



POLITECNICO
MILANO 1863

Entrepreneur in crisis contexts

HOW TO DEAL WITH ARGENTINIAN
CYCLICAL CRISIS?

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4/7/2018

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ABSTRACT

Throughout this paper, we analyse Argentina's context regarding several factors which are essential for the emergence of entrepreneurs and the creation of new successful firms, focused on the period 2000-2007.

Through a framework¹ which presents factors that affect the entrepreneurship development in a country, we were able to analyse Argentina considering each parameter, and thus detect which are those factors where Argentina had weak performance or a negative influence for entrepreneurship.

Finally, the case of a successful firm in Argentina born during this period is analysed regarding the methods and strategies used to overcome the context adversity.

Keywords: entrepreneurship, crisis, Argentina, Globant.

¹Global Entrepreneurship Monitor framework

INTRODUCTION

Paper Introduction

It is a fact that economic growth and entrepreneurship in a country are strongly related. As stated by the Global Entrepreneurship Monitor (GEM), empirical tests have proven that a country's GDP is conformed not only by transactions between large firms, but also by the entrepreneurial processes. For this reason, during the last couple of decades, entrepreneurship has gain prominence in every country's agenda. Moreover, it has become a popular topic that caught the attention of many researchers pursuing a deeper understanding of the pillars of the entrepreneurship process and how, when, where and why entrepreneurship activity (EA) takes place.

Though there is no such thing as a perfect entrepreneurial ecosystem, it is possible to detect several variables which stimulate the EA, contributing to the creation of new firms and its success. On the other hand, these variables, if not performing as they should, can cause a negative effect, discouraging the emergence of entrepreneurs and thus the appearance of new firms.

A country which is committed to increase the entrepreneurial activity should consider the state of those variables that reinforce the entrepreneurial ecosystem. A proper management of them can increase significantly the EA in the country.

This paper is focused on a specific country, Argentina. During the following pages Argentinian context and its evolution after the 2000' crisis will be analysed, in order to define the entrepreneurial profile of the country, and the Argentinians' characteristics concerning entrepreneurship. In addition, a successful business case is going to be presented to further analyse how a firm can overcome and deal with unfavourable conditions present in its country, and how to manage them to achieve success worldwide.

Review of the context

When analysing Argentina, it seems like the country lives in a state of constant crisis, repeating cycles of success and failure every 10 years approximately.

In 1983 a period of dictatorship came to an end in Argentina. In that year, the democratic government was restored. With this new beginning the government introduced a new currency which heavily relied on debt. Over the years, as interests were not being paid, people's trust in the currency began to downfall rapidly. This situation carried Argentina to suffer a period of uncontrolled inflation that in 1989 reached a peak of over 5000%. This event had a deep repercussion over the people which had a negative feeling about the panorama, and their trust in the local currency disappeared completely. The effects were reflected in the fact that Argentinians preferred having their saving in US dollars, as it was a more stable currency and feared the ongoing situation with the Argentinian peso.

During the next decade, as a desperate measure to reverse the people's image about the country's currency, the government decided to establish a new law which fixed the value of the Argentinian peso equal to the US dollar, the called "1 a 1". Though for some years the decision brought prosperity and stability, it was a matter of time also for it to fail.

An extremely overvalued peso combined with high interest rates created a negative effect which impact on Argentinian companies. For example, the unfavourable exchange rate unable them to compete, and consequently, many companies declared themselves in bankruptcy.

Finally, in 2001, a social and political crisis began. Due to the crisis, scepticism about the political and economic situation developing in Argentina revolved around people which had large investments inside the country. As investors trust in the country decreased, many of them desired the termination of their investments in Argentina which ultimately led to large amounts of invested money being withdrawn from the country. Moreover, Argentinian people lived surrounded by fear and anxiety. Several individuals started to request their life savings back from their bank accounts due to the overwhelming uncertainty of the circumstances. The ongoing situation was completely unsustainable, thus, the government decided to take action. As a desperate measure to confront the scenario, they decided to restrict people from getting their savings from their banks and froze people's bank accounts.

The crash occurred during December 2001 and January 2002, when Argentina's president resigned and three transition presidents went by. Moreover, the Argentinian peso was devalued a 40% in one month. Apart from the financial crisis, the context generated a deep distrust in entrepreneurs as there was no reliability in the country's public institutions. It created a feeling of hopelessness due to the instability of the business environment combined with high levels of uncertainty about what the future will bring.

Google's Latin America spokesman, Alberto Arevalos, talking with The New York Times seven years after, described the business situation in Argentina as a difficult one: "We have had at least five or six different economic plans, with completely different politics, a closed economy, an open economy, privatization, non-privatization, a fixed dollar, a floating dollar, a controlled dollar, an uncontrolled dollar, brutal devaluations, increases in tariffs and frozen tariffs". In this type of context, he said, "one goes nuts or one becomes a survivor."

In conclusion, as we are analysing afterwards, in this kind of situations the entrepreneurs' confidence in what is doing is an essential attribute to overcome the crisis.

Introducing a successful case

Globant was founded in Buenos Aires, the capital of Argentina, in 2003. It was created by a group of four friends with the vision of building “a global company that would become a leader in the creation of Digital Journeys, while generating world-class career opportunities for IT professionals”².

They aimed at combining global companies’ IT needs with the technological skills that Argentinians had, looking forward becoming the leading outsourcing company in Latin America.

Co-founder and CEO Martin Migoya explains³ that the first spark to start the firm was inflamed by the Argentinean financial crisis during 2001-2002 period, which destroyed the currency and with it Martin’s wage. Moreover, he comments that during those times, the best professionals sought opportunities outside the country causing a lack of highly skilled professionals. They saw an opportunity to develop locally and wanted to retain people and exploit the local talent within the country.

The path to success was not straight at the beginning as they struggled for investments and acknowledgement. However, two years after the company was founded, Endeavor, a non-profit organization that leads the “high-impact entrepreneurship movement around the world” named Globant “Endeavor Entrepreneur 2005”. Since this event, investment opportunities arose. Simultaneously, Globant became a case study of MIT Sloan School of Management named “Leading the IT Revolution in Latin America”.

By 2007 the company had a game-changing client, recognized worldwide, which opened doors to USA and other countries. After 2007, Globant gained recognition rapidly and Global Services Magazine recognized the company as the “Top Emerging Global Services Provider”. By that time, they had initiatives to expand the company to other locations. They opened a development centre in Tandil and new offices in La Plata, all locations within Argentina. However, their operations were expanded also to the US.

² Globant website.

³ World Economic Forum report: “Global Entrepreneurship and Successful Growth Strategies of Early-Stage Companies.”

Before the global financial crisis of 2008, Globant had been duplicating its revenues each year. Considering the acquisitions of strategic companies, Globant acquired during 2008 two Argentinian companies, Accendra, a software company with 100 employees operating also in Colombia and Chile, and Openware which had expertise in infrastructure and security software. Martin describes these acquisitions as tactical decisions that contribute not only with technological knowledge but also with important relationships and customers. For example, Globant gained Deloitte as a customer thanks to Openware. Considering the expansion and the acquisitions performed, by the end of 2008 one thousand *globers* were part of Globant and the company received for the first time foreign financing, from US investors Riverwood Capital and FTV Capital.

In 2009 Globant went through deep restructuration were finally the company was reorganized in eight studios, as explained on their webpage, “organized by specific practices and technologies, including Gaming, Cloud Computing, Social, Big Data and more”.

With an ongoing acquisition strategy, during 2011 and 2012 they acquired two other companies, Nextive, a company based in San Francisco, and Terra Forum, a Brazilian company. Through the acquisitions, they gained expertise both in mobile technologies and innovation while also strengthening their worldwide presence. Also, Globant closed new investment rounds in each of the two years, again with Riverwood Capital and FTV Capital and then with Endeavor Catalyst & WPP.

Eleven years after the company was founded, in 2014, Globant got listed in the New York Stock Exchange.

Between 2015 and 2016, Globant sustained their strategic methodology of acquisitions. IN these years, they acquired multiple companies. First, they acquired Clarice Technologies, an innovative India-operated software company. Then, they acquired a design firm that enabled them to expand their operations both in New York and London, named WEA. And finally, they acquired L4, which allowed Globant to reinforced its leading position in the Digital Services Space. Moreover, by the end of 2016, Globant was already recognized through several awards which covered different fields such as design awcknowledgment and business app development. By the end of this period, revenues were reported for 322.9M USD and Globant family included 5855 *globers*.

Finally in 2017, Globant acquired other two companies; Ratio which contributed to their growth strategy in US and PointSource, an agency specialized in designing and developing technologies. Within this year Globant's outstanding performance was recognized worldwide. They were not only awarded by their performance as "Leader in Digital Customer Experience" by IDC Marketscape, but also, they were recognized for their efforts inside Globant community. They won the Best Corporate Governance award, and was proudly recognized as one of the "25 Best Companies for Diversity" by Comparably.

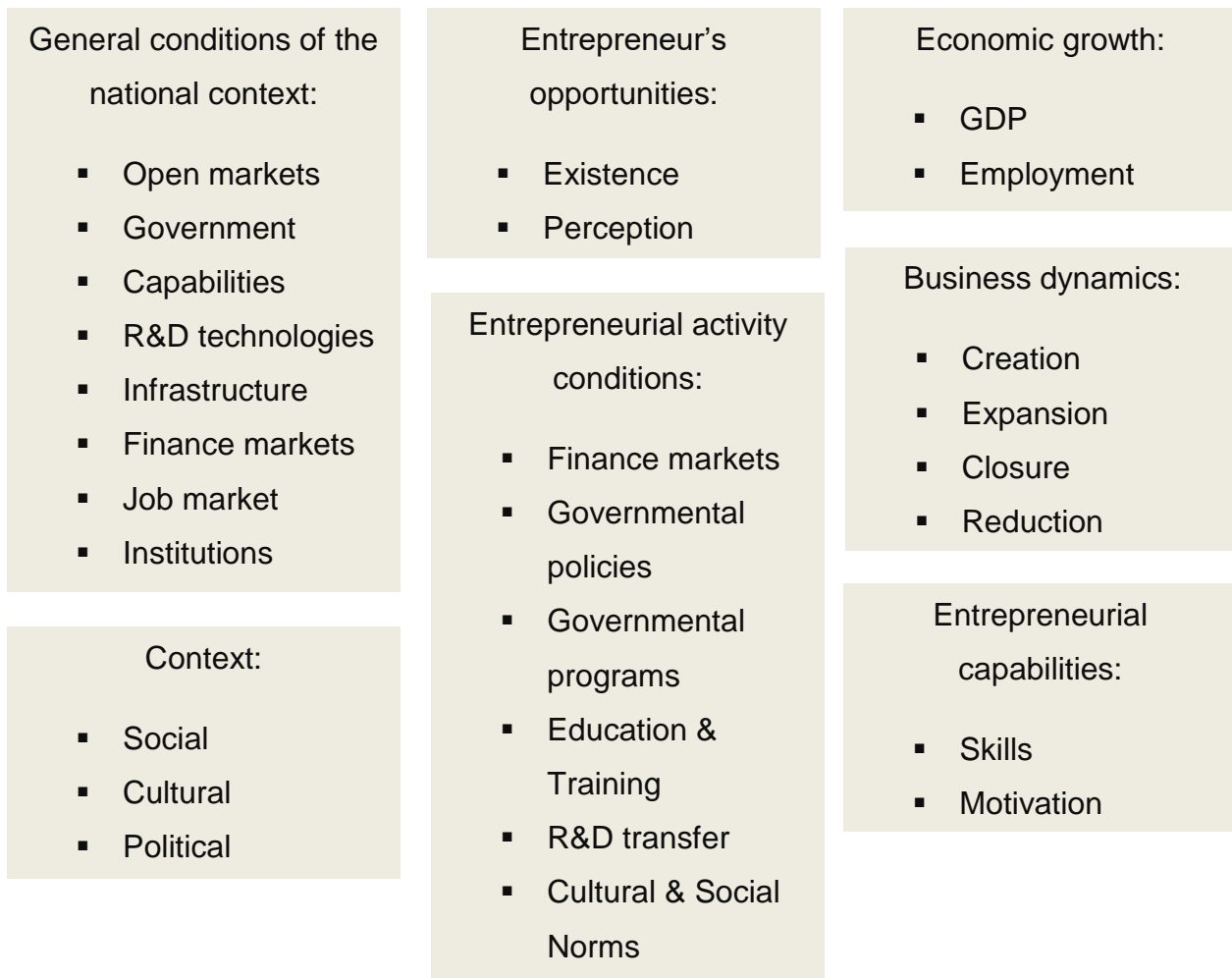
Nowadays, Globant works side by side with the most innovative companies in the world such as EA and Google. They look forward helping "companies engage with end-users in new and powerful ways" while creating an environment that fosters entrepreneurship and innovation.

ENTREPRENEURSHIP IN ARGENTINA DURING CRISIS

In this section we introduce a framework that is useful both to analyse and visualize the numerous variables that affect how entrepreneurship develops in a country. After understanding the framework and the role that each variable play in the entrepreneurial ecosystem, we will analyse how Argentina is performing in this subject.

The framework we considered the most appropriate is one proposed by the Global Entrepreneurship Monitor (GEM). The selection of it is based not only for it being simple yet extensive, but also because it proposes a group of indicators that are able to measure across different countries such as Argentina.

First, GEM considers some “General measures of the entrepreneurial activity in a country”. Afterwards, they divide the analysis in two sections: “The national context and how that impacts entrepreneurship” and “The entrepreneurial behaviour and attitudes of individuals”. For each section they conduct a specific survey, first the National Expert Survey (NES) and second the Adult Population Survey (APS).



Within the category “General measures of the entrepreneurial activity in a country” the list of key indicators propose by GEM is extensive; thus, we have selected a deliberate set of indicators and will be displaying those which we find relevant for our study. In this reduced group GEM proposes the following key indicators:

- ***Total early-stage Entrepreneurial Activity (TEA) Rate:*** Percentage of 18-64 population who are either a nascent entrepreneur or owner-manager of a new business.
- ***Established Business Ownership Rate:*** Percentage of 18-64 population who are currently an owner-manager of an established business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 42 months.

- **Motivational Index:** Percentage of those involved in TEA that are improvement-driven opportunity motivated, divided by the percentage of TEA that is necessity-motivated.

Considering the first section “The national context and how that impacts entrepreneurship”, GEM has sustained continuously that there is a connection between entrepreneurship dynamics and the conditions in the context where the entrepreneurial activities are being develop. These conditions have tangible impact and exercise deep influences on the entrepreneurial activity, either with a positive or negative outcome.

Therefore, GEM highlights the careful consideration each country should pay to this matter and the responsibility the country has towards the people in performing within positive boundaries. They gathered these conditions and with them they developed a framework, the Entrepreneurial Framework Conditions (EFCs). Within the framework, they contemplate those conditions which are essential for the creation of a healthy entrepreneurial ecosystem, involving “the necessary oxygen of resources, incentives, markets and supporting institutions for the creation and growth of new firms”⁴.

Each country has a unique combination of conditions and thus creates a unique entrepreneurial ecosystem. For this reason, as mentioned before, GEM has developed a survey to help them build the EFCs specific to each country. The information is obtained by the NES survey. Moreover, through the survey, due to its standardization, it is possible to compare the data at an international level, analysing the results of a country and comparing them, for example, to the nearest countries, regions or even worldwide.

The NES consists in a questionnaire that is answered by experts that are either from the country or the region. By means of each question, they are able to build a part of the EFCs. The framework is reduced to 9 conditions which GEM states as it follows:

1. **Entrepreneurial Finance:** The availability of financial resources—equity and debt—for small and medium enterprises (SMEs) (including grants and subsidies).

⁴ Niels Bosma, GEM Executive Report, 2008

2. **Government Policy:** The extent to which public policies support entrepreneurship. This EFC has two components: a) Entrepreneurship as a relevant economic issue and b) Taxes or regulations are either size-neutral or encourage new and SMEs.
3. **Government Entrepreneurship Programs:** The presence and quality of programs directly assisting SMEs at all levels of government (national, regional, municipal).
4. **Entrepreneurship Education:** The extent to which training in creating or managing SMEs is incorporated within the education and training system at all levels. This EFC has two components: a) Entrepreneurship Education at basic school (primary and secondary) and b) Entrepreneurship Education at post-secondary levels (higher education such as vocational, college, business schools, etc.)
5. **R&D Transfer:** The extent to which national research and development will lead to new commercial opportunities and is available to SMEs.
6. **Commercial and Legal Infrastructure:** The presence of property rights, commercial, accounting and other legal and assessment services and institutions that support or promote SMEs.
7. **Entry Regulation:** This EFC contains two components: a) Market Dynamics: the level of change in markets from year to year, and b) Market Openness: the extent to which new firms are free to enter existing markets.
8. **Physical Infrastructure:** Ease of access to physical resources—communication, utilities, transportation, land or space—at a price that does not discriminate against SMEs.
9. **Cultural and Social Norms:** The extent to which social and cultural norms encourage or allow actions leading to new business methods or activities that can potentially increase personal wealth and income.

The variables that construct the EFCs are the ones which have been studied the most, neglecting the conditions that are within the entrepreneur as an individual, which is analyzed in the second section. “The entrepreneurial behaviour and attitudes of individuals”.

It is impossible to believe that entrepreneurship activity in a country relays exclusively upon its context. Individuals play a leading role in the entrepreneurial ecosystem. Their behaviour and attitudes towards entrepreneurship depend both on external and internal factors. GEM has classified them in two groups “Social values towards entrepreneurship” and “Individual attributes”. Each contains a set of key indicators to be valued. In order to obtain the

information necessary at a country level, they perform the APS survey, collecting the data for each key indicator. The classification performed by GEM is the following:

1. *Social Values towards Entrepreneurship*: Each society is different and it has an effect on the individual willingness to create a new firm. To assess this effect GEM propose three key indicators:

- ***Entrepreneurship as a good career choice***: The percentage of the adult population between the ages of 18 and 64 years who believe that entrepreneurship is a good career choice.
- ***High status to successful entrepreneurs' rate***: The percentage of the adult population between the ages of 18 and 64 years who believe that high status is afforded to successful entrepreneurs.
- ***Media attention for entrepreneurship***: The percentage of the adult population between the ages of 18 and 64 years who believe that there is a lot of positive media attention for entrepreneurship in their country.

2. *Individual attributes*: As Harper states, "Economists have tended to concentrate on the nature of the entrepreneurial function, neglecting consideration of the personal factors that might characterise the entrepreneurial type in a particular setting and instead emphasising the external causes of entrepreneurial activity".

Apart from all the external factors, we must consider those that rely on the individual itself. Within this group, GEM analyses those attributes that the individuals have concerning demographic, psychological and motivational factors. The information gathered from each country is obtained by means of four indicators:

- ***Perceived opportunities rate***: The percentage of the population aged 18–64 years who see good opportunities to start a business in the area where they live.
- ***Perceived capabilities rate***: The percentage of the population aged 18–64 years who believe they have the required skills and knowledge to start a business.

- **Entrepreneurial intention rate:** The percentage of the population aged 18-64 years (individuals involved in any stage of entrepreneurial activity excluded) who are latent entrepreneurs and intend to start a business within three years).
- **Fear of failure rate:** The percentage of the population aged 18-64 years perceiving good opportunities who indicate that fear of failure would prevent them from starting up a business.

It is particularly interesting to further analyse this section as the meaning and the impact the variables have over the entrepreneurship activity are less apparent.

As stated by Kirzner⁵, entrepreneurship comes from individuals which are able to **identify opportunities** they can profit from. This ability to detect opportunities which others have overlooked comes from entrepreneurs' state of **alertness**. Moreover, it is possible to identify which factors uplift an entrepreneur's degree of alertness; As Harper states, there is "a strong causal connection between people's propensity to be alert and their own sense of personal agency."

Personal agency represents the extent in which an individual believes that he has control over what happens in his life. This topic has been analysed both by Bandura and by Rotter, where each has developed an essential part of what form an individual personal agency. It involves two kinds of prospects about one self, Self-efficacy (competence expectancy) and locus of control (contingency expectations).

"Perceived self-efficacy refers to beliefs in one's capabilities to organize and execute the courses of action required to manage prospective situations. Efficacy beliefs influence how people think, feel, motivate themselves, and act" (Bandura 1995a: 2). On the other hand, **"Belief in internal control means that one perceives a series of related events to be contingent upon one's own behaviour or one's own relatively durable characteristics"** (Rotter 1966:1).

⁵ Foundations of Entrepreneurship and economic development - David A. Harper

Personal agency is modified and moulded by the environment, self-efficiency has been related to depend on one's performance, whereas locus of control has been related with the individual's life experience.

In order to analyse the entrepreneurship phenomena in Argentina during crisis periods we have considered several reports from the Global Entrepreneurship Monitor, published in their website. It is crucial to highlight that the study is based exclusively in the Argentinian context and its entrepreneurial indicators between the years 2000 and 2007 in order to focus on the impact of the 2000's crisis and not divert the conclusions affected by the following crisis of 2008.

The framework introduced earlier is applied in order to analyse Argentina with the same structure. The aim is to understand the barriers that entrepreneurs encounter in Argentina that discourages the entrepreneurial activity. Also, to understand the vitality of those advantages that are present for Argentinians that inspire them to be entrepreneurs.

The variables concerning the framework include values that have been gathered by the Global Entrepreneurship Monitor or other sources.

General measures of the entrepreneurial activity in a country

- Total early-stage Entrepreneurial Activity (TEA) rate:

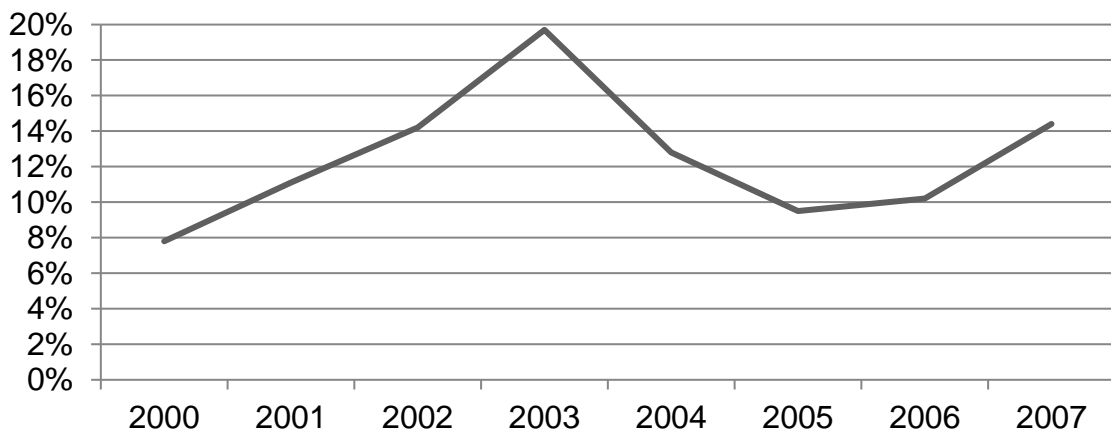
Analysing the evolution of the TEA rate, it is possible to perceive that it has grown considerably during the crisis until 2003 followed by an oscillating behaviour through the next years. Comparing the parameter's value with the average value of other countries, Argentina has been positioned throughout the years within the first ten countries in terms of entrepreneurship rate. Also, during 2002, it equalled the average value for Latin America.

Concluding, the values gathered show how Argentinian people were always willing to entrepreneur, and the 2001 crisis incredibly pushed them to do it. However, it is not always a positive trait, as it depends on what is motivating them to entrepreneur, if necessity or opportunities perception.

Table 1. TEA rate evolution.

2000	2001	2002	2003	2004	2005	2006	2007
7,8%	11,1%	14,2%	19,7%	12,8%	9,5%	10,2%	14,4%

Figure 1. TEA rate evolution.



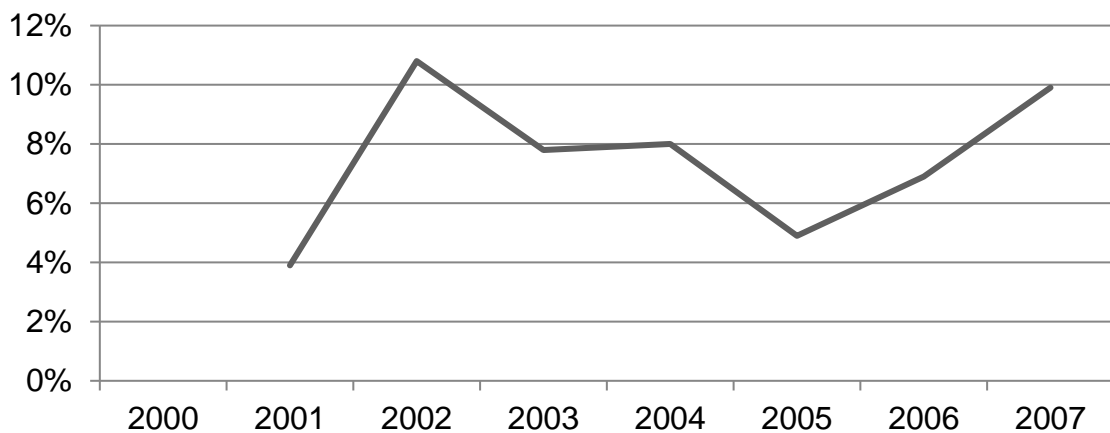
- Established Business Ownership rate:

Considering the evolution of values from 2001, it is possible to detect how for the first couple of years the value increased more than two times, and then remained oscillating around a value of 8%.

Table 2. Established Business Ownership rate evolution.

2000	2001	2002	2003	2004	2005	2006	2007
-	3,9%	10,8%	7,8%	8,0%	4,9%	6,9%	9,9%

Figure 2. Established Business Ownership rate evolution.



It is possible to explain the behaviour of this indicator by analysing the quantities of both new firms (paying salaries) and emerging firms (not paying salaries yet).

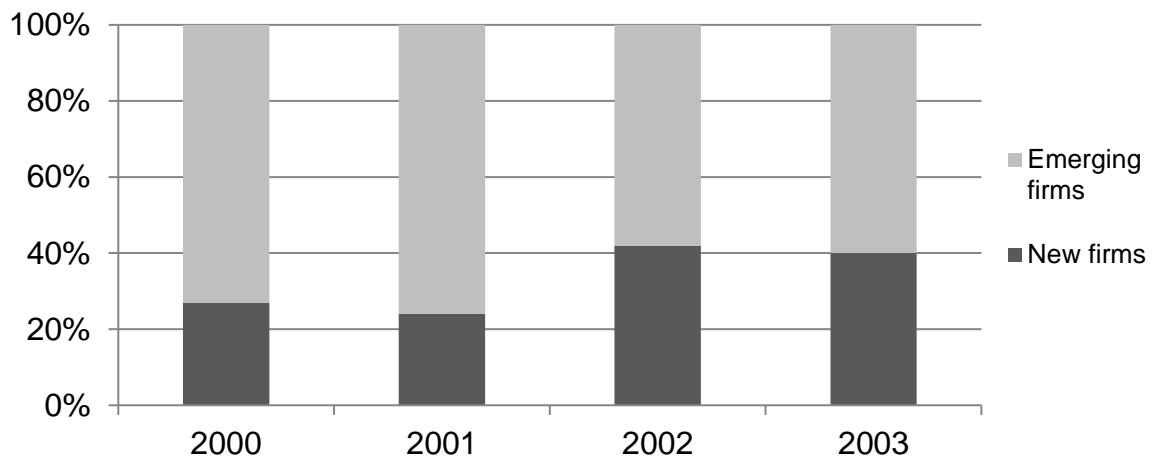
Table 3, portrays a prominent gap between new firms and emerging firms which is wider during 2000 and 2001 when the economical context of the country was going through the most severe period. The gap represents the impossibility of emerging firms to become new firms attributable not only to the characteristic of the projects and skills of the entrepreneurs, but also the institutional and economic conditions that did not foster entrepreneurship. The economic crisis is exercises a critical influence in the possibility of new entrepreneurs to establish their business and run it for the years to follow.

Following 2002, the trend turned round, the gap was reduced meaning more firms started to employ people, changing form emerging to new firms.

Table 3. New firms vs Emerging firms as % of TEA evolution.

	2000	2001	2002	2003
New firms	27%	24%	42%	40%
Emerging firms	73%	76%	58%	60%

Figure 3. New firms vs Emerging firms as % of TEA evolution



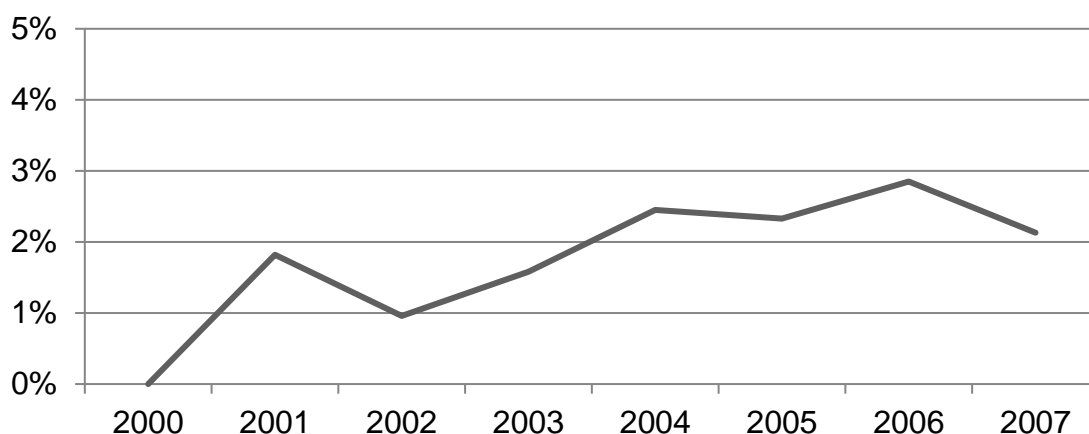
- Motivational Index:

Table 4 represents clearly how when the crisis arrived, the index dropped reaching a value below 1. Afterwards, the motivational index value increased and oscillated around 2.

Table 4. Motivational Index evolution.

2000	2001	2002	2003	2004	2005	2006	2007
-	1,82%	0,96%	1,58%	2,45%	2,33%	2,85%	2,13%

Figure 4. Motivational Index evolution.



During 2001, 2002 and 2003, the fact that crisis left many people without a job, or even the current job was not enough to survive, pushed the towards an entrepreneurial career. However, the reasons for this behaviour is moved by necessity to grow, as the current employment field was extremely poor. At that time, the perception of business opportunities clearly decreases as the events developing in Argentina were not at all inspiring. In 2002, Argentina was the country with the highest necessity driven entrepreneurship in the Latin American region.

Following, from 2004 and forward, once a new government was established and social and economic situation was stabilized, perceived opportunities started to emerge and the index turned around. This event is extremely positive as entrepreneurs driven by opportunities are more likely to succeed in the early years.

This difference between the motives that drove entrepreneurs was not only affected by the economic crisis suffered by Argentina, but also by the level of education. It was seen that year by year, people with lower levels of education are more likely to entrepreneur driven by necessity. Meanwhile those who are more experienced and trained were more likely to entrepreneur driven by opportunities. But, in general most of entrepreneurs (80% during 2003) had a job when starting developing their ideas.

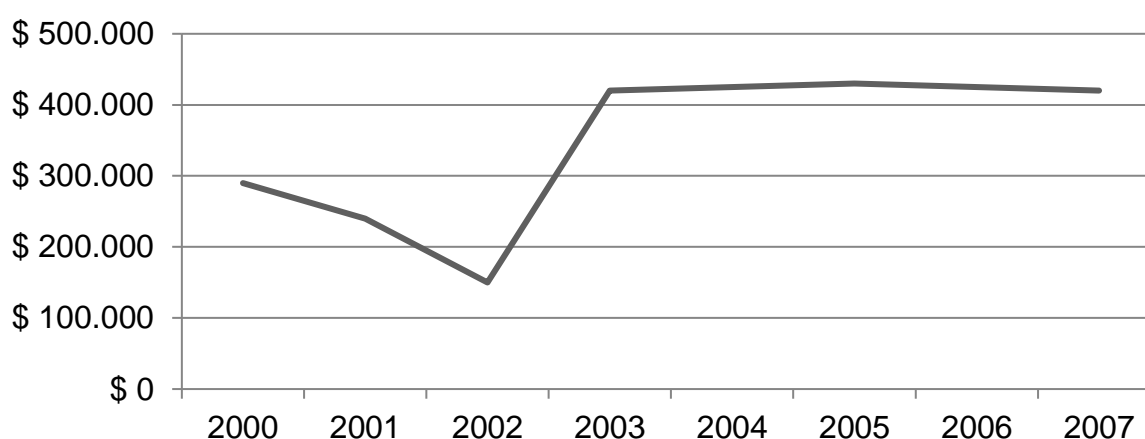
The national context and how that impacts entrepreneurship

The table 5 shows the Argentinian Gross Domestic Product during the years of analysis (in millions of Argentinian \$)

Table 5. Argentinian GDP evolution.

2000	2001	2002	2003	2004	2005	2006	2007
290,000	240,000	150,000	420,000	425,000	430,000	425,000	420,000

Figure 5. Argentinian GDP evolution.



- Entrepreneurial Finance:

During 2000, around 2,5% of Argentinians had been involved as angel investors, which is a value lower than the average (4%). This situation, added to the high cost of capital, discouraged entrepreneurship attitude and the willingness to creating new companies. By 2003 this value increased to 4,4%, with angel investors contributing with the 91,8% needed by more than the 99% of projects.

During 2002, Argentina was one of the countries with the lowest level of risk capital (0,04% PBI, five times lower than the average). Then during 2003, the situation regarding this topic showed that formal capital invested was only the 8,2% of what was required, on the minimum 0,04% of projects, and the most innovative, with high potential and fast growth expectations.

Experts interviewed saw financial system as the most critical problem for entrepreneurs, as institutions did not understand what they need and the government did not offer any kind of incentive to make capital available for new firms.

- Government Policy:

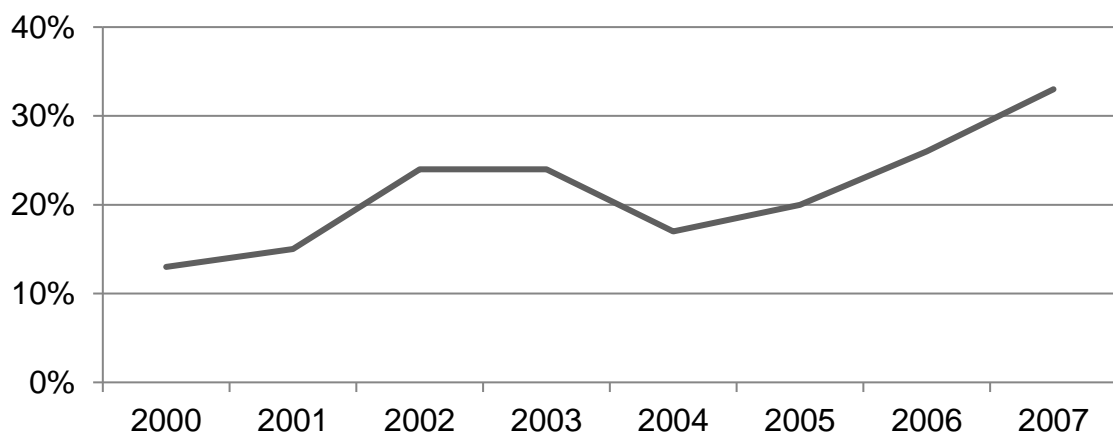
Regarding governmental presence, entrepreneurs need an environment that supports them, providing and encouraging favourable conditions that enables new firms to emerge and concretize. Moreover, once the company is established and is able to perform well for their own without help or support, the entrepreneur needs to trust in his ability to control the firm and should be encouraged to work and grow freely. Nevertheless, in Argentina it did not happen. Nor with taxation neither job market flexibility.

On one hand, the tax collection as a % of PBI is low comparing with the average of other countries (30%) during the first years of analysis, as shown in table 6. However, it could lead to wrong conclusions as it distorted by the high tax evasion occurring for decades. It is also affected by the existence of taxation differences among regions and cities. Nevertheless, it could be seen than after 2002 it was stabilized around 20%.

Table 6. Tax collection as % of PBI.

2000	2001	2002	2003	2004	2005	2006	2007
13%	15%	24%	24%	17%	20%	26%	33%

Figure 6. Tax collection as % of PBI.

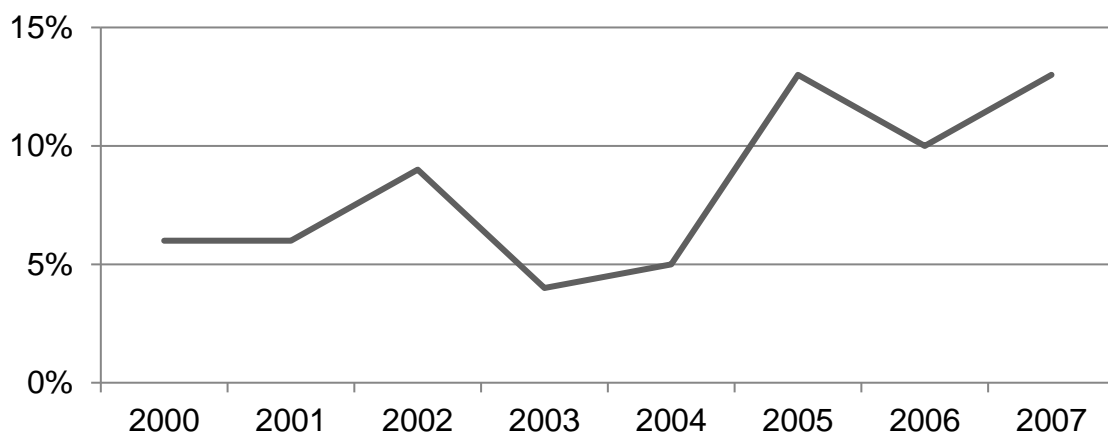


On the other hand, focusing on the social cost of employment, it was high and continued to grow during years, as PBI also did. But the main problem that perceived concerning this matter, is that both established firms and new ones faced it in equal conditions.

Table 7. Social Security costs as % of PBI.

2000	2001	2002	2003	2004	2005	2006	2007
6%	6%	9%	4%	5%	13%	10%	13%

Figure 7. Social Security costs as % of PBI.



This situation reduced the motivation and possibility of success of emerging firms trying to concretize and new firms developing their strategies.

In addition to the mentioned indicators, in Argentina governmental policies were always seen as a critical discouraging factor for entrepreneurship. The reasons behind the criticality is based in the lack of stable and strong regulations, and medium/long term plans combined with continuous changes in economic rules.

- Government Entrepreneurship Programs:

During the first years of analysis, Argentinians stated that they lacked awareness in any kind of governmental program available, and that if some programs to support SMEs existed, they were not correctly communicated to the stakeholders. Moreover, the experts interviewed remarked the noticeable orientation of public programs over big companies and economic groups.

- Entrepreneurship Education:

The situation in the country regarding this variable is significantly poor; there is no visible spark of an entrepreneurship education at any level of education. This negatively affects the entrepreneurial activity as it creates an opportunity cost of encouraging entrepreneurs since early stages. It generates a lack of knowledge and motivation that once adults is very difficult to change.

According with the University Professor Dario Poncio⁶, high school and universities, especially during those careers related with business, students are trained to work as employees, portraying this as the best alternative, and diminishing their potential to create their own company and seeing themselves as their source of labour.

The main consequence is that social responsibility and self-sufficiency are not taught during educational years which impacts in the long term the development of the country. At the same time, it supports a lack of awareness, that contributes to lower prestige and mistrust on successful entrepreneurs creating a negative impact that will be explained afterwards.

It is essential to remark that although the paragraphs before present an educational environment which discourages entrepreneurs, traditional and scientific education in Argentina was certainly good, and well known and desired all over the world. The thousands of successful Argentinians with good educational backgrounds leaving the country during the crisis, with job offers from foreign countries is a clear example of the prestige Argentinians had. This basic knowledge combined with a high capacity to absorb new knowledge, left Argentinians with great opportunities to innovate driven by opportunity.

- R&D Transfer:

As communicated by experts, in this topic there were no incentives to increase the R&D transfer. Incentives are an essential tool to achieve and encourage R&D transfer among universities, academic institutions and companies, as done in most successful countries. Moreover, is especially relevant in the Era of Technology and Knowledge that was disrupting during those years.

⁶ Animarse a emprender, Eduvim, 2010

- Commercial and Legal Infrastructure:

The infrastructure was not identified as one of the most critical factors affecting entrepreneurship by experts. However, the panorama at the moment was negative. The reasons behind this statement are, for instance, the fact that in 2002 opening a new company in Argentina required more than twice the time compared to rich countries (and 40% more than the average), while the costs were as high as those in the richest countries.

- Entry Regulation:

During 2000 and 2001, Argentina was considered as an open economy. However, this situation which initiated during the 90' was poorly managed. There were neither incentives nor support offered for local companies, leaving them without any opportunity or ability to compete.

At the same time, the creation of monopolies and high concentrated markets emerge without any constraints. This impacted once again negatively on entrepreneurship.

Nevertheless, in 2002 the crisis had left behind several market niches, as imports substitution which left a blank space for entrepreneurs to fill by developing their own firms. At the same time, big companies groups started to promote entrepreneurship through financial support, commercial and professional assistance, and also by outsourcing some activities, which increased the possibility to capture new opportunities.

During 2003 this trend continued, motivated by several factors such as the ongoing rigidities of big companies which left doors open for entrepreneurs that shared a high capacity of adaptation to change and creativity, a typical trait of Argentinian entrepreneurs.

- Physical Infrastructure:

Infrastructure in Argentina was seen as a positive factor for entrepreneurship, as during the 90' it was highly developed especially on communication and transportation. Experts remarked the easy and fast access to public services at competitive prices, the wide availability and diversity of natural resources and the level of productive infrastructure installed.

- Cultural and Social Norms:

Experts stated that Argentinians have a natural entrepreneurship vocation that has its origins in the wave of immigrants that came from Europe. These immigrants came to Argentina with a sense of building a new future full of opportunities. However, for the last 50 years the panorama changed significantly.

Entrepreneurship in Argentina was not socially promulgated, lacking of successful examples and educational support. Moreover, experts perceived a negative collective belief which unfortunately discourages entrepreneurship. Money generation and successful people were seen with distrust, as if doing well is either unlawful or not solidary. The roots of this belief were born after years of disappointments and wrong political decisions.

However, since 2002, Argentinians started to increase their valorisation in entrepreneurship attitudes. The creativity and resilience that empowered entrepreneurs with the capacity to endure during the crisis, and the opportunity of self-employment were considered successful and valorised.

The entrepreneurial behaviour and attitudes of individuals

- Social Values towards Entrepreneurship:

This category includes three variables that will be analysed together, Entrepreneurship as a good career choice, High status to successful entrepreneurs rate and Media attention for entrepreneurship.

In previous years, these variables caused a negative effect on the entrepreneurial activity, the society discouraged entrepreneurs. However, the effect began to reverse over the years with the society support.

During 2000 and 2001, around 90% of Argentinians declared that they had a respect for entrepreneurs, simultaneously the resentment attitude began to fade. These rates positioned Argentina better than the worldwide average. Furthermore, entrepreneurship was seen as a good career choice, with an oscillating tendency over the years around 67% which reached a value of 74% in 2007.

The status given to entrepreneurs followed the same trend over the years, with a peak of 74% of people believing that high status is afforded to successful entrepreneurs in 2007. Moreover, the media has increased their attention on entrepreneurs' success, enabling the society to appreciate and acknowledge the entrepreneurs work and dedication.

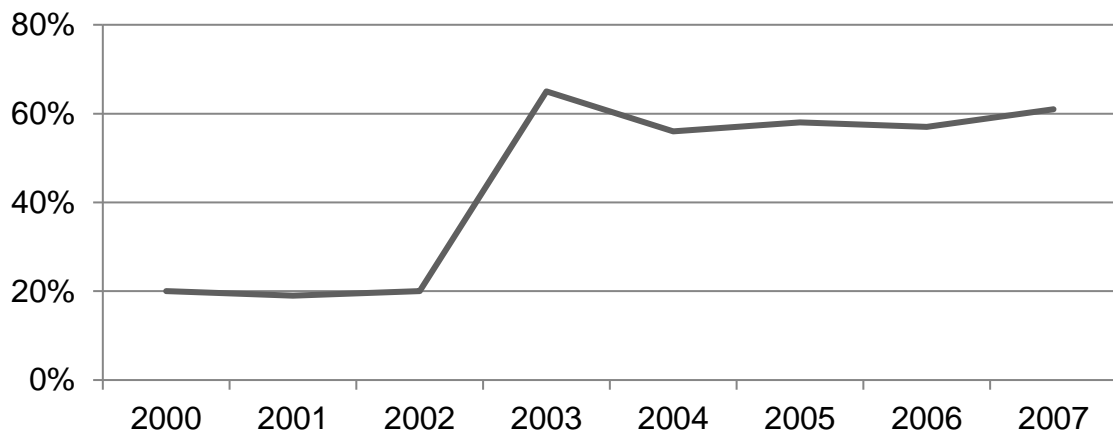
- Individual attributes

– Perceived Opportunities Rate

Table 8. Perceived Opportunities rate.

2000	2001	2002	2003	2004	2005	2006	2007
20%	19%	20%	65%	56%	58%	57%	61%

Figure 8. Perceived Opportunities rate.



During 2000 and 2001, around 20% of Argentinians perceived business opportunities. This value is lower than the average (37%) between the countries analysed by GEM. The value is reasonable and expected due to the crisis which had a devastating effect on Argentina. Through those years, people were unmotivated, the situation was severe and the uncertainty did not inspire people in detecting business opportunities in that actual context.

However, immediately after the crisis there was a peak in the opportunities perceived of 65%. The roots of this behaviour came from the culmination of the crisis. Once the crisis ended, and the situation in the country became more stable, people began to express a higher degree of inspiration. The rise of perceived opportunities clearly shows that there were many unoccupied spaces, niches, which people believed they could fill by developing a new business.

The following years, continue with the trend but the effect of the end of the crisis diminished and the variable oscillates between 50% and 60% which positioned Argentina as a country with one of the highest value regarding perceived opportunities rate,

The effect of this variable over the entrepreneurial activity is immense. Experts consulted by GEM in 2003 stated that those who are able to detect business opportunities are three times more inclined to be involved in entrepreneurial activity.

– Perceived Capabilities Rate

In the initial years, when analysing if Argentinian people considered themselves with the skills and capabilities needed to entrepreneur, the answer was frequently a “no”. This is directly related with the lack of entrepreneurship training in every stage on education.

Then, during 2003, people stated that they lacked confidence in their own capabilities and at the same time they questioned themselves “why me?”, instead of “why not me?”. This affected considerably the entrepreneurship rates, as people who perceive that they do not have the set of capabilities needed have been noticed to be between four and six times less likely to entrepreneur.

Finally, since 2004, there was a shift in the mind-set changed of Argentinian people, who began to say that they see themselves with the capabilities and knowledge needed to carry on their own entrepreneurial career.

In conclusion we observe how the context exercise a great influence upon the self-perception of capabilities and skills.

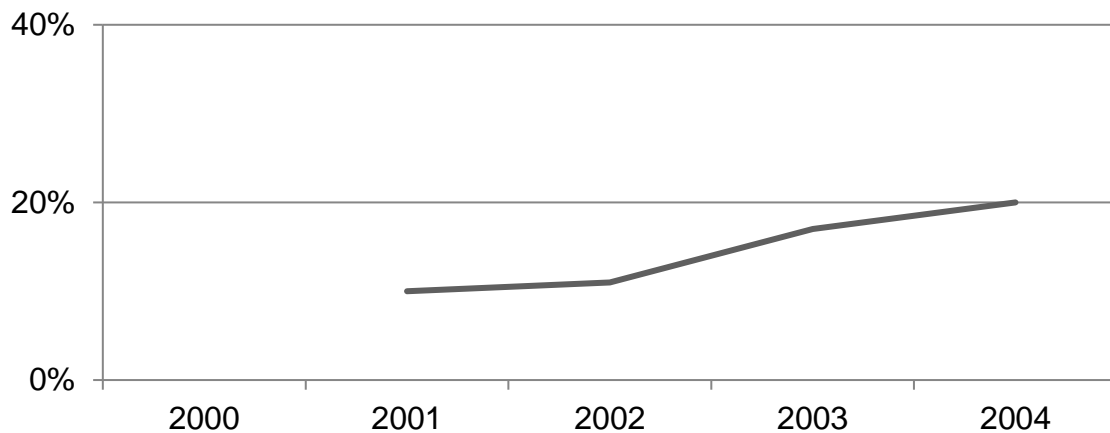
– Entrepreneurial intention rate :

The results of this variable throughout the years were once again linked with the context of the country at the moment.

Table 9. Entrepreneurial Intention rate.

2000	2001	2002	2003	2004
-	10%	11%	17%	20%

Figure 9. Entrepreneurial Intention rate.



During the crisis there is an absolute minimum where only a 10% of the people had an intention of starting a business. The value is reasonable as during the crisis people have less willingness to entrepreneur and have difficulties in projecting entrepreneur plans due to the uncertainty of the future. However after the crisis the value increased reaching a peak in 2004 of 20%.

– Fear of failure rate:

During 2001, 45% of interviewee stated that fear of failure could discourage their intentions of starting a new business. Nevertheless, since 2002, Argentinians stated to be willing to entrepreneur also with fear of failure present.

Analysing the variable from an entrepreneur point of view, Marcos Galperin, founder of Mercado Libre, referring to the characteristics of entrepreneurs states as essential “to be willing to take risks because you are not afraid of doing things wrong, of failing, because you are acting in the right way”⁷.

In addition, Silvia Naishtat, co-author of the book “Argentina Innovadora” states that “Argentinian entrepreneurs have a distinguishable relation with failure. Instead of being something to be ashamed of or something to hide, entrepreneurs tend to share their mistakes in public. They are convinced that those things that go wrong, their downfalls, are

⁷ Argentina Innovadora, Sudamericana, 2017

lecture that teach them and make them stronger. The new generations of Argentinians make failure a collective virtue”

Context wrap up

In order to conclude with our context analysis of the Argentina of the years 2000-2007 during and after the great crisis of 2001, we considered some points that deserve to be highlighted.

To begin with, analysis of the TEA and Established Business Ownership rates show that Argentinians are characterized by an entrepreneur spirit despite the continuous crisis and obstacles around them. However, the motivation behind the thirst of entrepreneurship will certainly depend in the individual situation of the entrepreneur, which is moved by a perception of necessity or opportunity. As Motivational Index reflects, economic stability and social improvement motivate Argentinian, boosting their creativity and desire to give a chance and take advantage of those business opportunities that they are able to perceive.

At the same time, the fact of being used to crisis periods makes Argentinians string in change management and flexibility, what position them a step above big companies, with rigid structures and high costs. This carries benefits for entrepreneurs when recovering economies open doors for market niches to be exploded. It could be said that Argentinians show not only positive attitude when working hard is needed but also sensibility and empathy when relating with customers and other stakeholders.

Finally, Argentinians seem to be immune to fear of failure, as entrepreneurs consider trying and failing as crucial for succeeding. The fact of making mistakes allows them to learn constantly and be ready to face new critical situations. This could be related with the issue that entrepreneurs are respected by Argentina society and entrepreneurship is considered a good choice by most of them. At the same time, media started to promote and appreciate entrepreneurial cases.

On the other hand, we detect several points that discourage and/or difficult the entrepreneurship in Argentina. Specially, governmental support and access to financing are considered to be the most critical ones.

The lack of governmental programs and entrepreneurship education at every stage carry many problems for entrepreneurs when trying to develop a concrete new business. The main consequence is the difficulty to access to money.

Financing problems are prone to be generated by information asymmetries between entrepreneurs, not recognized by institutions, and private banks, without any access to

reliable information. Moreover, network and angel investors, which are crucial players in early stages of entrepreneurship, are not easily reached in Argentina.

Meanwhile, we have seen that once entrepreneur decide to start their own business, the costs that need to afford, both on taxes and social security are high and equals to those faced by big established companies. This of course discourages and weakens entrepreneurs' efforts to survive and grow in Argentina.

Later, when analysing Globant case we are going to explain how entrepreneurs can take advantage of the strengths and overcome the obstacles present in the country.

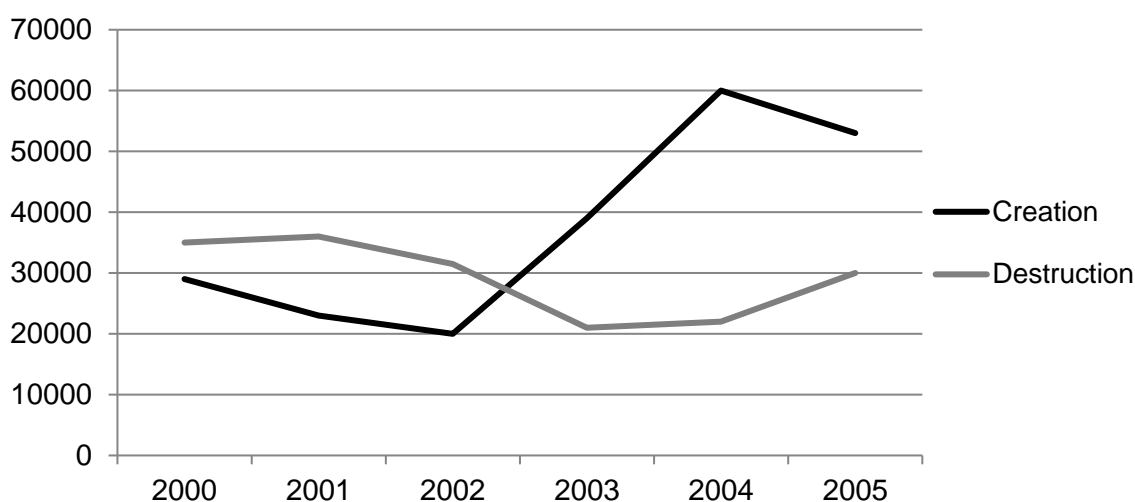
GLOBALANT - A CASE OF SUCCESS

Throughout the world's history, successful companies were born in periods of deep crisis. Examples of them are General Electric, born during the first world economic crisis of 1873, Revlon, created in the middle of the "Great Depression" in 1929 and, nearer in time, the cases of Federal Express and Microsoft, launched on 1973 during the "Oil Crisis".⁸

Thus, it should not surprise us the fact that during and after the great crisis suffered by Argentina during 2000 and 2001 successful companies were created.

To be more precise, we analysed the evolution of companies' creation and destruction from 2000 to 2007.

Figure 10. Entrepreneurial evolution.



In the Figure 10 it is clearly exposed how the entrepreneurial net rate changed its trend from negative until 2002, to positive since 2003. Furthermore, between 2002 and 2007 the result was positive in 20,000 companies, being 38,000 created and 18,000 destroyed. As a consequence, the employment generation rates were also improved, as young companies (less than 10 years old) are accountable for more than half of the jobs created. Going deeper, among SMEs, more than 70% of net job creation rate belongs again to young companies.⁹

⁸ Emprender e Innovar en epoca de crisis, Bladimir Jaramillo Escobar, 2015

⁹ Base para el Estudio de la Dinamica del Empleo - Ministry of Labour and Social Security

Among these young companies, improving development and employment rates, it is interesting to mention the called *gazelle companies*¹⁰, characterized by really fast-growing rates, around 20% yearly, or 75% after three years, and with more than ten people being part of the company. This category of companies, are recognized for being less than seven years old, but accountable for the 30% of employment generation. It is important to remark the particular strategies followed by them, regarding investments, innovation and market. Concerning the first one, usually this type of entrepreneurs has access to higher rates of self-funding, and find greater support on their own business networks. Then, considering innovation, gazelle companies use to concentrate their efforts investing in technology and production processes that in the meantime demand for more qualified human resources. Finally, when defining market strategies, they are characterized by offensive attitudes, focusing as told before in technology and equipment to increase the productivity and quality offered.

Sergio Kaufman, president of Accenture in Latin America, in the book “Argentina Innovadora” says he detects a trend within these companies, “they rely on the construction of intellectual capital and their success does not depend much on business but on creative innovation”. About the success of the business model of this companies Sergio comments that “many (entrepreneurs) took ideas and business models of already existing companies and they replicated it at a regional level. In an unstable country they were able to project and succeed while achieving stability too.”

In this category of *gazelle companies* is that we could identify Globant, together with Mercado Libre and Despegar.com as successful companies, examples of how to entrepreneur dealing with crisis contexts.

As we mentioned before, Globant was founded in Buenos Aires, Argentina during 2003, by four friends, Martin Migoya (CEO), Guibert Englebienne (CTO), Martin Umbaran (PSO) and Nestor Nocetti (EVP Corporate Affairs). They met each other 15 years before, thanks to their shared passions, engineering and music.

All of them came from middle class families, and in the cases of Martin Migoya and Guibert Englebienne, with entrepreneur parents too. Englebienne’s parents had a retail

¹⁰ Dinámica empresarial y emprendimientos dinámicos, Hugo Kantis and Juan Federico, 2014

business in Mar del Plata specialized in beach articles, and Migoya's father entrepreneurial spirit took him from selling denim in Italy to starting an innovative business of light cellulose cement which declared in bankruptcy in 1989. The fact of growing up in entrepreneurial families generated in them less aversion to risk and so less **fear of failure**, an important factor when analysing entrepreneurs' individual attributes. It is interesting how in Martin's case, the fact that his father's business failed did not prevent him from entrepreneur nor stop him in his search of new business opportunities.

All of them had studied in public universities of Argentina. Martin Migoya and Nestor Nocetti had graduated in Electronic Engineering and Martin Umaran in Mechanical Engineering, all at Universidad de la Plata, while Guibert Englebienne got his Computer Science Degree and Software Engineering in the University of Tandil. After finishing their studies, they worked for different companies, local and multinational ones, what allowed them to gain experience and competences in Project Management and Business Development.

At the same time, their jobs forced them to travel all around the world, and even forced them to live outside Argentina, in other Latin American countries, United States and England.

Each of the four co-founders of Globant are clear examples of how Argentinian education form great professional, with valuable skills that are desired all over the world, as we mentioned before when analysing **Entrepreneurship Education**, in the national context section. As it had occurred with many professionals during the crisis, as expected, Globant's founders were part of the group of skilled professionals that decided to leave the country too.

After the 2001, the crisis in Argentina left many professionals in despairing situations. Even with a good job, with years of experience and outstanding degrees, there was no easy remedy to survive the crisis without negative impact. Martin Migoya¹¹ comments that at that moment the four co-founders where working at a consulting firm, Tallion, and although they were able to keep their jobs, their wages went from US\$8000 to US\$1500.

¹¹ Endeavor Entrepreneurs Martin Migoya and Guibert Englebienne on Globant (World Economic Forum report)

He remembers that in that year he had US\$20.000 of savings and he was convinced that to make money in that crisis context, trading was a more effective way than working.

While trading, Martin learnt about an India-based outsourcing company which was the company that made him gain the most. That event was the first spark, “that started me thinking about starting a business from Argentina by packaging up Latin American talent for software development and selling these services to first world global customers”.

Moreover, he detected a unique window of opportunity which could be exploited in Argentina’s context of crisis, “the financial crisis devastated many Argentinian businesses but the devaluation of the currency allowed us to compete on price and talent with other outsourcing companies in other countries”¹². Martin’s ability to translate what was going on in India and detect the potential of developing it in Argentina is a clear example of an entrepreneurial state of **alertness**. At the same time, this reflects a phenomenon mentioned before regarding entrepreneurial motivation which depends highly in the education levels, people who are trained and experienced tend to entrepreneur driven by **opportunities perceived**.

With his idea in mind, and being conscious of the skills available in his group of friends, Martin decided to share it with the rest of them. The feedbacks were great, they immediately perceived the potential of the idea, so decided to take a chance all together and exploit the opportunity. They went on with the plan even when it meant leaving their current jobs and putting all their energies on it. They all had families and going in this new journey brought great risks. Martin remembers that “it was not easy; we were frozen with fear as it was a big responsibility. However, we were very confident about ourselves and about what we wanted to do”. They all show high levels of **self-efficacy** which provides them with the confidence in their capabilities necessary to go forward with the idea, especially in Argentina’s context.

As a group they had an essential characteristic, as they recall, “the ambition to make more, to excel, was very strong among us, and shared as a common value (...) We saw that in the rest of the world there were companies which developed technologies for developed countries which consumed it. However, those companies did not belong to the

¹² Argentina Innovadora, Sudamericana, 2017

first world. We said: “In all Latin America there isn't any company which is looking to global markets, we can fill that space”. Guibert comments that at that moment “we wanted to work for impossible markets, for the global market. We knew that Indians were not gifted, although they could rely on their government policies, we were more than capable of performing as well as them”. They were aware of the differences between the other countries like India and Argentina, they knew that their “state was not there to help as they did many years before. We knew that we had to make it on our own, or we would disappear. It was very hard and we had to exercise a level of rigorous much higher (than other companies in the IT outsourcing industry). But, those who shine and survive always land better on their feet” remembers Migoya. With long-term ambitious objectives, they jumped into filling that blank space, creating a company that will become “leader in the creation of Digital Journeys, while generating world-class career opportunities for IT professionals”.

This way, the idea was shaped, and now it was time to start working in the real world. With an initial investment of US\$5,000 coming from their savings Globant was born.

As a first milestone, they aimed at offering clients tailored software solution; However, with four founder and no clients they had to go search for them. As a starting point, they decided to rely on their **network** of contacts such as college friends or previous co-workers; they contacted everyone they knew who was working outside Argentina, a feature present in gazelle companies. There were just six in USA and five in Europe. One of them was working on *lastminute.com* and was able to organize a meeting for them with the Director of the company in London. So, their first challenge appeared, they had to take charge of *lastminute.com* website in 15 days, while in the meantime, they did not have any employees yet. In a rush, they needed to get in touch with the right people, carrying the key set of competences. With an immense dose of **creativity**, they managed to recruit the right public, with “small yet creative advertises, posing ingenious and challenging messages, that only great programmers were able to understand and solve” remembers Martin. They successfully managed to fulfil their client needs and with that they gained a great opportunity.

After outstandingly fulfilling *lastminute.com* Director expectations, he decided to recommend Globant to Google, which at that moment was opening a contest looking to

outsource for the first time in history. Not only they accepted the great challenge, but they also won it. Globant is now the first company to provide outsourcing services to Google. With Google as a client, many doors opened for them. Martin comments that it was “a seal of approval for future clients”.

Globant strategy was based in the **intellectual capital**, “The strategy was simple, recruit the best local talent and deliver high quality solutions while ensuring superb customer service”¹³. In just three years, Globant had over 240 globers. The strategy chosen meant that the retention of skilled employees is very important. And, as every obstacle they overcame, they also manage to have an employment turnover rate of 5% (below industry average). Also, through those years their revenues doubled each single year that went by. In this way, they became “one of the fastest growing independent offshore companies in Latin America and the largest in Argentina”¹⁴. So again, Globant present both strategy and results expected from *gazelle companies*.

Their client portfolio grew at great steps, with clients from both US and Europe. Nowadays, they have 98% of their clients outside Argentina. They exploit a market that goes beyond the **constraints of Argentina’s market**, which would have never been able to fulfill the founder’s ambitious dreams. They exploit a **worldwide market** with an immense growth which has not given any signs of reducing its growth rate and that offers an infinite amount of opportunities waiting to be exploited.

The fact that Globant was based in Buenos Aires was a great advantage for them. “Part of our growth has been due to geopolitical or cultural differentiators in that we have exploited a huge talent pool for software creation in Argentina and Latin America. We are also working on the same time zone as our US and European customers for the bulk of the day, unlike in India or China” says Martin.

Within the talent pool they had access both to **specialized technologies** and **professionals with technological expertise**. Moreover, due to the state of crisis at the moment, Argentina had a **low-cost structure** which enabled Globant to compete with

¹³ Globant: Leading the IT Outsourcing Revolution in Latin America, MIT, 2006

¹⁴ Endeavor Entrepreneurs Martin Migoya and Guibert Englebienne on Globant (World Economic Forum report)

price while also cutting great costs. As we mentioned when analysing **entry regulations**, they were able to exploit a niche market, IT outsourcing, from Argentina to the rest of world.

Englebienne adds as a key growth factor the fact that “we **learn fast**. Like any organization, we make mistakes but at Globant we put a huge premium on learning from them”. As mentioned before, the ability to **learn from mistakes** instead of letting them be a barrier or being afraid of failing, is an essential characteristic shared between successful entrepreneurs.

Also, Martin highlights that they have developed **resilience** throughout the years, due to the particularities present in Argentina such as the instability of the country. They have a saying within the company when a new difficult situation approaches, “in Globant, **if someone throws us a punch, we bend down and then we hit even harder**”¹⁵. With resilience they were able to overcome the most difficult times and the darkest moments. Martin recalls episodes of despair “that have more to do with the entrepreneurial side of things like financing or not having enough money to pay salaries or enough power to convince customers that they could scale as fast as they want”¹⁶. However, those moments **did not stop them**; on the contrary, they made them **stronger and tougher**.

Meanwhile, they found several difficulties too, because many IT Executive managers did not know about Argentina as an outsourcing services provider or at all. At the same time, those who did know about Argentina, they only were aware of the country because of the political and economic instability and the high rates of criminality.

Moreover, the financial situation at the beginning presented many challenges for the founders. As we mentioned before, financing is one of the key issues that entrepreneurs meet in Argentina and Globant was not the exception. Martin remembers that “financing was a nightmare in the early stages. Although we were earning revenues from day one (doubling revenue each year until 2008), we were trying to build the company for the long term and that meant we had to re-invest everything we earned for working capital and to

¹⁵ Argentina Innovadora, Sudamericana, 2017

¹⁶ Endeavor Entrepreneurs Martin Migoya and Guibert Englebienne on Globant (World Economic Forum report)

hire people not as contractors, but as full-time employees. This consumed everything we had. We worked hard to get outside financing, but this was a learning experience because we also wanted a lot of control. We had to learn how to hand over certain rights without losing control of the company. This is a huge psychological challenge”¹⁷.

They began with their own initial investment of US\$5000. Decided to challenge the status quo, and stretch towards a different financing strategy, “from the beginning, we operated differently than most Argentine IT companies that tend to hire contractors and extract dividends immediately. We hired everyone as direct employees and re-invested 100% of everything we earned”, Migoya comments.

Business scaled up quickly, “this growth had largely been based on Martin’s and his partners’ network of contacts. He and the CTO, Guibert Englebienne, had sold business through extensive travel and connections”¹⁸. As business scaled up, they needed to search for external investments, as a typical failure of start-ups comes from the impossibility to scale up due to lack of investments. Searching for external investments was not an easy task, Argentina had a **very poor venture capital market**, as we identified in the previous analysis. Moreover, turning to external funds means giving control of a percentage of the company, which many times is a difficult task for the founders.

By the end of 2004 Globant faced a new paradigm, in order to continue growing in terms of infrastructure and size they would need to turn to investments. However, for that time, founders were not scared about the fact that they needed to leverage on investments in order to reach the potential they had, as Migoya said, “we were prepared for our ownership to become diluted as we sought outside investors to help us grow. In 2004, when we had reached 100 employees, we realized we had something bigger than we had imagined and that’s when we sat down with our first group of investors, an Argentinian venture capital group called FS Partners. It took us nine months to raise our first venture capital round, which was US\$ 2 million”.

¹⁷ Endeavor Entrepreneurs Martin Migoya and Guibert Englebienne on Globant (World Economic Forum report)

¹⁸ Globant: Leading the IT Outsourcing Revolution in Latin America, MIT, 2006

Their **reputation** was essential in order to gain financial investments, the fact that they already had several clients and projects done helped too. Their performance could be measured with indicators and there was substantial information provided for the venture capitalist to analyse, thus the **information asymmetry** between them was not an issue. This is a crucial factor, as one of the main barriers analysed on the reasons why venture capitalists restrain themselves from investing in most of the start-ups is because of the wide knowledge gap that represents the information asymmetries, which leads to lack of trust in the entrepreneurs.

Globant performs within the highest standards, with results that go beyond their clients expectations. “When describing Globant, some of the most common responses among its clients are the ease of communication, high level of service, and strong management ethic that the company offers. With this reputation, Globant can rely on word-of-mouth marketing to increase awareness among potential customers”¹⁹. It is well worth highlighting that these remarkable characteristics that clients perceived from Globant have to do with Argentinian reputation all over the world, mentioned before in our analysis conclusions. Argentinian entrepreneurs prove once again to be good professionals, well trained, willing to work hard to offer great results, and relating with customers in empathetic ways.

However, there was a special moment which ultimately boosted their possibilities of getting financial investments. Martin comments that “with Google as a customer it became easier to introduce ourselves to other companies, so our growth exploded. We raised another US\$ 8 million in 2007 and another US\$ 14 million in 2008.” In those opportunities, money came now from venture capital groups from the United States.

As we stated before, during this paper the focus was set on the period 2000-2007, both for Argentinian analysis and Globant case. Nevertheless, we could not avoid mentioning some facts which occurred afterwards.

Regarding Globant, during the worldwide economic crisis of 2008, they faced their first decrease in growing rates since ever, turning from 100% to 15% revenues growth. At the

¹⁹ Endeavor Entrepreneurs Martin Migoya and Guibert Englebienne on Globant (World Economic Forum report)

beginning it was not easy to manage, but thanks to the previous expertise and entrepreneurial attitudes they have, the company was able to survive and even get financial support.

Extending to the years that followed the initial entrepreneurial stage, the political situation in Argentina has been one with extreme and polarized parties. During 2003 and 2015 there were many traditional businessmen that decided to maintain their companies with a lower profile, as a surviving instinct, as they were afraid they would suffer from **governmental retaliation**. However that was not the case for Globant, they saw in that an opportunity and they found a niche where they could further develop. They did not let the political situation in Argentina stop them by any circumstance. They strategically managed to sail through each government that was present without any repercussion. The skills needed to be able to successfully do that are almost unprecedented in Argentina. However, they knew that if they wanted to continue with their growth and success they would have to develop those skills, and as every new barrier they encountered, they surpassed it²⁰.

²⁰ Argentina Innovadora, Sudamericana, 2017

CONCLUSION

Over the last years, entrepreneurship has gain spotlight among media and research as it was demonstrated the great impact the entrepreneurial activity has on countries development and specially on employment generation. This matter is truly important when a country exits a crisis period and begins a path towards economic recovery. In Argentina, since 2003 many intellectuals, as Dario Poncio²¹, started analysing this phenomenon, as a key factor on the creation of job positions.

He commented²² that he had discovered that those economies with the highest growth rates, depend upon entrepreneurships as the main source of employment. At the same time, surprisingly, in developing countries such as Argentina, he discovered that there were many people advocated to entrepreneur despite the fact of low successful rates.

Meanwhile, he exposed that “while public institutions as government and universities need to play a facility role for entrepreneurs, in Argentina it did not happen. On the contrary, governments tended to obstacle the path to success and universities focused their attention on forming people to be employees instead of their own bosses”.

Furthermore, through our analysis it is possible to conclude that Argentina in terms of the factor needed to enhance entrepreneurship, presents many obstacles that hinder the emergence of new start-ups. As mentioned before, it seems like the government instead of supporting entrepreneurs, tends to discourage the entrepreneurial activity.

However, the analysis also discovers a positive trend in Argentinians´ individual attributes, which have the strength, the confidence, and the flexibility to navigate every storm that Argentina suffers.

Therefore, considering the period of analysis of our report, 2000-2007, we have identified as the main negative issues that dampen the entrepreneurial activity in Argentina, the lack public institutions support and the economic instability. Moreover, we detected as the main

²¹ Professor at Universidad de Villa Maria and Coordinator of “A window for the entrepreneurship” program.

²² Animarse a emprender, Eduvim, 2010

positive aspects that support entrepreneurship in Argentina, the individual behaviour and educational levels.

On the one hand, regarding public institutions support, we have found that Argentina presented great weaknesses regarding financing access, governmental programs and entrepreneurial education. In the first case, there was a complete lack of understanding of the entrepreneurial needs and so, there was no offerings that could assist and sustain emerging entrepreneurs. Also, both in terms of cost of capital and conditions to access this capital available, it was almost impossible for new companies and entrepreneurs to look for investments outside their own savings and close network.

Furthermore, when considering governmental programs promoting entrepreneurship, we found them to be almost null. In addition to finance support described before, entrepreneurs need strategic and business support that can help them thrive in the early stages of business definition and in the following periods of development and growth. But, again, governments played a passive role, leaving people that potentially could create value and employment for the country unattended.

Moreover, incentive students to be brave and work hard to be able to find a nice job in a company. This causes a negative impact on the entrepreneurial activity as Argentinians throughout their education lack of proper motivation and incentives to exploit their skills to develop their own business or idea.

Finally, economic fluctuations occurring in Argentina represented great challenges for entrepreneurs. The fact of being prevented of any kind of certainty regarding exchange currencies and trading conditions made it really difficult for them to develop business plans. In addition, internal hyperinflation also altered the forecast and budget considered as crucial in any company.

On the other hand, and fortunately, there were not only negative issues in the Argentinian entrepreneurship landscape. Firstly, we have identified several personality traits that encourage entrepreneurs. Some experts related it with the fact that Argentina had received millions of immigrants from all over the world, escaping from wars and crisis, that carried with them a sacrifice culture and entrepreneurial thirst. Consequently, Argentinians have inherited from them the explorer spirit. In addition, after all the crisis they went through, they have developed great competences to survive and success over uncertainty contexts.

Argentines present a particular ability to look crisis as a source of opportunities, and radically exploit them.

However, it is not only a fact of willingness, but also training. It is worldwide known the high quality of Argentinian education and the great level of professionals they manage. The fact that most of universities are completely free and public, allows a great share of the population to receive high quality education, that make Argentinians 'skills desired all over the world.

Susana Garcia Robles, an Argentinian specialist that lead seed capital investment programs, associates²³ the individual attributes to the characteristics of the Argentinian context. She states that "Argentines acquired great resilience to develop in a context as negative as it was. It was the perfect breeding ground to make Argentinians first class entrepreneurs". Moreover, Susana states that the situation in Argentina is a paradox, entrepreneurs not only emerge but also they consolidate in a country that is failing. She adds that there is such adversity in the context that anyone with sensibility would think that it is impossible to innovate, even worse would be making long term investment; the reasonable thing is to wait until the storm clears.

However, the history shows the opposite. Globant was not an exception at that moment, there were two other start-ups, Mercado Libre and Despegar.com which were also born during the same crisis and, nowadays, they all belong to the Unicorn category. In order to be part of this category, the start-up has to have a value of over US\$ 1 Billion.

The generation of entrepreneurs of that moment, changed the environment in Argentina. They made it through very difficult times and succeeded tremendously, they relied on their network and now they are committed to give support to other emerging entrepreneurs as they have been supported as well. They began a virtuous circle of positive actions that brings to Argentina's community certain sustainability²⁴.

A clear example of this new trend is the business angels club created from an Argentinian university, BAC IAE, founded in 2003 that had grown from the initial six members to one

²³ Argentina Innovadora, Sudamericana, 2017

²⁴ Argentina Innovadora, Sudamericana, 2017

hundred by the end of 2008, investing more than US\$3,000,000 in 17 projects. This shows not only the increasing access to business angels but also the fact that these new investors were at that time available to provide expertise, support and valuable advices to new entrepreneurs.

After the crisis, in 2003, there was a shift, a change in Argentinians behaviour towards entrepreneurship. The New York Times posted an article in 2008²⁵ stating that “in the past, family inheritance and government contacts often determined who started a business. Now, slowly, Argentines are beginning to trust and invest in each other”. Clearly there was something present that gave life to some of the biggest companies in all Latin America.

Finally we had the honour of personally talking with Guibert Englebienne, and after validating our analysis he shared with us what he considered were the key success factors for Globant:

Globant **took advantage of the opportunities** that crisis left behind, considering not only the currency devaluation but also the needs presented all around the world. The fact of founders having experience working and living outside allowed them to think out of Argentina and perceive and understand what is happening outside.

- They know that crisis do not lasts forever, and so they could not difference their offer only on price. Then, they focused on offering better services, premium quality and customer centred. They wanted to **respond to every requirement of their clients, as their clients want, and in a sustainable way.**
- Every Globant team shares their passion for **ambitious objectives**, and the challenge of **accomplishing them always.** With this mind-set, they could proudly state having growing and being profitable every month since the beginning.
- When facing a new crisis, as in 2008, they decided to **diversify.** Many clients increase their request, but many other reduced or cut them, as Google that prioritized working with their internal resources and cutting the outsourcing. Then, they remained close to their customers to **understand what was happening**, where the things are going to, which **new requirements could be appearing**, and they also recruited people that have lost their jobs and knows Globant and how to **create value inside.**

²⁵ Fiscal Chaos Aside, Start-Ups Bloom in Argentina, New York Times, December 2008

- They learnt that Globant is **not only software, but millions of users**. This way, they emphasize the customer centric strategy and focused their energy in developing as much offering as the world needs.
- Having Google as client means a seal of warranty for everyone, and this allowed them to sell their services with almost no marketing efforts.

Then, considering the aim of this report, we asked him what he considers as key factors to entrepreneur in crisis contexts, and he said:

- “Be aware of opportunities that appear during and after every crisis, without losing the long-term vision. It is needed to look beyond the crisis period, because the macro-variables that were affected in that time will recover, and you need to be ready to keep succeeding. It is important to have competitive advantages that mean value for clients”.

This was mentioned also by Martin Migoya, when launching Globant IPO in 2008, “beyond capital available, this (IPO) means for us a compromise to continue creating value on the long term that is the only thing that makes us sustainable. And this is our plan, what we want to leave as inheritance. That why we have never sold the company, and we did the IPO”.

- “Base your business in things sustainable, not only as offerings but also the people working inside. Take advantage of the capabilities and the pool of skills surrounding you”.

Again, this fact was mentioned in the MIT report about Globant on 2006. “Globant’s ability to be close to the customer and understand and satisfy their needs is what ultimately wins new business and retains the old. Given the large number of quality job applicants, the company has the luxury of selecting and retaining only the best. The backgrounds of the employees vary in terms of technological skill-set—complementing each other well for the diverse demands of each project. Employees’ knowledge domains differ across platforms (Linux, Unix, and Windows), technologies used (such as Java, .Net, LAMP, and Oracle), system administration experience as well as application design work. With Globant’s appeal as a fast growing and global company, recruiting for local talent is not a challenge”.

In addition to Guibert's words, Martin Migoya has mentioned during an interview with Endeavour some key lessons about entrepreneur and success he have learnt through Globant's experience:

- **“Think Big**, I think if you want to be a successful entrepreneur you can't afford not to. You need to really believe that you can alter your environment with what you are doing;
- Don't pursue entrepreneurship for money alone. **You need to pursue your convictions and your passion instead of just the money; serve others**: if you are starting a company and you think that you are doing this just for you and your partners, then you are wrong. You are doing it for a lot more people. You have to teach, learn and influence all the way;
- **Enjoy it**, because if you are not, then you will be suffering a very long time.”

So, in order to conclude with our analysis, we could summarize that the key factors to entrepreneur in crisis contexts are:

- proposing sustainable strategies regarding market and people
- building strong teams and creating culture
- doing it with passion and being ambitious

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