continue struggling with governments that are only looking after generating personal wealth.

In Central America, for instance, the idea of a creation of a new business is not that widely spread due to the fear of success that is present. By fear of success, what is meant is that some countries are governed by gang-related activities; the biggest one tormenting new and successful businesses is extortion. Extortion is a crime in which one person forces another to do something against his will, generally to give up money or property by the use of violence or intimidation (Legal Dictionary). Extortion present in some countries and it can get to any business a gang wants, disregarding the kind of business it is. Central America suffers heavily from gang violence and drug related crimes due to its involvement in the cocaine business (World Bank). This has always been a limiting factor for businesses from abroad to set up their practices in such countries, as well as local businesses continuing to expand.

In the South American region, some countries are to be made examples of, nonetheless, there are some that are facing their own problems due to their political views, such as Venezuela. Venezuela has remained stagnant in developing its economy because of the political viewpoint of its current president, Nicolas Maduro. Nonetheless, in South America, some countries have been developing increasingly over the years and have led to its economy to either grow or remain stable.

The reason why it is important to analyze the country's situation, as shown in the figure below, is because top executives rank the risk of doing business in Latin American

with aspects related to the structure of the countries in the region (World Economic Forum, 2017).

Figure 1.2 World Economic Forum Risks for Executives worldwide

Executive opinion survey, LAC: risks of highest concern for doing business	
Failure of national governance	43.6%
Unemployment or underemployment	40.3%
Fiscal crises	35.0%
Profound social instability	34.1%
Energy price shock	32.8%

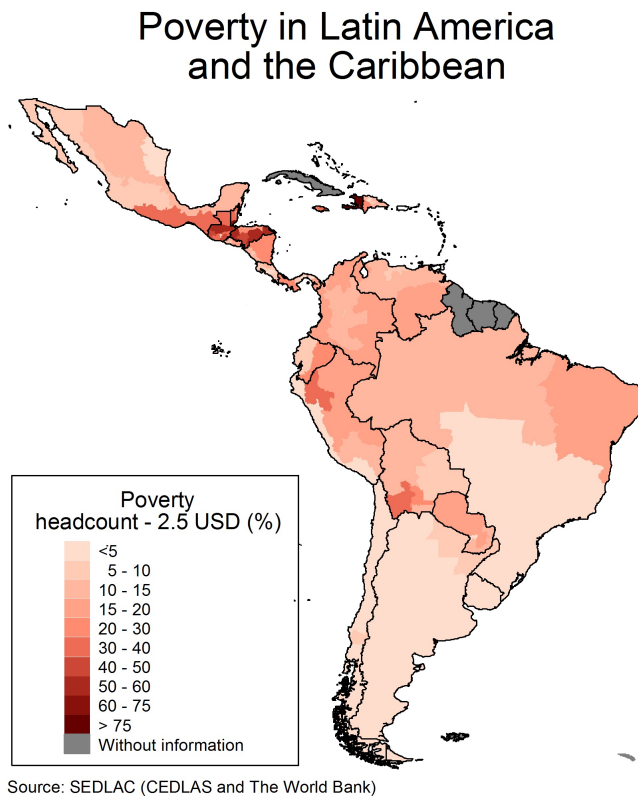
Source: (World Economic Forum, 2017)

1.2.1 Social Analysis

Poverty has been one of the most heard of problems that Latin American countries face, and since 2016 poverty rose to reach 30.7% of the population in the region and has been seen to hold steady for the upcoming years. After almost an entire decade of decrease in poverty and extreme poverty percentages, from affecting 168 million in 2014 to 186 million people in 2016. In the mean time, extreme poverty levels rose from 48 million people in 2014 to reaching 61 million people in 2016 (Economic Commission for Latin America and the Caribbean, 2016).

In the map below, it is noticeable the percentage of the population and the area they are in every country that live with less than \$2.50 a day. The reason why it is important to see the amount of people living in such poor conditions is to acknowledge that some sort of change needs to occur in order to try and change this problem (CEDLAS and The World Bank).

Figure 1.3 Poverty in Latin America



Source: (CEDLAS and The World Bank, 2017)

In countries with a larger territory, it will be explained how new businesses will benefit depending on the area and also on the type of environment. Determining where the new business venture can have the necessary opportunities to grow is of utmost importance before deciding its home. Furthermore, the city or district will provide the right tools for the development of such new ventures when the initiatives start to develop.

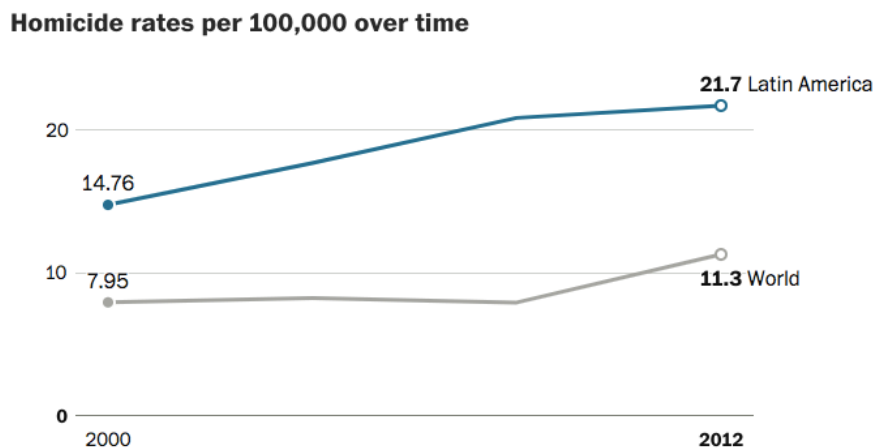
Crime in Latin America

One of the important factors to examine whether a region is appealing to enter for a new business is the safety of the city or country. This is an ongoing issue that has been increasing year after year in Latin America. The region accounts for only 8% of the world's population, but it accounts for nearly 37% of the world's homicides (World

Bank, 2017). With the amount of people living in poverty and the political instability in each country, it is no surprise that crime levels are this high. An ongoing circle has been happening for years now, low investment due to high crime levels leads to lower jobs produced, which then leads to higher crime levels. Maintaining an upward slope is imperative for the area's economic growth, where investment comes and job generation continues for citizens to stop getting involved in illegal activities.

The graph below shows how homicides have been increasing steadily for the past decade and it shows the comparison to the rest of the world. This makes Latin America the world's most violent region (World Bank, 2017).

Figure 1.4 Homicides per 100,00 over time



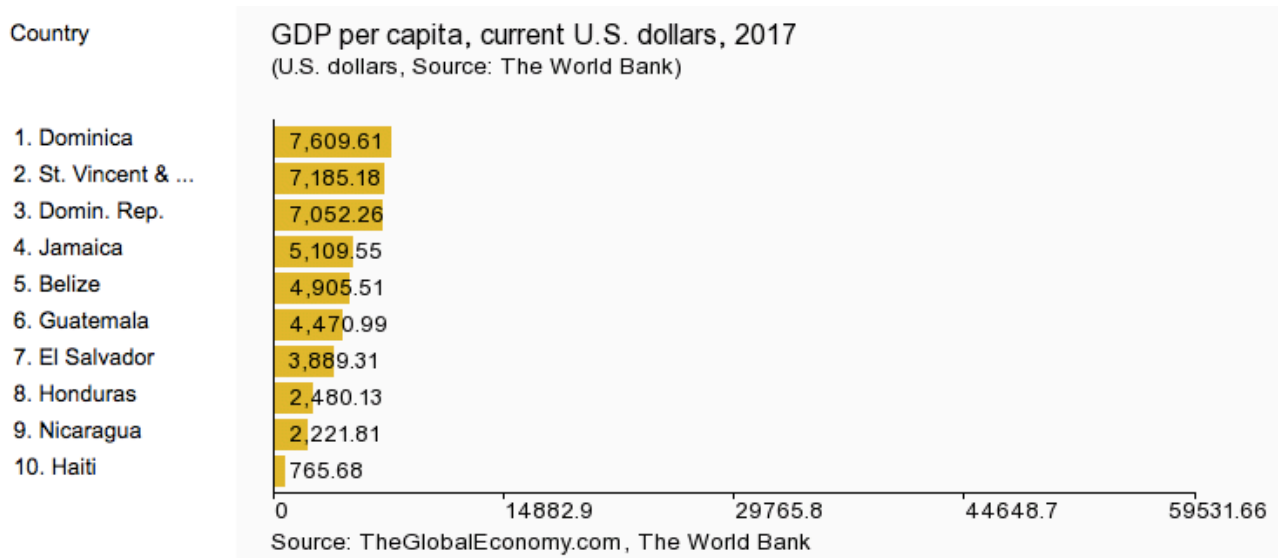
Source (World Bank, 2017)

One incentive of some entrepreneurs in countries with a high percentage of poverty is to be able to help decrease the amount of crime through the generation of new supply of work. The best way to deal with poverty is to reach those who are in need of opportunity to generate income the right and legal way. The new concept of social entrepreneur, which “is a person who pursues novel applications that have the potential to solve community-based problems” (Investopedia, 2017), has been heard of to a larger extent in most recent times and it provides hope to lower-income countries.

1.2.2 Economic Analysis

When analyzing the potential a startup has in a new country, the overall economic development of each country is essential to determine if the business has room to flourish. Latin America is not the region with the highest GDP per capita and it is also difficult to be able to identify given that it has wide extremes, such as extreme poverty and only a select few in the upper-middle and upper class. Looking further, as it is shown in the graph below, the GDP per capita in the Central American and Caribbean region of the bottom 10 countries is alarming, with a median GDP per capita of only US\$5,000 in 2017 (World Bank).

Figure 1.5 GDP per capita in Central America and Caribbean

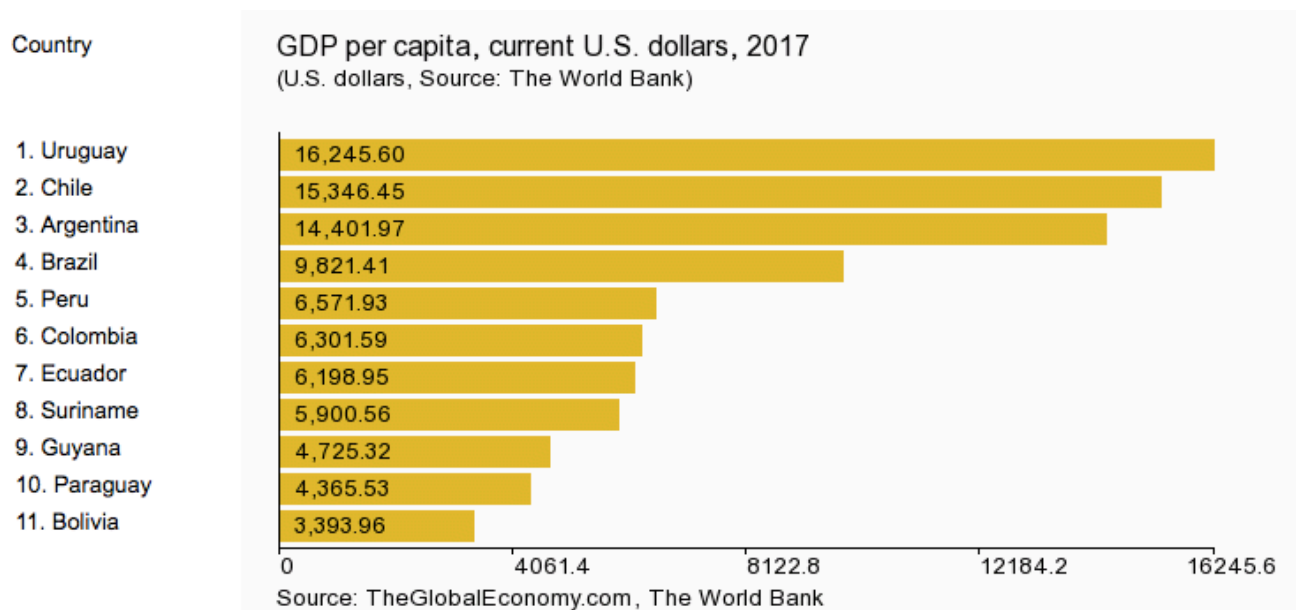


Source: (World Bank, 2017)

With respect to South America, it has a more positive panorama than Central America and the Caribbean, however, the difference between the top three countries with the highest GDP per capita compared to the bottom three is large. This coincides as well as to why South America has been described as a great place to set up a business operation. The opportunities in South America are far better than those present in Central America, primarily because these countries a larger market and have more political

stability as it was seen. The bottom graph shows the differences of GDP per capita in all South American countries, with the exception of those countries where data could not be collected.

Figure 1.6 GDP per capita in South America



Source: (World Bank, 2017)

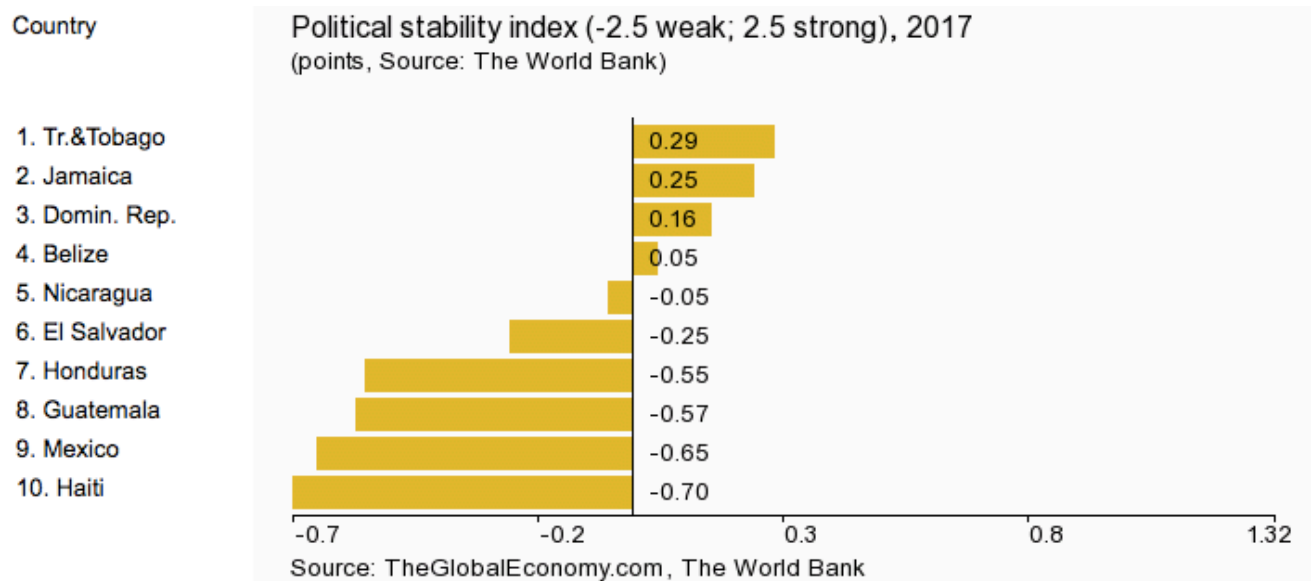
It needs to be observed however, that the Latin American economy started to grow on the last quarter of 2017 by 2%, after having five years of deceleration and one year of recession (Nasdaq, 2018). This, in fact, is due to the role entrepreneurs have been playing in the economy and primarily in countries such as Argentina and Brazil, which will be discussed further on.

1.2.3 Political Analysis

The political environment in Latin America is worrisome and it does not work well with the possibility of new foreign investment. In the graph below, the bottom 10 countries with the weakest political stability where studied, and it can be noted that 6 out of the 10 countries are North and Central American countries, and only one of them, in

this case Belize, manages to have a positive figure leaning towards a strong political stability.

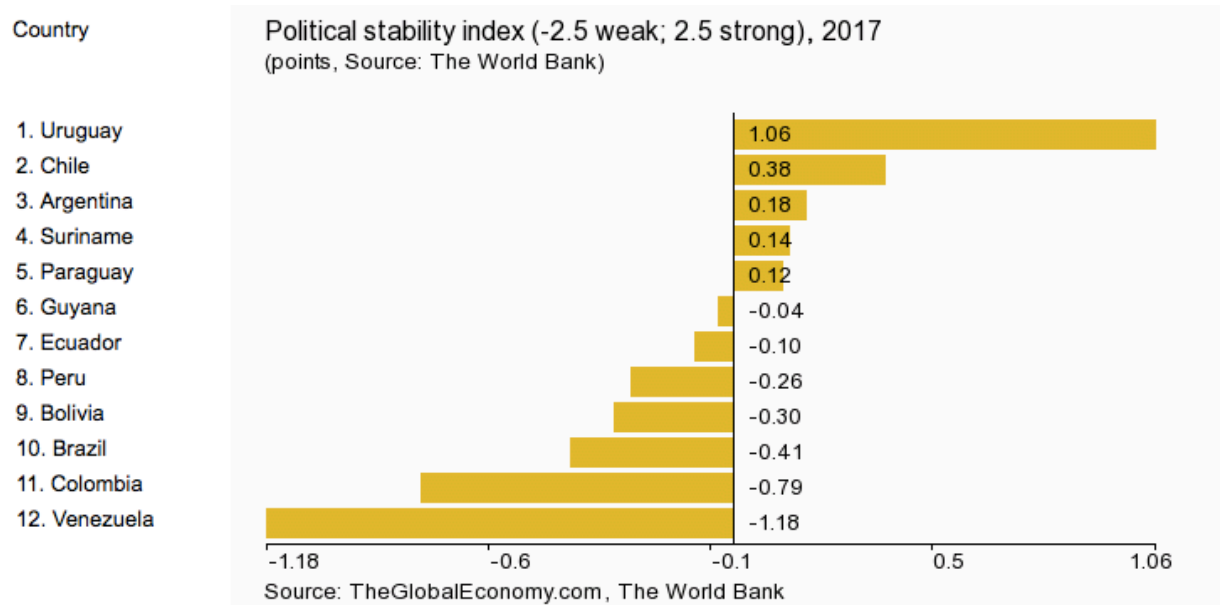
Figure 1.7 Political Stability in Central America and Caribbean



Source: (World Bank, 2017)

With regards to South American nations, there is a large difference between countries and some that reach extremes. Uruguay, Chile and Argentina have a relatively stronger political stability than the rest of its fellow countries in the region. Nonetheless, the remaining countries follow the same footsteps as those in the North and Central American part of the region (The Global Economy). The democratization process of Central America since the 1980s is said to be one of the main reasons why political corruption still exist at such high levels, helping elected leaders find a way to become authoritative and have the opportunity as they please (Center for Latin American Studies). The level of education in Central America, for example, is low and this helps governments be able to go as they please and take advantage of the idiosyncrasy of the citizens. As it was mentioned before, the amount of people living under the poverty line gives leniency for governments to act as they please and to manipulate the citizens into trusting the process, although it may lead to empty promises.

Figure 1.8 Political Stability in South America



Source: (World Bank, 2017)

1.2.4 Technological Analysis

The effort that Latin America is putting towards becoming the next spot for business growth and opportunity has helped the region start changing the world's perception of it. Countries such as Brazil, Mexico, Chile, Argentina, have thoroughly worked towards the implementation of hubs used by citizens as well as foreigners to increase the availability each country has to the expansion of its technology and new businesses (MERCOSUR). Certainly, it is important to keep a close look on the success stories of how these countries have overcome every type of stereotype given to become nowadays an important place for business worldwide. Spending on Research and Development is low compared to developed economies with an average of less than 1% of the GDP being spent on it (World Bank, 2017). If this spending remains low, it will be harder for countries to reach a level of competitiveness worldwide when being compared to countries that spend more on research and development.

1.3 Importance of Startups in Latin America

“Enterprise is a crucial engine for economic growth. Without enterprise and entrepreneurs, there would be little innovation, little productivity growth, and few new jobs” (Global Entrepreneurship and Development Index, 2019). It is fundamental for the region to have success in entrepreneurial ventures in order to generate growth. Innovation comes with the concept of a new idea and the implementation of the idea in the market, along with this implementation comes the web of interconnected companies that will be required to accomplish the end result. In every step of the way, for any business, whether it is completely technological or requires physical performance, new startups will bring the creation of new jobs.

With examples of countries such as Chile, Brazil and Mexico, it can be seen that entrepreneurship does not just inspire change within the country but it also opens up the country to foreign investors who are willing to jump in the new development of the country. As countries throughout the world realize that new businesses have sparked success stories, they will be more willing towards taking a chance on investing and maybe even becoming first-movers. The perception is going to start changing and the reasons why to enter a country are going to become bigger than those reasons of why not to enter a country in the region. These three countries have opened doors to investment from abroad and have been examples of growth and development in the Latin American region. It is true that they differ from other smaller countries, however, it gives motivation for other small countries to accept the fact that they can also move in the same direction if things are being lined up to promote the starting of new businesses. It does not just work for big countries; it can be implemented in small countries, as it will be further discussed in this paper. All it takes is initiative and desire to overcome obstacles that are highly present in smaller Latin American countries. From the examples given below, Chile is the country with the best design to start a new business and it does have the right tool to bring new investors into play.

Chapter 2. Evaluation of Latin American countries that have had success with startups

2.1 Chile

Chile is one of the best examples in Latin America to look at when it comes to startups. All of Chile's current success with startups starts with a decades old government policy, which is formulated by the Corporacion de Fomento de la Produccion de Chile (CORFO). Its aim is to promote economic growth in the country since it was established in 1939 and it has been anticipating the next stage in the development of the country. Before it was used to be focused more on telecommunications and banking services, but now its main focus is to promote and engage with small businesses in some different regions of the country (CORFO, 2019).

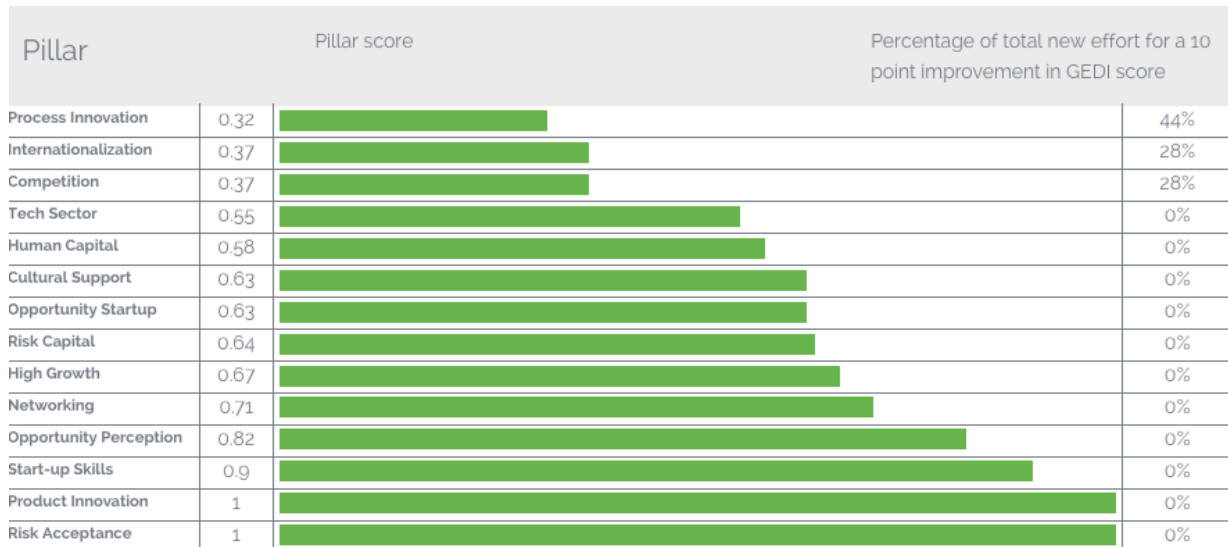
Chile has had a controversial history in recent decades concerning politics and due to this history its citizens have always had strong opinions over political viewpoints. One thing that has remained, however, is the better implementation of the free-market model that Pinochet had put in place. With some minor modifications to this model, it has allowed both left and right wing supporters to agree on it. As far as politics goes, Chile's is ranked 26th worldwide in the Corruption Perception Index of 2017 (Transparency, 2018) and it was ranked 25th by the World Bank's 2011 Governance Index (World Bank, 2017)

Chile has a market-oriented economy that is characterized by a high-level of foreign trade and strong financial institutions. Up until recently, Chile's economic growth went up to 5% in the course of 2018 (Chilean Central Bank, 2018). This increase in its economy is mainly due because of how attractive the country has become internationally speaking. It is no longer considered a small player in the world scope, in fact it is becoming more and more respected by its international peers.

With regards to entrepreneurship and startups, Chile currently ranks 19th worldwide in the Global Entrepreneurship and Development Institute and it ranks 1st in

the region (GEDI, 2019). This ranking represents a major success for the country as it continues to get involved in entrepreneurship and innovation. The chart below shows some of subjects in which the country is excelling in relation to startups.

Figure 2.1 GEDI points for Chile



Source: (GEDI, 2019)

These pillars above provide a better overview of Chile’s strengths and weaknesses when it comes to its entrepreneurial culture. One of its weaknesses currently is process innovation, however, the percentage of new effort for improvement shows that the country is trying to improve. On the other hand, product innovation ranks a perfect score of 1, as well as risk acceptance. These indicators serve to put Chile as the leading country when it comes to development and entrepreneurship.

The country’s success can be credited to its government, which created Start-Up Chile, a public start-up accelerator for high-potential entrepreneurs to bootstrap their start-ups and use Chile as a foundation. “Today, Start-Up Chile is the leading accelerator in LATAM, among the TOP 10 globally, and one of the biggest and most diverse startup communities in the world. Start-Up Chile has been a global game changer. After it was created, 50 countries followed suit and created similar programs” (Start-Up Chile, 2019). With this initiative, newcomers are able to choose from a wide array of programs to be

able to determine which one fits their specific needs. It now has more than 1,500 start-up created since its opening in 2016.

2.2 Brazil

The most populated country in South America, Brazil has a population of 210 million and therefore constitutes the largest market (CIA World Factbook, 2018). Brazil also has one of the highest GDP per capita in the region (World Bank, 2018). This is one of the main factors supporting the country to be the best country in Latin America to create a new business. It is known to be the largest entrepreneurial ecosystem in Latin America.

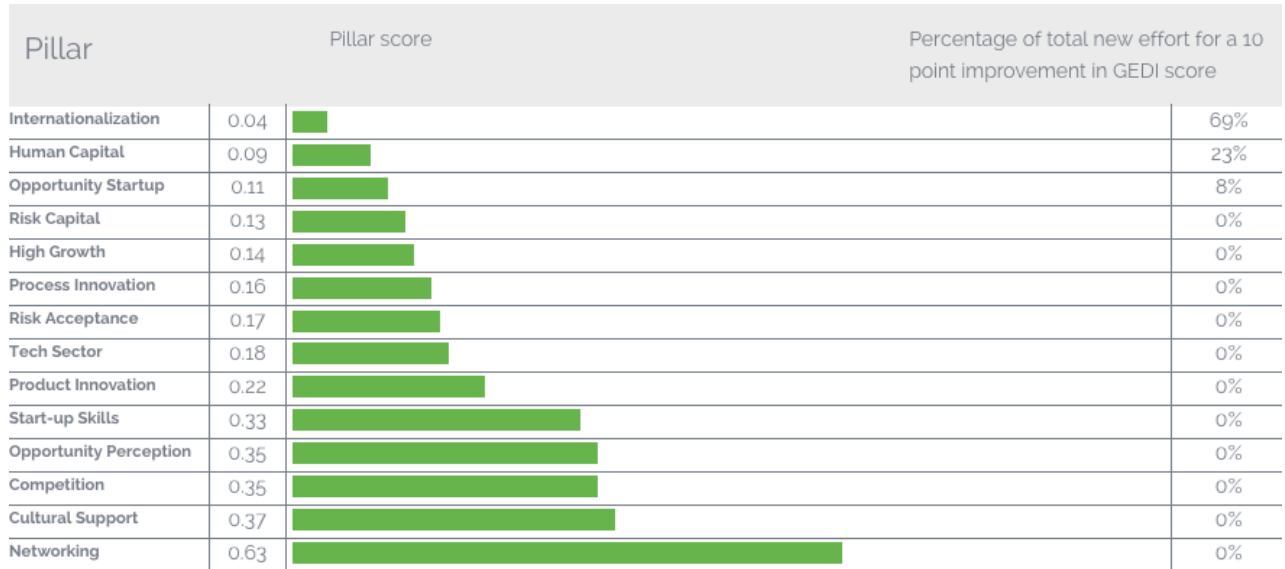
Although being the 8th largest economy in the world, Brazil is currently suffering a recession created by the past presidential administration. This has slowed down the economy but still the percentage of new business creations remains pleasant for the upcoming future.

In relation to entrepreneurship, Brazil ranks 98th worldwide in the Global Entrepreneurship and Development Institute and it ranks 16th in the region (GEDI, 2019). It is an interesting situation for Brazil because of the size and growth possibility businesses have. However, with a greater market comes also the idea that more businesses will create more competition. Nonetheless, Brazil has been accomplishing great things with regards to startups and entrepreneurship.

In the graph below, it can be noted how networking and cultural support are one of Brazil's strongest pillars with regards to entrepreneurship, but competition, as mentioned earlier, is also one of the strongest pillars. Another interesting point to note is that the country does not seem to be scoring high on opportunity for start-up, which could be analyzed related to fierce competition in the country. Lastly, internationalization, being the lowest score, provides an idea of how driven Brazilians are to opening up to

foreign practices, as opposed to Chile, whose strong idea is to manage to bring entrepreneurs from all parts of the world.

Figure 2.2 GEDI points for Brazil



Source: (GEDI, 2019)

Being the largest country in the region, it is quite different to analyze the entire country as a whole in entrepreneurial activities; moreover, some major cities can be used as examples. For instance, Sao Paolo, the country's largest city and the 5th largest city in the world and most populous city in the southern hemisphere, is the financial center of Brazil (CIA World Factbook, 2016). Ever since Google chose the city in 2002 to build its first ever Latin American office, Sao Paolo has become the home for new offices to major companies such as technological giants like Uber, AirBnb, and Mercado Libre. With these companies betting for Sao Paolo, it has motivated other young entrepreneurs to follow footsteps, which has been possible through public and privately funded entrepreneurship initiatives located in the city (i.e Google Accelerator Campus, Innovatech, SEBRAE).

Another city to look at is Rio de Janeiro, which is an interesting case of Social Entrepreneurship, aiming towards the betterment of the city's income inequality issue.

After the spotlight was drawn to the city during the 2014 World Cup and 2016 Summer Olympics, some initiatives like the Igarape Institute and Meu Rio have popped up to create tech solutions to issues like transparency, corruption, and transportation. As a matter of fact, the most downloaded taxi application in the world called “EasyTaxi” was founded in Rio de Janeiro.

2.3 Mexico

Mexico is a country that given its geographical location has managed to find opportunities of growth in its economy. Bordering one of the wealthiest countries and considered to be one of the main countries for business operations, the United States has always had a strong connection and relationship with Mexico. For decades, The United States has been making the most of cheaper labor and cheaper parts to grow its businesses. This has provided Mexico with the possibility of generating more jobs, thus helping the economy. When it comes to entrepreneurship, the same remains and currently the country ranks 75th worldwide in the Global Entrepreneurship and Development Index and it is 3rd in the regional ranking (GED, 2019).

Seen in the chart below, networking is the key pillar of Mexico’s success in its development of entrepreneurship, and the same goes for product innovation, as it was the case of Chile. One of the things Mexico needs to work on is related to cultural support, mainly integrated to the country’s higher value on culture and customs focused in the past than looking forward (Hofstede, 2018). Product innovation is high because the country does have plenty of support coming from the United States and with this support comes the helping hand in creating and innovating new products. The United States also has a high need for Mexico to continue innovation because of the relationship both countries have had since decades. Another reason why is that the technical universities in Mexico work excessively hard by bringing engineers from the United States to work with locals and find better ways to improve their products and machinery.

Figure 2.3 GEDI points for Mexico

Pillar	Pillar score	Percentage of total new effort for a 10 point improvement in GEDI score
Cultural Support	0.1	45%
Start-up Skills	0.15	23%
Risk Capital	0.15	27%
Human Capital	0.2	0%
Process Innovation	0.2	0%
Internationalization	0.2	5%
High Growth	0.22	0%
Competition	0.28	0%
Opportunity Startup	0.29	0%
Tech Sector	0.31	0%
Risk Acceptance	0.41	0%
Opportunity Perception	0.43	0%
Product Innovation	0.45	0%
Networking	0.67	0%

Source: (GEDI, 2019)

As well as Brazil, Mexico's size is able to help promote the access to a larger market than other countries in Latin America, and this has helped now businesses to become successful through the use of networking. Relating to the same case as Brazil, Mexico's opportunities are not in every city of the country but in main cities such as Mexico City, Monterrey and Guadalajara. Mexico City has battled to overcome its bad reputation regarding crime and violence and it is now seen as the center of cultural, political and economic activity in Mexico. Due to government and private initiatives, Mexico City is the birthplace of a majority of international startups. Another city, Guadalajara, is seen as the hub for international tech manufacturing ever since companies such as Hewlett-Packard, IBM, and General Electric arrived in the 90s. With having one of the best engineering schools in the country, University of Guadalajara, the city is also positioning itself for success as soon as graduates from the university become professional and decide to start their own venture. Lastly, Monterrey, due to its proximity to the United States, has become an international hub for entrepreneurship. Being one of the most modern and fastest-growing cities in Mexico, Monterrey offers every graduate from its prestigious university, Tecnologico de Monterrey, and other university programs from the United States, an opportunity to create their own business in a safe environment with a high growth possibility.

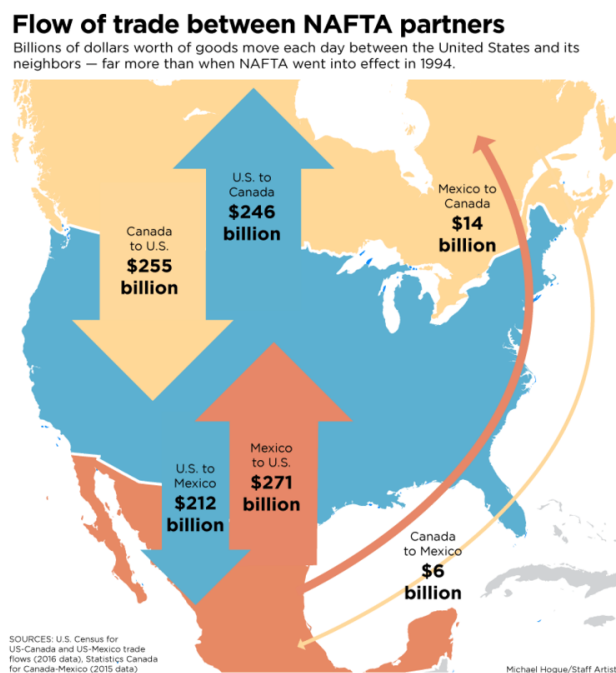
Chapter 3. Trade agreements amongst Latin American countries

3.1 NAFTA

NAFTA, or the North American Free Trade Agreement is an agreement between Mexico, The United States and Canada. This agreement was signed in 1994 and it has proven to enhance the economy of all its members, perhaps some better than the others. In the case of Mexico, being the only Latin American country in this agreement, NAFTA has always proven to be beneficial for its economy, given that there are reduced tariffs implemented in the agreement and that overall economy is able to export and import with apparent freedom.

One of the most important aspects of this agreement is how Mexico is able to rely on investment coming from the United States and Canada to form a better startup culture internally. This type of investment coming from abroad with the use of the Free Trade Agreement has proven to help the formation of new companies in Mexico and allows them to become exporting companies since the very beginning.

Figure 3.1 Flow of Trade



Source: (U.S Census, 2015-16)

According to Standard's and Poor's, the United States put around \$93 Billion of direct investment in Mexico. (Standard and Poors, 2016), and Canada put around \$14 Billion of direct investment in Mexico. Certainly, Mexico is the biggest beneficiary in this trade deal with all this investment coming from the other two partners. But Mexico's most important benefit is the inspiration given by the United States and Canada when it comes to new and successful business ideas that can easily be implemented in the country.

3.1.1 Benefits for Mexico with relation to StartUps:

- With the inflow of investment coming from two global powerhouses, new up and coming companies could find a way to partner or receive investment from either country in order to make it grow. After the Startup is running properly, the benefit could be to the investor country as well, given that the flows of goods is not as limited due to the agreement.
- Flow of technology leads to an increase in productivity. With new technology spreading throughout the developed world, this could benefit Mexico into starting new companies with the possibility of adapting already to the new waves of innovation.
- Mexico is seen as a good place for world investors as the country or its newly formed companies could be used as a gate to trade with the other two countries. This is one of the main reasons why Mexico has been named one of the best places for startups in Latin America in the most recent years.

3.2 CAFTA-DR

This agreement is between Costa Rica, Honduras, Guatemala, El Salvador, Nicaragua, Dominican Republic and The United States. The United States plays an important role in this agreement and benefits all economies of the mentioned developing countries. However, the most important aspect when it comes to the creation of startups

does not necessarily involve the Big Brother from the North. The United States imports most of the products from Central America, mainly agricultural products, however this leaves a dependency in the United States for economic success. With the creation of new businesses, Central American countries can focus on their own things and incorporate new ways of economic growth, not just depending on the United States and on being exporting economies (CAFTA, 2019).

3.2.1 Benefits of Member countries in Startups

- The free flow of goods between the region has allowed the growth of companies for years into the markets of all the member countries. There are numerous companies that started in their home countries but later in their growth, expanded to the other countries in the region due to two important aspects:
 - Cultural- the countries in this agreement, excluding the United States, have always been similar if not nearly identical, therefore, companies have been able to adapt to the new markets in an easier way.
 - Ease of entry- The way to enter the countries in the region is quite simple, having laws that allow and permit the expansion of the companies
- Free flow of people makes it easier for companies to invest or establish a new company and benefit from having an international workforce able to know what the best way to expand in other markets will be.
- Size of each member country's economy- this is one of the best factors to consider because the size of the economy in all these countries are relatively similar, which makes it possible for the same kind of progress throughout. What is meant by this is that the type of development happening in each member country is close to being the same, meaning that innovation, technology, engineering, and overall development of new ideas remain quite similar. If a company were to start in any of these countries, the possibility of the same

company having quite possibly the same competitive advantage is high in all the other member countries.

- Brotherhood-These member countries were once joined in something called The Federation of Central American Countries, which was divided in the 19th century. Nonetheless, the countries remain united throughout the years due to this and it creates some sort of “brotherhood” between each other. This type of relationship has always helped create this synergy when it comes to developing teams or when a company decides to establish itself in another member country, the company will most likely be treated the same as the home company(Hofstede, 2019). With regards to competition and market protection, some other countries would provide a few more difficulties for companies to remain in their home countries.

3.3 MERCOSUR

MERCOSUR is by far one of the most important trading blocs in the continent and in the Latin American region. The biggest and most important markets in Latin America were joined since 1991 with the member countries being Argentina, Brazil, Paraguay and Uruguay. Later on Chile, Colombia, Peru and Ecuador became associated countries (MERCOSUR, 2019). It is now a full customs union where the movement of goods and people has helped the overall economy of its member countries. It is in this trading bloc where some of the best countries for startups are located, with Chile being on top of the list and Brazil coming in at a close second.

Figure 3.2 MERCOSUR facts



Source: (MERCOSUR, 2019)

The figure above shows just how big the trading bloc is and it shows the amount of people present. It is important to know that there is a large population of young people, which can benefit investors, as the young generation can help with the creation of new ideas and new businesses. Also, being 5th on the world economy helps MERCOSUR become an attractive market to enter for any investor.

3.3.1 Benefits for Startups in Member Countries:

- Size makes it attractive for investors from all over the world. Keeping into account the size of the possible market, not just of the trading bloc but of individual countries, makes it attractive for investors. One of the things that investors look at before venturing into a new market is how big the size of the market is to be able to know the amount of people they can reach
- Mercosur now has the creation of Startup hubs in almost every country, which makes it ideal for international investment to come into play. As it was already mentioned in this paper, Hubs are the future for countries that do not have the advantage of having a stable economy or lack easy accessibility of investment from their local banks (MERCOSUR, 2019).
- Canada Mercosur- With an agreement between Canada and Mercosur, it has been made possible to enter a country that has technological advancement at the highest level. This incorporation is recent but it will not take long to show how advantageous it will be for the economic improvement of the common market.

3.4 CARICOM

The Caribbean Community, or CARICOM, is a group consisting of twenty countries in which fifteen of those are member countries and the other five are associate members. The group is home to approximately sixteen millions citizens and the most important part is that nearly 60% of the citizens are under the age of 30, something that may come at an advantage whenever seeking for the young generation.

One important part is that CARICOM is almost only concerning the islands of the Caribbean with only Belize, Guyana and Suriname as countries that are not islands. The group and its integration, which is one of the oldest integrations, starting in 1973, has always sought after economic integration and social development. The Community has not always been in the eyes of the world as an investing place due to its limited amount of people who comprise the market and also because transportation reduces the ease of moving products overseas (CARICOM, 2019). The scope of this integration is mainly within the member countries and they do not have as much worldwide acceptance as the other agreements in Latin America. As the integration states, it is mostly economic integration and social development within the agreement. Most of the countries in this agreement have advantages because they are under the generalized system of preferences, allowing the opportunity to have a favorable treatment with regards to other nations in world trade (World Bank).

Overall, CARICOM does not necessarily provide a good framework for international companies to enter and to expect growth. For this reason, the Caribbean region does not play a big role in the paper because it is a hard to analyze region with little prospects to include new companies and to have a vision of growth. It is true that it may have similar characteristics concerning its economic and political situation with other South and Central American countries, but the size of the countries are not similar. The only country that can be added to the topic of new business creations is Puerto Rico, but as it is already known, Puerto Rico is considered a part of the United States, therefore, in this case it will not be included as part of the Latin American region.

Chapter 4. Idea generation for enhancement of startups

Before getting into the generation of ideas, first what needs to be pointed out are some of the issues that Latin America has related to startups. This analysis is important because it leads to guiding the path for new companies.

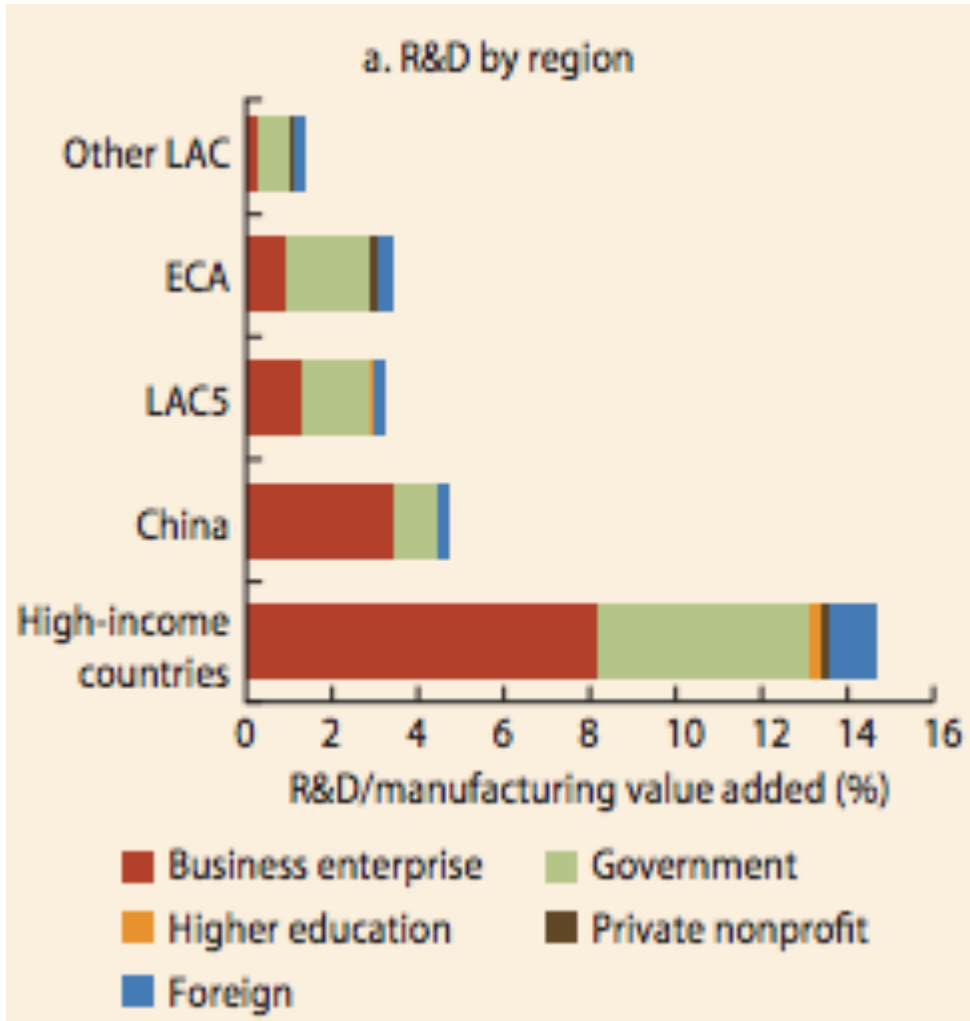
4.1 Not enough spending on Research & Development

The regions of Latin America and the Caribbean have been far behind other regions worldwide concerning research and development. Countries such as United States, Japan and the Republic of Korea invest around 2.5 to 3 points of their Gross Domestic Product in this area, following in second place comes the European Union with almost 2 points, however, Latin America and the Caribbean as whole invest barely 0.5 points of the Gross Domestic Product. (CEPAL, 2004). This gap in investment translates into an important part concerning the difference in economic productivity.

One important aspect is that with the introduction of new knowledge and new technologies into production, which are the main pillars in company competitiveness and economic growth, the region will be able to grow substantially. A difference seen is that in Latin America and the Caribbean, research and development is mainly financed by governments. However, in other regions, one-third of spending is by higher education institutions and private non-profit organizations, the other two thirds is by government and by companies (CEPAL, 2004).

The table below shows how this financing is distributed between the Latin American and Caribbean region related to developed, high-income countries. One thing to note in the graph is that Latin America is separated between the biggest five countries, Brazil, Argentina, Chile, Mexico, and Colombia, and the other Latin American countries, since they are mostly smaller and less developed in terms of economy.

Figure 4.1 R&D spending



Source: (World Bank, 2017)

Growth in Research and Development

Growth in Research and Development whether it is by the government or by private companies or higher education institutions will provide the framework for improvement in Latin America. This would make the region more attractive, especially knowing how the region has always been seen as place to do services. If Research and

Development continues to grow in the region, countries whose companies rely heavily on innovation would be more interested in entering the region.

How does this help Startups?

Startups are continuously becoming more and more dependent on technology, whether it is for advertising purposes or for the main functions or products of the company. When it comes to a region that does not necessarily have enough money available, being able to reduce cost in every aspect serves as one of the most important parts to keep businesses at a profit. If the appropriate research & development is within a country and the country strives to continue investing in it, what is bound to happen is that companies will become more innovative and more competitive while doing so.

4.2 Government involvement in helping Startups

The best examples of governments helping companies succeed or simply receive enough attention for them to grow are Chile, Brazil, Mexico and Argentina. These countries have had help from the government to start these “Hubs” that promote investment and help increase the probabilities of survival for every small to medium business. This, however, is not the case for other Latin American countries.

In Latin America, it is common that startups are going to begin developing without the help of the government, mostly through money borrowed from banks or by money from peers. This type of development with not enough resources and plenty of financial risk does not seem like an ideal situation.

The future is changing, nonetheless, and there are countries that are seeking to promote the generation of startups in one way or another. In the case of smaller countries, governments are finding other ways of helping these small business grow. In Honduras, the “Camara de Comercio” (Chamber of Commerce, 2019), initiated a program in 2018 to help small and medium business by reducing the taxes to zero and initial fees to almost nothing, and also by allowing an individual to completely form a company in just a matter of days. This program is scheduled to bring jobs to almost 300

thousand people. A problem that was faced in Honduras has now been solved and it has become less tedious for a person to start a business, to the point of even being able to set up a company through a website.

This initiative comes along with a program already established in the most important cities in Honduras where everyone who owns a small or medium company is invited to join every Saturday. This so-called “Saturday Bazar” allows companies to reach a greater target market and makes them attract more customers (CCIC, 2019).

4.3 Monopolies slow down growth

Most Latin American countries are governed by only a few companies that have been around for decades, leaving citizens with only a few options to choose from. This situation is not ideal for the economy because these major companies are able to set the prices they want with little regulations and are able to continue doing what they are doing without having the necessity to change.

This is more of an advantage for startups nowadays, as the up and coming generations are more interested in wellbeing and in trying different alternatives than sticking with the old and boring. This can be seen not in Latin America but in almost every country in the world. The idea of having new alternatives leads to startups erupting and finding the bigger markets or maybe allocating its efforts into niche markets. However, either option is beginning to work, companies are now being created more than ever that attracts customers for reasons that can be understood.

Going back to Hofstede’s studies, Latin America has always been characterized by being a collectivist society, in which the well being of the group is more important than individual success. In an interview with Ana Bados, the co-founder and owner of “Flower Box”, a company from Honduras dedicated to making flower arrangements and enclosing them in boxes, said that it was through the help of the new legislation in Honduras that the company got up and running. “It was with the help of the “Saturday Bazar” that my product started getting attention and through friends and family, the company started growing exponentially”, she said. When asked about monopolies in the region, she

replied “I think it is something that serves as motivation but also as something that helps as an advantage because nowadays people are focusing more on letting small companies grow rather than giving more and more money to the already major companies.” Another point was that personal interaction with clients allows for prices to be higher than usual.

4.4 Creating of “Hubs”

Something that is already a tendency in the big Latin American countries could be amplified to a larger scale in the region. The creation of Hubs has been extremely beneficial for some Latin American countries and could also be of great help with countries struggling trying to get financial aid from banks. The reason why banks don’t usually work or collaborate with startups in some countries is because they do not have enough resources and do not want to the risk of betting on something that most likely, given by statistics, will fail. Therefore, it is ideal that the creations of these “Hubs” appear. What the Hubs do is that provide a database of all the companies and investors are able to allocate their money into the platform and seek out companies for them to invest. This provides benefit to both the investor and the small company.

Having a place where investment is always available and companies are more easily noticed allows citizens to take the chance and try to open up their own business. By far, the most difficult fear to overcome is the financial part, and with these Hubs, the financial part is given some sort of relief.

Looking at Chile’s example of Start-Up Chile, the owner mentioned in an interview that the initiative may not always bring profit and economic growth, but most importantly, it brings connections that can later be used in the future. Nicolas Shea, the founder of Start-Up Chile, said “We’re a small country, and those connections bring so many things, among which are more commerce, more sales, more revenue, bigger markets, etc.” (Stanford.edu, 2015). This mindset can be implemented in other countries that have not yet had exposure. It will be a challenge but it will bring benefits one way or the other. Interaction between international businessmen can lead to a country find

different ways business can be run and it also can become a source of inspiration for those who are wanting but may not be willing.

4.5 Innovation is key

Innovation can come in any size, but as a company begins innovating something already existing or maybe an idea that is generated, it will attract attention. Heros Leather, a company based out of the capital city of Honduras, is one of the grand examples of why even small innovation can lead to international success. The company was founded by a couple with a purpose, “to bring handcrafted, genuine leather accessories to customers” and this motto has stayed in the company while managing to scale their operations. In the interview with the co-founder and co-owner Suyapa de Sosa, she mentioned that “innovation can come in any way or form, but it does not necessarily have to be something that completely alters the products, it can be just something that adds value to it and people view it as a change from the already known product.” (interview, 2019).

Heros Leather began in 2003 and has since been innovating and staying within the trends but adding something different to their products, which is why the company has been making a profit year in and year out. This is a prime example of a medium sized Startup that has already been established but continues to innovate in a small scale. Innovation has to continue at a rhythm that it keeps the market interested and looking forward to the next product, this excitement will bring desire to customers and curiosity will help expanding the market size.

Reaching a target market is tricky, and there are so prime examples of companies that take a leap and go for the unattended target markets or the so-called “niche” markets. In an interview with the owner of a clothing store called “Bloor Store”, a store dedicated to anime and superheroes, he mentioned that they started seeking the part of the country’s population seen as “different” in Honduras and managed to attract them into the store and begin to buy the merchandise. The company started in 2015 and has continued creating their own merchandise by adding new details to every item. During the interview with

Daniel Arita, the head of sales for the company, he said, “as the company started to become known but we lagged in idea generation, we began to realize that in order to continue working with the same target market we had to communicate with them and ask them what they were seeking from the brand. It was then when we realized that we could innovate for the existing target market instead of trying to become a store for more target markets.” (interview).

Chapter 5. Start-Ups in El Salvador- Hugo App

5.1 Hugo's Story

Launched in 2017, the Hugo application is a young mobile phone application that was designed to become everyone's go-to delivery assistant, providing all sorts of services for customers. The application offers an on-demand delivery service that connects customers with various businesses in different industries. Becoming the first every unicorn in Central America, Hugo was originally founded in El Salvador by a young graduate from Oklahoma State University. A unicorn company is a term that is widely used in the venture capital business to refer to a Start-Up company with a value of over \$1 billion (Investopedia, 2019). The idea came from this young graduate, Alejandro Argumedo, after he was struggling to find a delivery service that would reach his doorsteps from a healthy and somehow alternative food company. After not having any luck with this, he began realizing that there was a growing market for this sort of healthy food and that something could be done. After its first year full of success, Hugo App began expansion first to its neighboring country and is currently expanding throughout the rest of Central America and about to enter South America. The way in which Hugo App makes money is through incoming purchases from a virtual menu created for costumers from a we variety of restaurants, liquor stores, pharmacies and supermarket and collecting a perentage on transactions and transportation fees.

The market segment the company is reaching is any individual of any age that owns a computer or smartphone with access to the internet and enough money to be able to purchase a meal from a restaurant (middle to high class). In the third quarter of 2018, almost 34 out of a 100 Hondurans had access to the internet (CONATEL, 2019). However, narrowing the scope to the two most populated cities in the country, the numbers of people with access to the internet would be higher, this is a reason why Hugo is targeting these big cities in the Central American countries.

Hugo has some competitors before entering each country, as food delivery of any sort has been around for decades. With this in mind, Hugo realized that there was one factor not being accounted for in all these delivery service companies, the geolocation services. This broad differentiation strategy called geolocation is the process of finding, determining and providing the exact location of a computer, networking device or equipment. It enables device location based on geographical coordinates and measurements (Techopedia, 2019).

The way the application works is quite easy, the customer first has to browse the platform to find a wide variety of services ranging from food, drinks, medicines, groceries and even clothing. Once the order has been placed, the application starts sending notifications to the end customer about the preparation time of their meal or other product and then it send a live location of the delivery person involved. With this type of technology, Hugo took a major leap in the industry and became a sensation due to this. The other companies could only give an estimate of the time it would take for the product to be prepared but it left the end customers wondering on how long it would actually take to receive their product.

One of Hugo App's most important competitive strategy was to start marketing alliances with some of the well-known food restaurants. Even before starting operations and taking orders from customers, restaurants were already posting pictures on different social media platforms announcing that they would collaborate with a new delivery service. All this publicity attracted customer's attention to the new application and it started getting downloads. After this step, the company needed to start making people tryout the new service, so they announced they would give free deliveries for everyone during their first two months since they started taking orders. This helped Hugo grow since the very beginning, as it was in everyone's topic of conversation and everyone was getting more curious on why this new application was better than the others. With geolocation, alliances with up and coming restaurants and influencers, and free delivery for the first two months, Hugo became an overnight sensation. The prelaunch was a success, registering around 5000 downloads from the app stores even before starting

taking orders from customers. Fast forwarding to 18 months of the company being in business, the company had over 250,000 downloads, over 1,200 allied businesses and over 1,500 “Hugos”, who are the freelance drivers Hugo uses, whom had made over 400,000 deliveries (Hugo App, 2019).

Timing is a key factor when dealing with a delivery service, especially a food delivery service. Nobody wants to deal with an angry customer who is also starving because he or she didn’t get the meal on time. Depending on so many factors to deliver an order on time is one of the service's biggest weakness and it’s something they simply can’t control. What they’ve done is take a series of precautions to mitigate the effect of an event that would delay a delivery, such as traffic, slow delivery man, slow restaurant, amongst others.

5.2 The app has come up with different strategies to target this potential issue:

- **“Hugos”.** As it was mentioned before, Hugos are freelancer drivers who function as the delivery men driving a motorcycle for the Hugo App’s orders. Hugos take a commission every time they deliver an order, therefore they are encouraged to take as many orders as they can in a day. There is also an option inside the application that allows the customer to rate the delivery and the delivery person, this rating helps Hugos work towards earning monthly bonuses for their services. The other Hugos that get a bonus are those that deliver the orders faster. On top of all this, Hugos are allowed to receive tips through the application or in person by the customer (Hugo, 2019).
- **Previous notice of delivery time.** When the customers are browsing the application, it estimates the amount of time it will take for the order to be delivered depending on the location. First, the business is going to provide an estimate for the order to be ready for pickup, then the platform will calculate the distance from the business all the way to the customer’s location to be able to give a realistic estimate of how long it will take the driver to deliver the product.
- **Delivery time limit.** There is a limit set for any delivery before it is placed in the application. This protects the customer from experiencing deliveries longer than

an hour. An example of when this becomes helpful is when special events are happening in the cities the application operates and the amount of orders are beyond the usual ones. This protects the application from getting bad reviews concerning delivery times and it also provides a better way of maintaining quality control. Other competitors do not have this feature, therefore they receive criticism from undelivered orders or orders that take longer than they should (Hugo, 2019).

- **Strict business selection.** The application provides a plenty hand of businesses that are collaborating with Hugo, however, it is not easy to become a part of this collaborations. There is a strict selection process that gives both parties an ease of mind that they will both be in accordance to the rules and regulations (Hugo, 2019).
- **Distance limits.** Being on time and not taking too long to deliver an order is essential, which is why the application does not allow customers to place an order if his or her current location is not within 8 kilometers away from the business (Hugo, 2019).
- **Idle time alerts.** The company has a department especially to deal with drivers and to monitor them. If the driver is spending too much time without showing signs of moving, someone from the company will contact the person and another driver to go and assist him or her, thus controlling delivery times (Hugo, 2019).

5.3 To have a better understanding on the external factors that can affect the success of the app, here is a PEST analysis (political, economic, social and technological factors):

- **Political Factors.** Politics, as mentioned before in the paper, have always played an important role in every business in Latin American countries, including Central America, due to the amount of political instability and uncertainty. Hugo has had to remain in a defensive position in case the political situation becomes so bad that it will greatly affect its everyday business.
- **Economic factors.** Hugo has been continuously growing and as they enter new markets, they realize that the disposition for workers is a key factor. Because

unemployment is high and poverty as well, Hugo has served to provide new jobs to hundreds of people and increasing the sales for businesses.

- **Social factors.** This factor is one of the most important for Hugo's success. The Central American region has had a long history of crime and violence, thus creating this urge for people to remain safe at all costs and at all times. This is overall a negative impact of the economic and political situation in the countries, however, this is major benefit for Hugo because this unsafe environment makes people more interested in staying home and ordering home rather than going out to get food. For this reason, the platform has been perfectly designed to provide all sorts of services and products in the best possible way.
- **Technological factors.** The only issue with the application in these countries is that not all cities in these countries have the means or source to utilize the application, this is why Hugo is limited to big cities with customers that have access to their smartphones and to the internet.

Once a company has entered a market, it has to control its resources to ensure that it will remain being successful. Hugo App's biggest competitive advantage over its competitors is its innovative platform and its responsive geolocation technology. Every week, users receive a notification from the Appstore with a new update of the app to fix bug fixes and performance improvements. This clearly shows how important it is for the company to maintain its customers happy with the app's functionality. They also keep investing in publicity on social media ads and they keep they keep adding more businesses to their catalog every week.

Overall, the company has exceeded in maintain a public image of being a well established company that takes care of all its playing parts, meaning its customers, its Hugos, and also the businesses they collaborate with. Being able to represent a stable and positive environment is essential to gain the trust of its customers, and Hugo, with the help of social media has been able to show the customers that they truly care for the people they work with and also the satisfaction of the end consumer. The ability of the company to stay on their feet and being on top of every need that might arise from the

customers will help Hugo continue its growth in the markets. The possibility that the application has to be constantly improved, gives Hugo an advantage and opportunity to always be on top of the competition. This constant growth has been seen weekly, as Hugo sends updates to fix all bugs that appear inside the application and gives customers a more fluid way to search within the application.

One of the company's most admirable qualities is their strategic stretch capability. They are constantly looking to offer new services to their customers. At first, they started offering food delivery, then they added beverage delivery, and after that they started offering delivery for items from convenience stores, pharmacies, clothing, and many other businesses. Now, their implementing a transportation service to compete with taxis and Uber, an ATM service that brings customers cash from their bank account, and an entertainment section where people would be able to purchase tickets to events nearby.

Hugo App is a very interesting up and coming company with a solid business strategy that's already dominating the Central American markets. It is quite clear that their biggest advantage over their competitors is their stable and innovative mobile app platform which has created a huge gap between them.

5.4 Functional Ideas by Hugo

5.4.1 The ability of Hugo to continue innovation.

This is one the most important points when it comes to startup companies in Latin America. The lack of innovation comes at an early stage and this does not help the cause of small companies when being compared to not just the large local companies, but from outside competition. It is one of those cases where survival of the fittest comes in place and comes who do not adapt their ways by continuously moving forward and introducing new things into the market will fail to continue their growth and remain stagnant, thus coming to an end.

It is imperative for companies to take the example of Hugo. This company has managed to remain on the move by continuously adding new features to its mobile application while maintaining the same quality of service. This is something that some startups fail to do, as they fear innovation might be taking their key performance part away, when in reality what it is doing is that it is keeping the company original and on guard.

Hugo has been growing and getting more market value due to its ability to find new ways of growing and doing it, while continuing to expand to other countries and cities. The innovation has to stay at a steady pace, and as new markets are being opened, the main factors that have been introduced will be able to be applied from the start, which will enable the company to offer more services right off the start.

To have an idea of what has been doing, an analysis of its first months of operations in El Salvador has been done. The analysis shows how Hugo managed to diversify its clientele by focusing not only on the food and restaurant industry, but moved in a matter of a few months to cover the home delivery business, including other things apart from food such as medicine and pharmaceutical items. After this, Hugo introduced another service, understand how difficult and time consuming it is for people to go to the

banks to take out, Hugo decided to introduce another feature to its platform where they would serve as personal bankers and withdraw money from other peoples accounts. Hugo in this aspect has managed to open the countries barriers of misperception that everything has to be done by the citizens themselves and no one can be trusted. This is not true and as the service kept on increasing the client-base, more companies staying to pay attention to what Hugo was doing.

The next step in Hugo's innovation package was to build up on something never tested before, which was to adopt the same idea as Uber and have a taxi company set up the same way uber was set up, any person could sign to become a driver as long as they have a clean title, a drivers license and a decent car. It is not something that would be easy to adjust to, but what Hugo did was they saw the opportunity to expand and add features to a growing brand, and have managed to attract more attention.

5.4.2 Lack of Regulations

Having a lack of regulations are also a great advantage for companies in Latin America. Startups like Hugo know that the regulations are not exactly enforced the right way and there some loopholes that the systems have that make it easier or more possible to enter with a smaller risk of incompliance. If rules are not set correctly, a company can act as they see fit and go without the trouble of the law. It is also possible that with some of this loopholes, companies can be created faster, therefore, if the government does not create initiatives for generation of startups, startups can be set up through easier ways. Hugo had an advantage, and it was that they had a connection with high ranked officials which allowed the creation of the company to go smoothly, this is usually the case for companies in Latin America, which later on continue with its success.

5.4.3 Banks promoting entrepreneurship

Hugo, as a member of the team said on the interview, had the opportunity to work with banks that provided a good financial resource to the company, but as the company

continued to grow, they manage to create investment opportunities from major multinational investors. This type of investment has improved growth and has lead Hugo to enter other markets with a higher ease and lower financial risk.

Not every company is fortunate enough to get a bank to back them up without an idea of how big the company can get or if they can be trusted. To give another example, the use of a bank to create a business venture was the case for a company called “Flower Box” located and started in San Pedro Sula, Honduras. In an interview with the owner and co-founder of the company, she mentioned that it was not an easy task getting a local bank to back them up with loans at small interest rates, but after the bank noticed the expansion process, they decided to continue helping and are now having a good relationship with the company. Flower box is an example of a small scale successful startup that has managed to expand not only nationally in Honduras, but has decided to franchise it to its neighboring country of Guatemala, all with the help of this bank that trusted in the process.

Similarly, countries with good startup hub make it easier for startup to have a weight being taken off their shoulders because they know right from the start that they can be financially supported. The possibilities of growth right from the start for companies in countries who have access to these hubs provide a great competitive advantage.

5.4.4 Lack of Competition

As it is the case of many Latin American countries, large companies control how everything moves, this is seen at a bigger scale in smaller countries, where families take up the whole market and have no threat of new entrants. When only a few companies are the ones controlling the country, this leaves small room for growth for the smaller scale companies. Hugo was able to acknowledge a lack of initiative by large companies to take on the food delivery business and especially with the initiative with having an application of higher technological advances, such as geolocation.

It is the companies that show initiative the ones that can fight against the already established monopolies. Unibank, an online banking platform in Sao Paulo has done this, by finding a way of innovating the way banking has been done through years in Brazil and realizing that the customer experience of going to a bank is not desirable in a country and city where traffic is a major issue. With this online banking, the company has made a point that they can grow in a sector that has always been monopolized by only a few major companies.

This is where another point comes to mind. Online banking is not something that was just discovered, as a matter of fact, it has been used for a long time in developed countries. However, the lack of innovation in these countries made it possible to have this company become a major hit and expand in the early stage of the company's growth.

5.5 What is Hugo doing right

- Started with core business

Hugo App managed to identify a product that was not yet available to the population in the manner that it includes the everyday activities of a regular person and provided a platform that is recognized and used by a great part of the population the country. From the beginning, its core business was something people from El Salvador had never seen before, to have the availability of an application that had not just food delivery but also other services they would have to find elsewhere otherwise.

- Analyzed market entry to different countries with same opportunities

Immediately after Hugo App became a success in its home country, it started realizing that the same could be applied in other countries of Central America, the reasoning of this decision has already been explained in this paper. With the analysis to enter other markets with quite similar characteristics, Hugo App was already thinking

ahead and thought of a growth opportunity that would not just limit them to one country but to other countries with relatively the same demographics.

- Entered new technology

Soon after deciding to expand outside of the country, Hugo App realized that they needed to continue adding features to the application to keep customers entertained and having them continue looking for new features that would make the customer experience more enjoyable. The geo-technology, as normal as it seems in the developed world, it is a key part of innovation in countries that have been so used to doing things the old style. Countries in Central America have a great attachment to culture and the way things have been done. Tradition plays a major role in Central America, therefore, maintaining processes and products the way they used is something seen as normal (Hofstede, 2008).

- Fixes glitches weekly to provide a better customer experience

Hugo App constantly checks for glitches or things that could be wrong inside the application, which is why they have an update available weekly to fix those glitches and let things run smoothly. This type of weekly updates is something that is done in applications with high usage (i.e Facebook and Instagram), but it does come at a cost of a technology team focusing only on the glitches of the application. Hugo App has proven dedication to provide the best customer experience within the application and by fixing any glitches; the users remain content and provide good feedback.

- Surpassed competition

Hugo App not only faced competition but since its beginnings managed to outdo its competition. The application did not really have that much competition when it first opened in El Salvador, but competition was present and it was the one application that everyone knew.

- Opened new segments not just food

Innovation does not necessarily mean new technology, it also means introducing something that is new to the market. Hugo App realized that other competitors were focusing on just one product, which is why the development team decided to add more services and incorporate a larger market.

- Within CAFTA

The company acknowledged the possibility of still being profitable in countries within the Central America Free Trade Agreement. Instead of trying to reach markets with a bigger amount of people, Hugo App analyzed its situation perfectly and realized that the success was going to be expanding in other Central American countries.

- Follows regulations

Lastly, Hugo App follows regulations and does not cut corners. This is something that other companies would take advantage over but Hugo has managed to stay ahead of the competition regardless of making everything legal. The legal issues in countries in Central America are by far not the best and for a company to decide to remain legal is quite difficult, as opportunities are endless when the law can be bent to someone's advantage.

Chapter 6. What can other Latin American Countries learn from Hugo experience

By far, the countries that need to learn from Hugo's experience are the smaller countries that have always had problems concerning the political, economic and social aspect. Countries that have bigger economies and that are already implementing the Startup culture serve as an example to countries in Central America and the Caribbean, due to their relatively small population and economies that are not the most stable. Big countries like Chile, Brasil, Argentina, Mexico, and Colombia have almost figured it out that entrepreneurship leads to a greater development of the country in general, however, these countries have worldwide awareness and because of their size, they are more attractive for investors. In the end, the example of Hugo will pertain to countries that have held a bad reputation by the rest of the world, and these countries have always been the ones to avoid by investors.

Governments play a major role on why investors or any type of business does not wish to come and it all stems from it. With a bad or corrupt government in place, which is almost the case for all Latin American countries, unemployment follows and it follows at a tremendous amount. Not only do companies or investors see that the overall economy is not the most ideal but they also see an amount of people that may not have what it takes to be employed with regards to capabilities, but also the market is not stable since there is people without the possibility of generating enough money to survive not to mention to purchase items that are not commodities.

- No country or economy is small enough

The best lesson that Hugo has put out there is that no country is small enough nor its economy is small enough to start a business. Most often, investors overlook small countries because the size of the country is perhaps an indicator of the profitability of a company to be established there. However, Hugo App is one of other companies that managed to look past the size of the country and only concentrated on the activities it could manage. For Startups, this is perhaps the most advantageous position given that a

small country leads to less market research concerning the target market and it leads to operations not requiring as much logistics as it would occur in other bigger countries.

Startups may find it soothing that its operations do not have to be a grand scale but it can be small enough to create awareness and from this point onwards, because the country is small, the spreading of the word of the new company is going to follow. Growth of the company can be faster at an early stage, as it was the case for “Flower Box” in Honduras. Flower Box managed to grow because the events where they were invited to take part off, almost everyone in the city went, including media which helped spread the word. In the end, a small economy or country can become beneficial for a company to start and feel hope at its early stage.

- Investment from top companies can happen

With having top investors jumping on board the Hugo App team, starting with Rain Johanson, ex-direct Skype; Mikko Silventola, Taxify's first investor; TMT, a globally recognized investment fund, Pipedrive and Spotify (PROESA, 2018). These top investors saw the opportunity of getting into a project that is just getting started. This type of investment is not common or regular in small countries, especially in new companies, which is why Hugo is setting an example that opportunities can be taken and if the company becomes recognized, it does not matter where the company was born.

The lack of investment from banks has always been an issue and having a company setting an example that investors can be of any sort, it brings positivity into young entrepreneurs to continue following their dream.

- Expansion is important but with care

The way Hugo App has been crossing borders in such a short period of time brings two important points: how long does it take to cross a border with a company, will the company continue to grow at the same pace. Hugo managed to prove both, it showed that it does not take that long to cross a border because the country and the Free Trade Agreement in place with other neighboring countries allowed it to do so with relative

ease. Concerning the second point, Hugo also was able to show that a company can continue to grow at the same pace it had been because it tried to duplicate what it had done right in the first and home country. By reading the country similarities and lack of innovation, Hugo App realized they were going to be able to penetrate the market the same style they did in El Salvador.

In bigger Latin American countries, expansion can be thought of more within the country than immediately moving across borders, as it is the case of Brasil and its companies that have developed in different areas and expanded throughout the country ever since.

- Competition is motivation

Hugo saw competition as a motivation for them to come in and handle things the way they needed to be handled. Hugo App presented an opportunity for competition to be undermined by the local market, by simply bringing something extra to the table. Most impressive is the fact that the competition was not from other local applications but from international applications having the same services such as Uber and Glovo, which are both major competitors worldwide. El Salvador, being a collective society, is a country supporting the local and this is a reason for Hugo App's success (Hofstede, 2008).

- Think of the future

In developing or underdeveloped countries, thinking of the future may be scary, as the way the present is moving could move people away from the dreams they have of owning something. El Salvador is a country that has struggled with corruption and gang violence for decades, this along with extortions and war taxes being in place. This is a let down point for entrepreneurs in these countries because they are scared of growth and prosperity, since it can be taken away in the glimpse of an eye. Hugo App did not back down or backed out, they in fact are still concentrated in the future of the company and the places it is heading. This thinking of the future and looking forward to it is something entrepreneurs can imitate in other Latin American countries where the same situation are

in place. The mindset of young entrepreneurs should be of letting go of what could have happened and start taking matters into their hands and stating what “will” happen.

Young entrepreneurs need to realize that it will take time to create a profitable company and depending on the industry selected, it can be a short time or a long time. Nonetheless, it should not be a factor of fear but it should serve as motivation to think that at some point in the future, all the effort that was put in will be paid off and the money will come as a result. Money should not be the only motivator for starting a new company, though it should be on the mind of entrepreneurs, however, it can be a limitation for the overall success of the newly established company. One of the main reasons why new companies fail is because of the fear of financial loss, meaning that business owners have this continuous fear that the company is not generating money and only losing, and then they decide not to continue losing money and shut down operations. It is important to think ahead and to think of a short term success involving the growth of the company in general, and not just the growth in money.

Being patient is the key to a successful business. Knowing that good things take time and that it does not matter how the country is doing in terms of economy or politics, all that matters is being able to adjust the way the company is set up and to know that despite the challenges, it will be possible to overcome all the steps along the way. In Latin America, these steps or challenges are bigger than those encountered in other places worldwide, however, it is in the mind of the business owner to acknowledge the differences and act accordingly to be able to promote growth. After this, the expansion process will come along and things will become easier, having all the fundamentals in place from the first success of the company.

Conclusions

This paper has been intended to provide the necessary information for individuals or groups of entrepreneurs whether they live in Latin America or live elsewhere and wish to enter the Latin American region to create their own business. The analysis and overview of the information along with the example of successful companies that have opened and succeeded will be of importance to the readers. The primary part and concentration of information was to analyze the differences between countries and to differentiate between developed countries and developing countries along with the latter's struggles. With the analysis of these countries in the region, it was possible to find some similarities that could serve as a basis for entrepreneurs wishing to venture their way into creating their own business.

The overall structure of this paper was focused greatly on differences between countries, having the first chapter dictate what the situation is like and defining primarily what Start-Up entrepreneurship meant. This first part also utilized different studies in order to point out how the Latin American region is and what are the constant struggles that each country faces individually and collectively. The analysis of the region is important as the continued information relates to how each country is set up and how each country deals with new companies being opened.

In the length of the paper, great importance was given to success stories and determining what things were done right in order to make the new company grow. These companies mentioned all started with the same struggles and had the same characteristics, however, what differed was that each belonged to a different industry, therefore the methods they implemented were slightly different. With this being said, a large portion of the second part in this paper was done to analyze the overall situation of countries and to note what are the things that need to be done to make it a successful place for doing business. This second part included aspects of the interviews done along the way and it gives a better idea of the methods implemented to start a business. The most talked about country or group of countries in this thesis was within the Central American region and all its characteristics made it possible for a better idea of what the region is like and what things are incorporated in those countries.

It is imperative to mention that for a Start-Up to succeed in Latin America, it needs to be able to identify what the country's advantages and disadvantages are, this way the entrepreneur can line up the set up of the company in relation to the country that is about to be entered. In the matter of country size, a person or group needs to realize that in some aspects, the countries have a different set up environment and also it is important to know that some cities are going to be more appropriate for the business and that some parts of the country will not even be able to be touched because of how separated they are from the reality of the country as a whole. The best example of this is the case of Brazil that was touched up on in the second part related to countries that have had a successful way when it comes to Startups. Brazil in general has a difference in population and within the cities that are known, it is important to realize that the size of such are going to be needed to be explored further to know where it is best to incorporate a new business.

Latin America is a complicated region that does not offer the same innovative and technological infrastructure as those developed countries. Nonetheless, as countries become more international and investment continues to come into economies, the realization that the position of the country might change will be sufficient enough for entrepreneurs to start discussing about possibilities to enter the country or open a company in the country. The most important aspect to acknowledge is that these barriers to open a new company should not limit the idea of opening a business, but it should encourage investors and entrepreneurs to find ways or alternatives to start and look for different methods to begin growth. The importance of this paper is to understand that, due to the political, social, and economic situations of these countries, companies have to find other ways to be established and grow. Thus, it should not be seen as something to be scared of, but as an opportunity to invest into a country where new jobs being created are needed to make the country's economy grow. The idea of having these differences all over Latin America can seem discouraging for investor or people seeking to open a new business, but it all comes together to favor those who take the time to research and to assess how a company can grow by taking advantage of the opportunities given in each country.

The example given by Hugo App should help entrepreneurs understand that conditions are already present in Latin American countries to start businesses, the only thing that needs to be done is to analyze what the best strategy is to enter and to expand to other countries in the region. The Latin American region has been growing in popularity to start business with Mexico, Chile and Brazil being prime examples of economies that are well set up to foster investment and entrepreneurship. There are some countries, however, that are lagging behind these major nations but the region as a whole is going to benefit from open door to investment and new companies.

Hugo App was the example selected because it shows that even a small country with the disadvantages it has can be home to a Start-Up that has showed growth since the early beginnings and has made of it an example to others. Hugo App will serve as an example to the entrepreneurs who are not willing to take a risk with the excuse of saying that their country does not allow or make it possible for companies to reach a certain level of growth. The idea Hugo App had was executed brilliant and perhaps it will reach a level where it will be able to compete at a global scale, but it is always imperative to point out the country where it all started from. El Salvador, with all its gang violence and crime and corruption, is home to the first ever unicorn in the region, with investment from top investors. This sense of belonging for countries close to El Salvador can potentially open up door to others willing to risk some and possibly get to the a level of expansion the same way Hugo App is doing.

With relation to the other companies that were used in the interviews gives an more realistic way of seeing how things are going and how new developed companies deal with growth and also how they dealt with the formation of each. With choosing different Startups in different industries, it was easier to identify the common parts found before organizing the business and also when it comes to growing the business within the industry. The best example out of all those companies interviewed was the company called Flower Box, which managed to take something ordinary and convert into something that everyone wanted to put hands on. Flower Box's expansion is also one to admire as the business does not necessarily seem as one difficult to copy, therefore it took

Flower Box longer to be able to be on top of the competition encountered and knowing the struggles it had to go through to manage funding not given by the banks. All these companies should serve as motivation for readers to know that it does not take a technology expert or someone good on information technologies to become a successful business owner. It is usually the case that people think that nowadays, successful and wealthy people are only those involved in something related to technology. Although it may be true that with the enhancement of technology, new companies have been easier to be create in this sector, but that cannot be a limitation for individuals who have an entrepreneurial mindset. There should be an idea that can stand out and not be a part of the technological world. Taking a look closer at the Bloor Store success story, it can serve as an example that it does not take much technology to bring up a new company and to make it successful. It is recommended, however, that new generations understand how technology works and to be leaning more towards getting into that sector of the world economy because it really is the future and it is always best to stay one step ahead or to stay on board of global trends to be able to find ways to improve the day to day for people.

The last part of this master thesis was directed to how an individual or a group of people can learn from the example of Hugo. Nonetheless, this part should also be used to look at how the region is in general and to notice some aspects that can help the economy, maybe not just in the Startup aspect, but also in the development on existing businesses that have remained unmoved and that have already given up with creating new ways to attracting customers or creating new ideas or product to attract new customers. Hugo is doing both constantly and that is why they will remain on top of the competition, because they know that most companies are not trying to move forward, but only trying to remain where they are. These companies that stay the same throughout the years are the main example of why innovation has not been constant in Latin America. This will help the reader understand that even when a company has reached a level of success that is ahead of others, movement towards becoming bigger and better needs to continue, because the future is unknown and at some point in time, there may be a competitor coming into play that will provide a better or more sophisticated service. Moving forward

is key to success for any sort of business and every business owner needs to keep this in mind. New business owners need to realize that moving forward in the beginning stages is essential for the company to develop as it should and to be able to grow at the necessary pace to remain on top of the competition.

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Appendix A

Interviews for thesis

QUESTIONS ASKED

- What made you start your own company?
- What was the biggest challenge to overcome?
- What were some advantages found?
- How would you describe the ease of opening a new company?
- How difficult was it to make the company grow?

The reasoning behind these questions was to analyze the beginning of each of the companies starting from the motives, all the way to the success each has had throughout the maturity of the company. Some key aspects that were to be touched up on was whether difficulties in the country were seen only as disadvantages, advantages, or even both at times.

The participants in the interviews all had a major part in the success of the companies, with almost every person being interviewed being owner, co-owner, founder or manager of a specific branch for international expansion. A crucial part of the companies that were interviewed was that they represented different industries or products, which was intended in order to look at a broader scope than to just focus on one industry and see how successful they are. With these companies being in different segments of the markets, it was better to see what the similarities were between them, but also it was interesting to see what challenges were different when they decided to enter the market

and how they were able to overcome obstacles to become profitable and continue growing.

Flower Box.

Flower is a company that was established in 2017 by two young entrepreneurs who saw the opportunity to innovate on a long and old tradition in the country of Honduras, which was to give flower arrangements the old fashioned way. Flower Box started by giving flower arrangements but with a more designed bottom vase and the first thing that came up to their minds was to make the arrangements fit in a box, and that is how the name came to be. The interview was with Ana Bados, the co-founder and co-owner of Flower Box and the person with the idea of opening up her own business in the country.

Questions 1:

What made you start your own company?

I believe that the reason why we started the company was because we saw a market that was old and yet lacked innovation. Giving flowers has always been a tradition in the country but people always went to the same place to get the same type of flower arrangements. When me and my partner were on a family trip in the United States we saw that this type of flower arrangements in a box was spread all around Miami and we saw that it was not a difficult task to try and imitate it. Therefore, we had the idea and the opportunity to open up our own store.

What was the biggest challenge to overcome?

By far the biggest challenge was to find funding for our company. Every bank would offer us a small loan and with high interests and tried to undermine us by telling us we did not have enough to our name in order to take out a bigger loan. Our parents and some family members were able to give us the money on a loan with little to no interest and that's how we were able to start.

What were some advantages found?

The best advantage that we found is the lack of different products out there in the market. We noticed that there were no other alternatives to flower arrangements and people

always frequented the same spot in the city (San Pedro Sula) to look for flowers. We came up with the idea to put the store in a better location with a better facility for clients to reach us and then it became popular on social media.

How would you describe the ease of opening a new business?

This part was one of the trickiest because it turns out most people do not really register their companies as they now it may take months in order for it to get approved and to get all the paperwork done. However, we were benefited by the new program that was beginning to establish in the country by the chamber of commerce which made it a lot easier to open up companies.

How difficult was it to make the company grow?

Making the grow was not an easy task, however, it was not that hard. The business started growing since the beginning and as soon as it became popular by some of the biggest names in the country on social media, business increased to the level that we were not able to adapt to it and had to hire more people to fill out requests. After we hired more, we were able to grow at the rate we wanted and began to think of moving to other locations within the city and later on within the country.

Heros Leather

Heros Leather is a company that started in Tegucigalpa, the capital of Honduras, in 2003 and has shown to continue expanding by being an exporter as well as selling all over the country. Heros Leather, as the name suggests, is a company that manufactures leather accessories for both men and women with 100% real leather from farms inside the country. The business started small and has continued to be a small, yet profitable international business with customers ordering from all over the world and having distributors in different countries in Central America and the United States. The interview was with Hector Sosa, the co-founder and owner of Heros Leather.

What made you start your own company?

I guess the real reason was that I wanted to be a part of my own success. Since I started working for different large companies, I realized that the amount of work that I was doing did not amount to much and it was keeping uneasy knowing that I could be doing something for myself and could find a way to succeed. The idea to start with this line of business was not mine, it was my wife's idea, but after long hours of conversation, it came up to my mind that different leather products had become so commercialized that they lacked the authenticity, and also noticed that the products in the country were imported and the price was almost doubled. This is where I found the opportunity to create a quality product with a price lower than those of the competitors.

What was the biggest challenge to overcome?

The biggest challenge I knew that it was going to be to put of my own savings into this. Definitely it was not an easy choice as I had to give up almost all my money before I knew how profitable the product would be. My other concern was that I was not exactly sure how the market was going to react to having a product of better quality but with a relatively higher price than those products already existing in the market.

What were some advantages found?

The advantage that was noticeable since the beginning was that there were only about two stores who offered these authentic leather accessories, which is why we realized if we could make something with a cheaper price and the same quality, we would be able to come on top of the competition.

How would you describe the ease of opening up a new business?

Back in the day it was a bit more complicated because of the lack of technology and everything had to be done and handled by paper. This delayed the process but laws and regulations were lenient enough to let us start without actually completing all the necessary steps to become a fully legal company. It was mostly an issue with banks back in the day that made it difficult or unattractive to open up a new business.

How difficult was it to make the company grow?

Growth was a bit complicated, since the market that we were targeting represented only a small percent of the entire country's population. We knew since the beginning that most of our money would come from happy customers who would be willing to recommend our brand to others or they themselves would buy different products from us. After the rise of social media though, we were able to hit other markets outside of Honduras and that is how we began marketing online until we got to the situation of receiving orders from clients in different countries. This is where started to see the business take off and we noticed that our product was wanted in other markets where prices for the same accessories and fabric were marked higher than those in Honduras.

Bloor Store

Bloor Store is a comics/anime store that opened in 2015 with the idea of targeting a niche market in Guatemala City, Guatemala. The two owners were obsessed with comics and anime and figured out that no one but only one store had a small section for this type of genre. The idea came to be and with the help of friends living in the United States, they were able to create their own store themed after comics and anime and they are now a successful company with stores in both Guatemala City and major cities in Honduras. They also managed to export to other countries in the Central American region because of their select items for sale. The interview was with the manager of the company in two cities in Honduras and the person in charge of opening up new stores in the country, his name is Daniel Arita. Daniel has been a long time friend of both owners, therefore he knows the story of their success since its beginnings.

What made you start your own company?

I believe that there has been this market in our countries that have not been touched up on because it has always been considered “weird” or out of the natural. When it comes to comics and anime, it is not that many people in these countries who are open about it, and those who are and would like to express did not really have options of where to buy clothes and accessories. Both owners realized that this needed to come to a stop and this is how the idea came to mind. They were both working for a company that was not giving them enough money and made them work six days a week with only a few amount of vacations, which is why they decided it was time to venture their way into starting something of their own that would give them the freedom they needed.

What was the biggest challenge to overcome?

The small target market was definitely the most difficult part. The money was there to start given by their families, but it was the fear that the company would not be big enough to attract more clients. It didn't really take that long for customers to come in and it become something more than just for comic enthusiasts, but for those who liked the apparel.

What were some advantages found?

In the beginning, the clothes and accessories came directly from the United States, which was attractive but it was costly and the margins were not ideal. It was when we realized that if we designed and made the clothes inside our countries, we would be able to significantly reduce the cost and provide work for locals. The biggest advantage was the easiness and the cost of labor and raw materials in order to gain more profit.

How would you describe the ease of opening up a new business?

This is something I tell everyone and they still do not believe how easy it is. In our countries, due to the laws and regulations, a person is able to start business without that much risk other than the financial one of course. It was only a matter of being thorough with paperwork and waking up early to go to offices, but other than that, it was something that came off quite easy. After this, expanding to another country, Honduras in this case, was made possible and easy due to the agreements between both countries. Shipping overseas was also easy because of the low to zero amount of tariffs to be paid.

How difficult was it to make the company grow?

In the beginning it was difficult because the money was not coming in as we were hoping it would be, because we were importing already finished goods and tried to sell it, therefore the margins did not really leave a good profit. When we decided to focus on production inside the country and expand the store to not just be completely for a select amount of people, but for those who wanted to wear something unconventional, that is when the business took off. We have not been faced with competition since we opened, which is also another reason why growth has been continued.

JLB Soluciones

JLB Soluciones is a construction company that started in 2011 in San Pedro Sula, Honduras. The owner and founder is Arturo Fajardo, who graduated from civil engineering and decided it was not going to be his life if he worked for someone. The company manages and deals with everything related to construction, however, the most important part of the company and its international part is the one involved with pvc frames and windows. The company's pvc frames and windows are distributed all throughout Central America and there is a special team for the setups. This is where the company started to stand out and grew.

What made you start your own business?

If I could narrow it down to one word, opportunity. I always wanted to have a business of my own in which the decision I made would help my cause and make the company grow. I only worked for someone for five years right after university and realized I was not going to be able to continue working and building up someone else's dreams. This is when I realized I had to become independent and started doing something I knew I was quite good at.

What was the biggest challenge to overcome?

The biggest challenge, which still is, was competition. There have been construction companies that already have a monopoly for decades in the country and region, which made it difficult to find the clients I wanted. In order to overcome this challenge, what I did was to reach a market that was not desired by other major companies and started growing and becoming recognized from there. After I gained some recognition, I had a market where I was the point of contact and grew little by little.

What were some advantages found?

I personally believe it was the greed of other companies that made it possible for me to start earning money. The greed of only wanting to catch the big fish and disregard the

small ones was definitely a positive. Another advantage I found was that I realized that these major companies worked with the government and this made it possible for me to differentiate myself.

How would you describe the ease of opening up a new business?

In this industry it is not so easy because plenty of capital is required to buy the necessary equipment. It was not easy from the financial side and from the help of the banks that were not able to provide enough money. The legal part was not that hard, but I believe that it is the industry that makes it difficult for banks to loan you some money. If it was not because of the financial part, I would say that it has gotten easier to start a business.

How difficult was it to make the company grow?

Again, this goes back to the industry and how banks are not willing to provide money. In this industry, money needs to be constantly coming in to buy more equipment and to produce more. Nonetheless, it was a difficult process because of how a few companies already owned almost 90% of the construction market in the country. This is one of the reasons why I decided to focus on some product in the construction part that would be some sort of innovation in our country and countries in the region, the pvc frames allowed for my company to grow.

Air & Bus Travel

This company started in 2018 in Honduras. Founded by Andrea Morataya, a person who had always been into the tourism industry and started working in a company that allowed her to learn and to adapt to the growing market in the tourism industry. The company is focused mainly on planning trips and transportation for those interested all over the world. The biggest benefit that the company has is the long lasting relationship with Latin American countries. Travel around Central America has been part of the most important aspect of the operation and Andrea has managed to make the most of it.

What made you start your own business?

I saw an opportunity of being able to do things better and more efficiently. My family was always involved in the tourism industry and made it easy for me to contact agencies all around to score better deals that would appeal to customers.

What was the biggest challenge to overcome?

The biggest challenge was that some agencies already had a large portion of the pie. It was very tricky to enter this market while making friends because they all saw it as a threat to have new players in this industry. One major disadvantage that I had to face was that some of these tourism companies were involved with some government officials and they were able to get lower prices and better deals because of this connection.

What were some advantages found?

Some of the advantages I found was that the big companies were not able to connect with clients the way they should. This serves to my advantage as I am in the early stage and I am able to first establish a relationship and then benefit the client by providing a more specific travel itinerary than other companies would.

How would you describe the ease of opening up a new business?

Opening a business nowadays is not as complicated as it used to be. The chamber of commerce has made it possible for individuals to create a company in very simple steps. The financial part was the only downside, as I did not go to banks but I went to friends who believed in my project with the promise that I would pay them back. This seems to be a tendency in our country.

How difficult was it to make the company grow?

The company is still in its early growth stage but I feel it will be interesting to see as clients continue to appear. Definitely growth will not be easy but I know that if I continue to have this personal relationship with my clients, I will be able to continue growing at a steady pace and not have to be faced by intense competition.