

Conference Paper

The Emergence of Entrepreneurship in Cuba: What Can We Learn

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Abstract

Entrepreneurs around the world would agree that being an entrepreneur provides a gateway to flexibility and freedom and it requires an enormous amount of responsibility and commitment. When Raul Castro announced that Cubans could officially run their own business, it created a means for Cuba's citizens to have choices. This article provides an overview of Cuba's emerging entrepreneurs and how their endeavors are stimulating the formation of a middle class. Driven by economic liberalization, the Cuban entrepreneur and Cuban consumer are able to aspire for goods and services that were not attainable between 1959 and 2008. This study provides an overview about the motivating and personal characteristics of Cuba's entrepreneurs. The importance of this group on the formation of Cuba's middle class is addressed. Our findings indicate what can be done to provide continued support to this group so that the middle class of Cuba continues to grow.

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1. Changes in Consumers and Entrepreneurs

The political and economic plans implemented by Cuba's government dictated the well-being of its citizens from 1959–2008 [1, 2]. During this time, the majority of Cuban citizens, with no distinctive economic class, were employees of the government. They were academically and professionally trained in a variety of professions and obliged to provide for all of Cuba's citizens [3]. Working for the benefit of oneself in Cuba was not impossible, but it was a challenge. With no defined class of consumers, Cuba's government made sure that its citizens had what was needed to function, while relying on the Soviet Union's support. In 1991, the Cold War ended, and the Soviet Union collapsed. This meant the end of support for Cuba's economy [4], and Cuba was forced to make some difficult choices and it entered a special period of turmoil [5].

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2. Emergence of Liberalizations

In 2010, Fidel Castro stated publicly that his economic system was failing [6]. Shortly thereafter, President Raul Castro announced that 500,000 Cuban citizens would be laid-off over a six-month period and more layoffs would continue over the next several years [7]. For Cuba's population, this created an unusual situation where citizens would continue to receive state benefits such as food rations, medical care, etc., regardless if they continued to work for the state.

The purpose of this article is to discuss the emergence of the entrepreneurs in Cuba and how the changes in the political and economic environment have created a momentum fueling the development of a middle class in Cuba. This article will provide a brief literature review of entrepreneurs and the middle class of Cuba and then, an overview of our primary data collection. We conclude with our findings and implications.

3. Literature Review

With aspirations of a better life for themselves and their family, Cuban citizens have been inspired to create their own businesses [8, 9]. The Cuban government permitted its citizens to apply for a license, known as the *trabajadores cuentapropistas* (TCP) that would allow them to form private enterprises [10]. Licenses are classified in seven different categories encompassing nearly 201 designated activities [11]. To obtain a license, there are fees, some reoccurring, that need to be paid to the government. In 2010, over 361,000 Cubans had registered entrepreneurial licenses and were considered self-employed. As of 2016, there were more than nearly 540,000 Cubans that possessed a TCP and were considered self-employed. From the latest data, 32 percent of the registered entrepreneurs are women, 31 percent are young and 11 percent are retirees [12].

Successful Cuban entrepreneurs, TCPs, found themselves with the ability to purchase items not accessible under previous political and economic conditions. In addition, these private enterprises created jobs and increased incomes for their friends and family members in Cuba. As a result of these endeavors, as well as newly opened access to funds from family abroad, a middle class in Cuba was formed. This new middle class in Cuba is seeking to purchase items such as better-quality food, cellphones, Internet access (In 2017, Cubans will have the opportunity to purchase, at a very high price, Internet modem/routers in their homes [22].) and even their own automobiles.

(The automobile market is complicated in Cuba. All new vehicles are purchased by the Cuban government at extremely low prices and they are used in the rental market. Once these vehicles hit 100,000 miles, they are then made available to Cuban citizens for prices higher than new car prices in the United States. As an example, a new Toyota Yaris in the US market can be purchased for \$16,000. In Cuba, the same vehicle with 100,000 miles on it will sell for \$22,000)

Rising incomes, exposure to international lifestyles and media, access to information and telecommunication technologies, willingness to try foreign products and services generate a new generation of consumers called the middle-class consumers [13]. Learning about the trends of the middle class in a global economy provides a wealth of knowledge about economic growth [14], consumer demand [15], entrepreneurial development [16] and long-term investments [17]. In a market-driven economy, the middle-class consumer segment is considered the backbone of both the market economy and of the democracy [18, 19]. About 152 million people or 30 percent of the population of Latin America and the Caribbean are classified as middle class [20], and a motivating influence of this group is coming from the aspirations of the entrepreneurs [21].

The formation of a middle class in Cuba is creating a market that is driven by consumer aspirations, assisted by government reforms. The Cuban government does not release detailed data on social distribution of income; as such, there are no official measurements of a middle class in Cuba making the income range of this new group difficult to capture because the income of the total population in Cuba is based on an aggregate gross national income (GNI) per capita of \$370 (2016) or approximately \$1 per day (\$370 divided by 365 days [12]). While this number is low, it has been increasing since economic reforms were announced in 2010 when per capita per day was \$0.59.

With a total population of 11,392,889 (2016), the formation of a middle-class consumer in Cuba is an important and growing segment that is one of the crucial facets needed to help the economy progress. As a result, multinational corporations, including those based in the United States of America, are meeting with Cuban officials to discuss investment opportunities in hospitality, food and beverage, and manufacturing [23, 24].

4. Data

A two-part data-gathering process was implemented during the spring and summer of 2017 that included a survey and personal interviews. Entrepreneurs throughout

Havana, Trinidad, Santa Clara, Cienfuegos, Viñales and Pinar del Rio were contacted and asked to be participants. The towns and cities selected were targeted because they are the most common for tourists, and entrepreneurial endeavors focused on tourism have been one of the fastest growing entrepreneurial segments in Cuba [25]. The 32-question survey includes questions pertaining to family, creation of a business, motivations for independence, decision-making, leadership, negotiations, innovation and demographics. All of 117 participants possess at least one TCP license and answered the survey in person. Personal interviews encompassing 32 private business owners, state officials, academics and non-governmental officials were conducted in an informal setting and included questions pertaining to the entrepreneurial climate, consumer habits and family lifestyle.

5. Findings

A survey of 117 entrepreneurs living in a variety of central and western towns throughout Cuba was conducted in 2017. Several interesting findings were indicated based on gender, age, professional studies, family, entrepreneurial endeavors and motivations, and leadership style. Of those surveyed, 76 percent of the participants indicated an average age of 20–30 years and 92 percent indicated that their highest level of education was at the high school level or higher; 79 percent indicated that their business activity was within their field of skills and knowledge. Perhaps, one of the most intriguing findings is that 91 percent responded that they value being their own boss. When asked about their motivations for leaving and starting their own business, over 96 percent indicated finances and 83 percent indicated that they were in a career that they did not like.

In addition to the survey, face-to-face interviews were conducted with 32 different entrepreneurs, professionals, officials and academics in central and western Cuba. These interviews addressed qualitative issues relating to the aspirations of entrepreneurs. These people believe that entrepreneurs are driven by several aspects: (1) material possessions for themselves and their family, (2) self-fulfillment by running a successful business and (3) the hope in either building a better life for themselves in Cuba or having enough money to leave Cuba. Our survey and personal interviews indicate that the middle class in Cuba has an annual per capita income between \$7300 and \$19,000 (\$20–50 a day).

Most of those interviewed were professionally trained in a variety of fields including engineering, medicine, education and law. These trained professionals indicate that

they could earn at least two to three times their state income by driving a cab, renting a room in their house, running a restaurant, selling crafts to tourists, etc. However, the ownership of a TCP license has pitfalls, including high fees that are unattainable by many, and as such some entrepreneurs operate without official documentation. Legitimate TCPs are finding common tribulations such as access to materials and finding reliable labor. Several entrepreneurs in Cuba indicated through interviews that finding trustworthy and trainable labor has become one of their biggest challenges. Consumers are also finding complications in the changing market, but none is more challenging than increased prices. Nevertheless, the entrepreneurial spirit in Cuba is strong and is continuing to fuel the desires and consumer market who are realizing the accessibility to products is now within reach.

6. Implications

The recent liberalization of the economy allowing for entrepreneurial activity has enhanced the appeal of Cuba to compete and thrive in the global economy. While there has been concern about future political issues within Cuba as well as between the United States and Cuba, there is little doubt that the momentum of the middle class in Cuba has commenced and that it will continue to grow. Foreign companies in travel and tourism, education, manufacturing, bio-technology and agriculture should take note that Cuba will go through growing pains, but in time, this economy will provide an educated and willing workforce that will produce. These investments will result in higher paying jobs for Cubans, but it will also require a major hurdle that will need to be addressed regarding the work mentality of Cubans who no longer work for the government. The entrepreneurs of Cuba comprehend and can instill the urgency of time and need for high-quality service.

Continued support by the Cuban government as well as foreign entities will be necessary to sustain a healthy development of the Cuban middle class. There has been progress, but it has been complex and altered based on current US government policies pertaining to Cuba. As of this writing, the relationship between the US and Cuba can be best described as two steps forward and one step back. Nevertheless, business endeavors are growing in Cuba and the momentum by the consumer market and the entrepreneurs is continuing. The Cuban government's support of entrepreneurial efforts has been hampered by high and complicated fees as well as a lack of support to guide prospective business owners. Entrepreneurs in Cuba have to navigate a slew of vague issues and policies pertaining to payments, location, employment, sales, pricing

and distribution. While some of this is the result of these endeavors being new to the economy, the Cuban government could address many of these issues by providing education and guidance to entrepreneurs in the form of an easily accessible small business association. This type of organization would allow successful entrepreneurs to share ideas with one another as well as allow government and other professional bodies to provide direction on challenging issues.

7. Conclusions

Findings from our research indicate that Cuban entrepreneurs are eager to improve their situation, and they are motivated by the prospect of increased finances that will provide a better life for them and their family. The economic plan implemented by the Cuban government in 2010 has aided in liberalizing the opportunities for those seeking a better life. One of these changes included the formation of an actual consumer with the power to make purchases that were once unattainable. While many Cubans still do not have the financial means to make private purchases, a developing group of motivated Cubans have emerged as entrepreneurs giving them the means to make purchases. The Cuban entrepreneurs have contributed to a momentum by providing private employment for friends and family and aiding in the development of the middle class.

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