

Bussiness Demograpy: An Unexplored Trend along the Central American Business Ambience

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Abstract

This study aims to explore the Business Demography Phenomena along the Central American context, through the examination of its theoretical background, and the revision of Central American corporations success stories, that will eventually guide this research towards the business Demography Key Performance Indicators, across the Central American Business Ambience.

Considering that this analysis will support the development of a Small and Medium Business Observatory over the Honduran commercial landscape. As a platform for the reinforcement of this global topic

KeyWords: Business Demography, Economic Dynamism, Small, Medium and Large Enterprises.

Introduction

Statistics on the demography of business populations are of considerable interest to policy makers, the research community, trade bodies and firms themselves.[1] Because the data of business demography, creations, separations and companies active, are valuable indicators of a country's economic situation. However, the own legislative and administrative systems for the creation and termination of companies have an effect on the economic dynamism: the ease or not to open a business or to close this to begin another, are factors that influence entrepreneurial initiative. [2, 3]

To have a better knowledge about micro, small and medium size enterprise of Honduras we are going to start to analyze corporate demography.

ResearchProblem, Objectives and Plan

Currently in Honduras there are still no formal studies of the business demography phenomena, however before the signing of the Framework Convention academic-research collaboration of The National Autonomous University (UNAH) with the Honduran Council

of Private Enterprise (COHEP). That has as its objective the development of various investigations; including an observatory of micro, small and medium enterprises.

As a core component of the creation of the small, medium and large business observatory in Honduras, supported by the COHEP and the UNAH, one must undergo a rigorous bibliographic review of business demography, as studies of this nature are vital to determine the sustainability of the companies in regard to birth, death, survival and migration of the same, this being the end of demography extrapolated to the corporate sector and also to the various sectors of the economy such as tourism, industry, agriculture, services, among others.

The aim of this research is to create a theoretical framework on business demography applicable in Honduras. Determine if the business demography has aided their companies on their pursuit for sustainability and thereby make the right decisions with regard to sustainability and development of these organizations.

The methodology undergone during this exploratory approach, required a significant amount of literature review surrounding the business demography and its applicability term for the Honduran economy.

Literature review

Antecedent

Human demography has a distinguished 350-year history, beginning with the investigations of mortality rates in London by merchant John Graunt in the mid-seventeenth century. It has become organized as a distinct academic discipline and institutionalized within modern states in the form of census bureaus. Because of the success of human demography, social scientists, policymakers, and the general public have easy access to a vast amount of information about the dynamics of human populations. [4]

There is an increasing demand in spatial planning for models based on the demographic concepts of birth and death of firms. [5]

The field is certainly multi-disciplinary, with major contributions by geographers, regional economists, sociologists and demographers (Gordijn and Van Wissen 1992). [5] Although the importance of organizations in modern life has long been recognized by social scientists, only a few prescient demographers, such as Nathan Keyfitz (1977), sensed early on the potential power of demography for their analysis. [6, 7]

Can be found in the contemporary organizations literature: workforce demography, internal organizational demography, and corporate demography. [6] In this review we will discuss specifically the corporate demography.

Core Concept

1. Founding
2. Mortality
3. Inertia
4. Density
5. Legitimation
6. Competition

Definition

In accordance with the expansive legal definition of the term, "corporation" means not only business firms, but also other types of corporate entities embodied in formal organizations and associations. Thus, the category "corporation" is sufficiently broad to encompass the firms studied by economists; the political parties, interest groups, and government bureaus analyzed by political scientists; and the myriad types of organizations and associations that interest sociologists. A demographic perspective on industry and society shifts attention from the corporation to the range and diversity of corporations in the system. [4]

Rather than concentrate on an image of a prototype organization, a demographic analysis focuses on whole populations and communities of corporations.[4]

Corporate demography focuses on the vital rates—founding, growth, structural transformation, and mortality—of organizational populations.[6] Called corporate demography or corporate ecology, has roots in both human (and animal) demography and in sociology. The literature generated by this demographic approach is sprawled over a diverse set of sociological and management journals. Reflecting the newness of the field, many publications are in books and conference proceedings.[8, 9]

The variables to analyze in the business demography are:

1. Births
2. Deaths
3. Migration where business mobility (inputs and outputs of the markets for companies and their influence on the level of market competition) is affected by three aspects.

The first financial aspects followed by the degree of attraction of the sector and the barriers, and the third by the phases of the market where the first few years a rapid increase in the number of firms; then decrease the entries and finally starts to close the companies. [7, 10]

4. Survival and risk
Survival and risk analysis of parametric survival and semi-parametric. The first describes the behavior with regard to the survival of companies in a period of time and the second is to understand how the capacity of survival is altered by specific characteristics. [11]

Evolutionary Strategy Efficient

Are the behaviors that allow, by comparison, make decisions based on the creation of fashion and models, which in its development will be transformed into norms and social institutions. The evolution and the cycles then could be explained as a positive-sum game in which the actors seek its expansion, as the real possibility to ensure: on the one hand, the short-term income derived from its social action and, on the other, business sustainability in the long term.[12]

Features

1. Corporate Demography is More Descriptive
2. Corporate Demography is (Surprise) More Abstract

3. Corporate Demography Avoids Maximizing Behavior

According to What Can Corporate Demography and Economics Contribute to Each Other? By H.E. Frech III. “Corporate demography is generally descriptive and unfocused. That is, there is no clear decision-theoretic purpose to the typical study. Economic studies, at least in industrial organization, usually have a particular policy question, or point of intellectual debate, in mind that focuses the research”. [8]

Also Carroll and Hannan stress the diversity of organizations as a basis of the demographic approach. But, the demographic approach implies a view of organizations and the environment over time and space as being homogeneous. [6]

The main goal of corporate demography is a general description of the numbers of firms, this may not be a big issue, especially if evolution and natural selection are very important. In such a world, exit might be considered sort of mechanical. But, this leaves very little structure to the theory of entry and corporate change or policy. [8]

Dimensions of Demographic Diversity

Consider the implication to measured demographic dimensions of organizational diversity, there must be explain some features of inequality within ethnic communities, organizational diversity in an industry or organizational population depends on: the rates of innovation in organizational forms, the founding rate, the diversity of new entrants, the merger rate, and the disbanding rate. Diversity also depends on the rates of environmental change and the adaptive capacities of individual organizations. Not only does organizational diversity influence careers, but also the distribution of career choices greatly affects organizational diversity and another kind of corporate demography (internal organizational demography). It examines the effects of diversity (heterogeneity) in the tenure or length of service (LOS) distributions of individuals within an organization on organizational outcomes. [4]

Theory fragments of corporate demography

The Demography of Corporations and Industries (2000) by Glenn R. Carroll and Michael T. Hannan describes distinctive theoretical argument, that only applies to specific business sectors, models, and ambiances. On its attempt to explain the growth, mortality, sustainability and competitiveness level of the companies.

Age Dependence in Organizational Mortality Rates

As organizations age, they experience changes in their internal routines and structures and in their relations with the external environment. Some of these changes may increase an organization’s chances of failure, whereas others may reduce them. [6]

Density Dependence in Vital Rates: Founding, Growth, and Mortality

The ecological theory of density-dependent legitimation and competition postulates that vital rates of organizations—founding, growth, and mortality rates—depend on population density, defined as the number of population members or organizations (Hannan 1986; Hannan and Carroll 1992). [6]

Resource Partitioning

Resource-partitioning theory assumes an environment consisting of unevenly distributed heterogeneous resources; it pays special attention to the locations of organizations within the resource space (Hannan, Carroll, and Po’ los 2003). Organizations that aim for homogenous

resource spots and therefore serve one or few market segments are specialists. Organizations that target heterogeneous resources and serve a broader spectrum of market segments are generalists. [6]

Red Queen Competition

The Red Queen theory of organizational evolution proposes a reciprocal process of learning and competition (Barnett and Hansen 1996). According to this theory, when an organization faces direct competition, it undertakes a search for ways to improve performance. [6]

Localized Competition

The modeling framework for size-localized competition can be readily generalized. Indeed, it is fairly simple to use dimensions other than size as the basis for localized competition. What is required is that organizations compete on the specified dimension and that this competition be intense and sustained enough to generate population segmentation (Carroll and Hannan 2000) [6]

Fitness and Age: Review of Carroll and Hannan's Demography of Corporations and Industries by BoyanJovanovic summarize the theory: Alignment and Survival. "The authors argue that organizations that are well aligned with the environment will survive and grow, as the rest decline and perish. The result is so general that one could apply it to the viability of firms, unions, religions, or even colonies of ants. The implications of the theory, so far, are only qualitative: A better aligned organization is more viable, and this could be because such a firm is better able to mobilize resources." [13]

Methodological challenges

The Demography of Corporations and Industries (2000) by Glenn R. Carroll and Michael T. Hannan said corporate demography presents a variety of methodological challenges; some are well known to human demographers, and others appear not to be. Three general types of challenges recur regularly: those related to data collection; the lack of fully observed heterogeneity; and the simultaneity of different demographic processes. [6]Those challenges are:

1. Data Collection
2. Unobservable Heterogeneity
3. Simultaneity

Policy Implications and Importance of corporate demography

The lack of an institutionalized organizational demography means that social and economic policy usually gets formulated without an appreciation for the full diversity of corporations and other kinds of organizations. Demography can address questions about corporate and public policy and yield different insights and new ideas. Some of this benefit comes simply from the application of demographic methods to different substantive issues. For example, in current policy debates concerning the competitiveness of a nation's firms in the international marketplace, the issue often gets analyzed on the basis of only a few anecdotes or highly publicized cases. Corporate demography provides a framework for systematic assessment of firms' experiences as they attempt to penetrate and develop foreign markets. It also offers conceptual frameworks and statistical tools that would facilitate meaningful measurement of the competitive intensity of various markets. A deeper understanding of these issues would undoubtedly have value for policymakers. [4]

Sources

The main sources for the analysis of the business demography are the records of births and deaths of the companies, in turn, the detailed records of the type of company, survival, the migration and the growth of the same. [7]

In Honduras you need to create an observatory for small and medium-sized enterprises where count with instruments to create these records

The problem of the life cycle of companies

In addition to the birth and the death of the companies, another variable to analyze in the business demography would be the cycle of life of the companies where various factors that condemn the small and medium-sized enterprises to the lack of innovation and by consequence to its disappearance. It is therefore proposed studies of the influence of age on the companies' strategies. [7]

Conclusions

For an observatory of micro, small and medium enterprises is of vital importance to know the business demography, since it is a topic extender that allows you to analyze from a different perspective to the companies, linking it to the competitiveness of the same and an aid to making decisions affecting the various sectors of the economy (please revise figure No1 on the Anexes).

Each item of vital business demography can be studied whether births, deaths, growth, movement, survival and competitiveness; separately to eventually generate holistic analysis of this topic generating theories applicable to the solution of the problems of different sectors.

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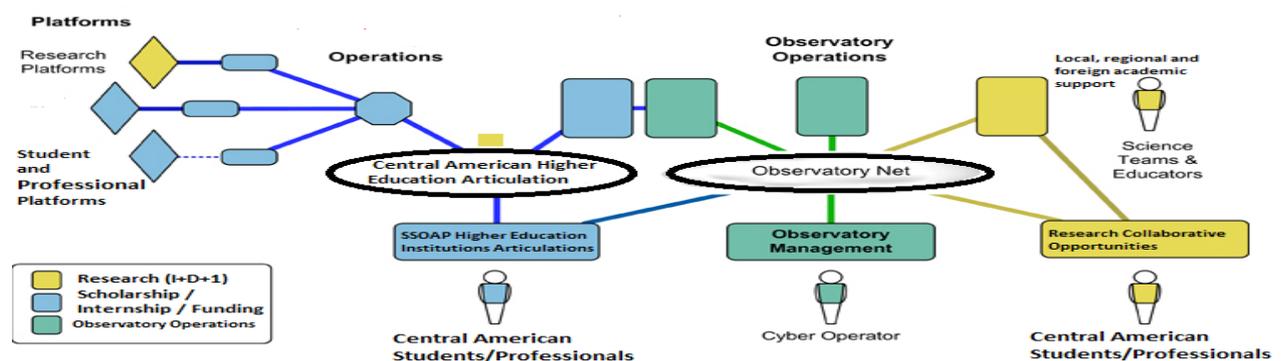
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Annexes:

Figure No 1 the SSOAP Operability



Source: Jesus David Argueta, 2013 IAMB Washington Conference, "An Internationalization approach: The development of a Scholarship and Study grants Observatory for Academic Performance in Central America".