An analysis of small business in Chile: a correlational study

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Abstract

Purpose – This paper sets out to investigate small business success factors in Chile.

Design/methodology/approach – The research on which this paper is based involves a survey correlational study involving a sample of 145 small business owners in Chile that replicates Lussier's success variables validated in the USA.

Findings – The results of this research study show that there were 26 significant correlations between the success variables. A major finding shows that business owners tend not to make much use of professional advisors, yet this factor was correlated with six other variables.

Research limitations/implications – There were no other small business success factor studies of Chile found in the specialist literature, thus the results could not be compared with findings of similar studies.

Practical implications – The findings indicate that small business owners and managers may benefit from using more professional advisors. Public policy makers should consider providing more professional help to small business, such as offering services similar to that of the US Small Business Administration.

Originality/value – This is the first major small business success factor study conducted in Chile. Researchers have a foundation for further research and comparisons.

Keywords Critical success factors, Small enterprises, Correlation analysis, Chile, Business development

Paper type Research paper

Introduction

Every entrepreneur starts with high hopes of success, but there is a liability of newness (Morse *et al.*, 2007). Each year firms go out of businesses. Although not all firms that close are failures, many firms do fail each year (Bates, 2005). Thus, the odds of forming a profitable venture are a critical issue for those weighing the risk of starting a business (Dennis and Fernald, 2001), and an understanding of why firms succeed is crucial to the stability and health of the economy (Corman *et al.*, 1996; Pompe and Bilderbeek, 2005).

Understanding small business is an important area of research (Davidsson and Kolsften, 2003; Pompe and Bilderbeek, 2005; Westhead *et al.*, 2001) because it can benefits both the would be and current entrepreneurs; those who assist, train and advise them; those who provide capital for their ventures; their suppliers; faculty and students; and public policy makers (Lussier and Pfeifer, 2000; Reynolds, 1987). However, discovering which factors or practices lead to business success is an unfulfilled purpose of business research (Rogoff *et al.*, 2004). The objective of this study was to use the Lussier (1995) success variables, which have been validated in the USA

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and Croatia, in Chile to better understand small business in Latin America and South America.

There is a need for empirical study of international small business (Oviatt and McDougall, 2005) and to replicate results cross-nationally (Lussier and Pfeifer, 2001). To date, there is limited empirical research on small business in Chile (Yeyati and Micco, 2007), and there is a need for more research (Silva *et al.*, 2006). The government, in helping small firms, has implemented several programs, however; it has not been studied formally if these are the most effective ways of solving small business' problems in the long term.

Literature review

Success versus failure variables

Lussier (1995) identified 15 variables from the literature that have been researched to distinguish business success from failure. For a variable to be included in the Lussier (1995) and Lussier and Pfeifer(2000, 2001) studies, it had to have been included in a study that had at least three variables identified as contributing factors to success and failure. See Table I for an explanation of the 15 independent success versus failure variables found in the literature. Rather than get into a detailed discussion of each of the 15 variables that were and were not included in the 25 studies in the literature, see Table II for a comparison of 15 variables in 25 articles in the literature as factors contributing to success versus failure. The table identifies the 15 variables and which authors included the variable as a factor in their research.

Limited business success research in Chile

To date, the research found in Chile is focused only to certain economic sectors or unions, or to the use and incorporation of a particular tool as some specific technology. It is also possible to find some studies regarding small firms efficiency and in depth studies regarding their characteristics (Cabrera *et al.*, 2002), but there is no bibliographical reference with regard to the specific causes that lead these companies to succeed and fail. Suárez (1994) finds that the successful companies are those that understand any transformation as an integral process, and that there are three strategic imperatives the success of a firm: efficiency, quality and flexibility. The Vignolo (1998) study recognized that given a dynamic economic environment, small firm innovation is, in a strict sense, a survival requirement. Tironi (2003) found that the small exporting Chilean firms account for less than 6 per cent of the country's value of exports, but in number, there are 2,380 firms out of a total of 6,009 exporting companies, during 2001.

Chile is a good place to study because it has free markets in almost all economic sectors. However, it is a pioneer in all economic reforms which have been followed by the other Latin American countries. Chile started the economic and structural reforms one to two decades before the other countries, and it has the highest per capita income in Latin America (Inter-American Development Bank, 2006).

The importance of Chile to Latin America and South America

Chile is a small open market economy. Following the Chicago School of thought, it was the first Latin American country and South American country to go through a series of reforms, such as the privatization of state owned industries, including banks, utilities,

Capital (capt)	Businesses that start undercapitalized have a greater chance of failure than firms that start with adequate capital
Record keeping and financial control (rkfc)	Businesses that do not keep updated and accurate records and do not use adequate financial controls have a greater chance of failure than firms that do
Industry experience (inex)	Businesses managed by people without prior industry experience have a greater chance of failure than firms managed by people with prior industry experience
Management experience (maex)	Businesses managed by people without prior management experience have a greater chance of failure than firms that are managed by people with prior management experience
Planning (plan)	Businesses that do not develop specific business plans have a greater chance of failure than firms that do
Professional advisors (prad)	Businesses that do not use professional advisors have a greater chance of failure than firms using professional advisors. A more recent source of professional advisors are venture capitalist
Education (educ)	People without any college education who start a business have a greater chance of failing than people with one or more years of college education
Staffing (staff)	Businesses that cannot attract and retain quality employees have a greater chance of failure than firms that can
Product/service timing (psti)	Businesses that select products/services that are too new or too old have a greater chance of failure than firms that select products/services that are in the growth stage
Economic timing (ecti)	Businesses that start during a recession have a greater chance to fail than firms that start during expansion periods
Age (age)	Younger people who start a business have a greater chance to fail than older people starting a business
Partners (part)	A business started by one person has a greater chance of failure than a firm started by more than one person
Parents (pent)	Business owners whose parents did not own a business have a greater chance of failure than owners whose parents did own a business
Marketing (mrkt)	Business owners without marketing skills have a greater chance of failure than owners with marketing skills

Table I.
Explanation of success variables

transportation, and others. It drastically opened the economy, starting in 1975, achieving an effective tariff of only 2 per cent in 2005, accomplishing the goal of departing from the import substitution model. It also eliminated all kind of non-tariffs restrictions. In the process, many industries which were import competing went out of business, especially small business, as they could not compete with more efficient industries in other countries, among them – textile, clothing, shoes and manufacturing.

Senior author	Independent variables														
	capt	rkfc	inex	maex	plan	prad	educ	staf	psti	ecti	age	part	pent	mior	mrkt
Barsley (Barsley and Kleiner, 1990)	F	–	F	F	F	F	–	–	–	–	–	–	–	–	–
Bruno (Bruno *et al.*, 1987)	F	F	–	F	F	–	–	F	F	F	–	–	–	–	F
Cooper (Cooper *et al.*, 1990)	F	–	N	N	F	F	N	–	F	F	F	F	–	F	–
Cooper (Cooper *et al.*, 1991)	F	–	F	N	–	F	F	–	N	N	N	N	F	F	–
Crawford (1974)	–	–	F	–	–	F	F	–	–	N	N	–	–	–	–
Dun & Bradstreet (1995)	F	F	F	F	–	–	–	–	–	F	–	–	–	–	–
Flahvin (1985)	F	F	F	F	–	F	–	F	–	–	–	–	–	–	–
Gaskill (Gaskill *et al.*, 1993)	N	F	F	F	F	F	N	–	–	N	–	–	–	–	F
Hoad (Hoad and Rosco, 1964)	–	–	F	N	N	F	F	–	–	–	–	–	–	–	–
Kennedy (1985)	F	–	–	F	F	–	–	–	–	F	–	–	–	–	–
Lauzen (1985)	F	F	–	F	F	–	–	F	–	–	–	–	–	–	–
Lussier (1995)	N	N	N	N	F	F	F	F	N	N	N	N	F	N	N
Lussier (1996a)	N	F	N	F	F	F	N	F	N	F	N	F	F	N	F
Lussier (1996b)	N	F	N	N	F	F	N	N	F	F	F	N	N	N	N
Lussier and Corman (1996)	F	F	F	N	F	F	F	F	N	F	N	N	F	F	N
Lussier and Pfeifer (2001)	N	N	N	N	F	F	F	F	N	N	N	N	N	N	N
McQueen (1989)	F	–	F	F	–	–	–	–	–	–	–	–	–	–	F
Reynolds (1987)	F	F	–	–	F	–	–	N	F	–	–	–	–	–	N
Reynolds and Miller (1989)	F	F	–	–	F	–	N	N	F	–	N	F	–	–	–
Sage (1993)	F	–	–	F	–	–	F	–	–	–	–	–	–	–	–
Sommers (Sommers and Koc, 1987)	–	–	–	F	F	–	–	F	–	–	–	–	–	–	–
Thompson (1988)	N	–	–	F	F	–	–	F	F	–	–	–	–	–	F
Vesper (1990)	F	F	F	F	N	F	F	–	F	F	–	F	–	–	F
Wight (1985)	F	F	–	F	–	F	–	–	–	–	–	–	–	–	–
Wood (1989)	–	F	F	F	F	–	F	–	–	–	–	–	–	–	–
Total F	15	13	11	15	16	14	9	9	7	8	2	4	4	3	6
Total N	6	2	5	6	2	0	5	3	5	5	7	5	2	4	5
Total –	4	10	9	3	7	11	11	13	13	12	16	16	19	18	14

Notes: F supports variable as a contributing factor; N does not support variable as a contributing factor; – does not mention variable as a contributing factor

Table II.
A comparison of variables identified in the literature as factors contributing to business success versus failure

The Chilean economy has been recognized as the most competitive of Latin America. In the last two decades, many firms in this small country have been able to cope with a significant increase in foreign competition resulting from reduced tariff barriers and the arrival of world-class firms (Maldifassi, 2003).

Chile's competitive advantages are in natural products including minerals, sea products, chemical products, cellulose, forestry wood, and agriculture. Finished goods exported include wine and salmon. Chile is the world's largest copper producer (San Juan, 2007). Chilean manufacturers have had plant productivity improvements that can be attributed to a liberalized trade for the plants in the import-competing sector. In many cases, aggregate productivity improvements stem from the reshuffling of resources and output from less to more efficient producers (Pavcnik, 2002). However, there is a shift from manufacturing to services firms (Maldifassi, 2003). The banking industry in Chile has been the most efficient in the world at cutting costs (Elewaut *et al.*, 2003).

Chile decided not to be a member of Mercosur, since it adopted a different trade policy. Since 1990, Chile has been negotiating free trade agreements with different partners. It is now a NAFTA member and has the following agreements:

- Partial Agreements: India and Cuba.
- Economic Association Agreements: P4 and Economic Union.
- Economic Complementation Agreements: Bolivia Venezuela, Ecuador and Mercosur.
- Free Trade Agreements (FTA): Canada, Korea, China, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, United States, Mexico, NAFTA, Panama, Colombia and Perú.

Other kinds of reforms were the Central Bank autonomy and independence which controlled the monetary policy and thus the inflation rate. The State reform, which controlled the public expenditure, and tax reform forced the few remaining state public firms to be independently owned and operated.

Chile experienced high growth rates since the mid-1980s helped by macroeconomic policies that provided continuity in business performance and investment. In 2006, its GNP was US $151.8 million. GDP real growth grate during the last 11 years was 47 per cent while retail growth has been 57 per cent. The population of Chile is 16.5 million people, with a per capita GDP of US $9,200. Chile's per capita income is the highest in Latin America, and when corrected with purchasing power parity, it is the second in the region, after Argentina. The average annual inflation rate over the last six years has been 2.5 per cent. Investment rates on fixed capital for the last six years has been 21.5 per cent of GDP. The average unemployment rate during the last ten years has been 8 per cent, and the average growth of real wages has been 2 per cent during the same period (Banco Central de Chile, 2007). Chile became known as "Latin America's Tiger", with an economy whose growth performance showed more in common with dynamic countries in Southeast Asia than its neighbors. Indeed, though not a member of the OECD, Chile outperforms some OECD countries, in labor productivity, for instance (de Mello and Mulder, 2005).

In Chile, economic development and education have been linked together to the benefit of its citizens. The rapid assimilation and implementation of US-oriented MBA

programs have arguably given Chile an edge over most countries in Latin America, if not all, in the creation of a well-educated and flexible workforce. The institutions of higher learning in Chile seem to be more than willing to meet the challenge (Contreras and Ruff, 2002).

Small and medium firms are the main employers in Chile, facing important challenges for their survival and development. They have a potential that would positively increase the country's employment and growth. Although supporting and strengthening small business is the desire of all the Chilean political and economic sectors, important differences exist in the concrete proposals. Nevertheless, in some of them there is a common opinion: technology, innovation, entrepreneurship capacity and education. Also, it is admitted that not only public policy is needed, but there is also a need to develop a culture where people are willing to make business, that is to say, to wake up the entrepreneurship spirit.

These firms face many hurdles, including limited access to the financial system resources, excess need of guarantees, lack of knowledge of the existing alternatives, scarce development of the capital seed industry, low capacity of commercial and financial management and high bureaucracy to initiate activities.

Methods

Study design and sample

The primary methodology of this study was to replicate the Lussier (1995) survey research study in Chile. Survey research, particularly mail surveys, have been a staple in quantitative research on small business and entrepreneurship (Dennis, 2003), in fact, an examination of four journals (*ET&P*, *ISBJ*, *JBV*, *JSBM*) revealed that one-third of the articles were based on mail survey (Newby *et al.*, 2003).

A random sample of 600 small businesses were selected from the Chile Chamber of Commerce database. Of the 600 small businesses, 250 were returned resulting in a response rate of 42 per cent. However, only 145 had all questions answered, and were included for statistical analysis. This is an excellent response rate as the typical business studies response rate is 10.5 per cent (Grunbagen and Mittelstaedt, 2005). All six major areas of Chile were included, making it a national sample, and thus, results may be generalized to the entire country.

Measures

The self-reporting questionnaire used by Lussier (1995) to collect data was obtained. However, due to the lack of minorities in Chile, the minority ownership variable was not included in the questionnaire. Again, see Tables I and II for an explanation of the 14 model variables found in this study. Descriptive variables (years in business, number of employees, and industry of the business) were also included in the questionnaire. The 14 variables in Tables I and II are validated through being used in both the USA (Lussier, 1995) and Croatia (Lussier and Pfeifer, 2001) studies.

Statistical analysis

Descriptive statistics were run for all 17 variables. Bivariate correlations were also run for all 17 variables. The nominal variables (12 having partners, 13 parents owned a business, and 17 industry) correlations were run using the nonparametric Kendall's

tau_b coefficients and $p =$ values. The other 14 variables having interval and ratio data were run using the parametric Pearson coefficients and $p =$ values.

Conclusion

Findings

Table III contains the descriptive statistics – means, standard deviations, medians and modes for the interval and ratio level variables and the frequencies and percentages for the nominal variables. Overall, based on the perceptions of the 145 business owner sample in Chile, they start with (1) inadequate capital, are fair in (2) record keeping and financial control, do start businesses with (3) industry experience ($m = 6$ years) and (4) management experience ($m = 8$ years) with fairly detailed (5) plans, do not make much use of (6) professional advisors, are mostly (7) college graduates, can (8) staff their businesses, (9) product/service timing and (10) economic timing are not problematic, are relatively mature (11) ($m = 33$ years of age), over half have (12) partners and more than one-third have (13) parents that owned a business, they are fairly skilled in (14)

Success variables	Mean/ [Frequency/%]	SD	Median	Mode
1. Capital[a] (1 adequate – 7 inadequate)	5.19	1.02	5.00	5.00
2. Record keeping and financial control (1 poor – 7 good)	3.91	1.66	4.00	4.00
3. Industry experience (number of years)	5.99	7.07	4.00	0.00
4. Management experience (number of years)	7.81	7.77	5.00	0.00
5. Planning[a] (1 specific – 7 no plan)	2.58	0.955	3.00	3.00
6. Professional advice[a] (1 used – 7 not used)	5.86	1.06	6.00	7.00
7. Education (number of years of school)	14.97	3.52	16.00	16.00
8. Staffing[a] (1 easy – 7 difficult)	3.59	1.82	4.00	4.00
9. Product/service timing[a] (1 intro. – 7 decline)	4.14	1.74	4.00	6.00
10. Economic timing (1 recession – 7 expand)	3.88	1.53	4.00	4.00
11. Age of owner (number of years)	33.26	9.67	31.00	30.00
12. Partners (number with partners)	[76/52%]			
13. Parents (number parents did own a business)	[54/37%]			
14. Marketing (1 unskilled – 7 skilled	4.57	1.88	5.00	6.00
Descriptive variables				
15 Years in business	14.60	13.82	10.00	1.00
16. Number of employees	38.12	0.894	2.00	2.00
17. Industry	[52/36% service 73/50% retail + 5/3.5% agriculture 15/10.5% man]			

Table III.
Descriptive statistics

Notes: [a] Reverse scale rating (lower value is preferred); (n=145)

marketing, they operate mature (15) businesses ($m = 15$ years old) that can be classified as small business ($m = 38$ employees), and are predominately in the service sector (36 per cent) and retailing and wholesale (50 per cent) with less in manufacturing (10.5 per cent) and agriculture, fishing, forestry, and farming (3.5 per cent).

Table IV has all 17 variable bivariate correlations among the variables for the 145 Chile businesses. There were 26 significant correlations. Below is a presentation of the significant correlations presented in the order of the variable number:

- Capital (1) is significantly correlated with (3) industry experience, (4) management experience, (5) planning, and the use of (6) professional advice. Thus, entrepreneurs with more experience are able to acquire more capital, make better plans, and do make greater use of professional advice.
- Record keeping and financial control (2) was correlated with (6) professional advice and (8) staffing. Thus, using professional advice leads to better record keeping and financial control. Although correlated, keeping good records and financial control does not seem to increase the ease of staffing. This may be because there is no logical relationship between the two variables or that better record keeping and financial controls do lead to better staffing records.
- Industry (3) and management experience (4) are correlated and they are both correlated with (11) age. This is logical because often with age comes industry and management experience. (4) Management experience was also correlated with (9) product/service timing. Management experience may lead to better timing of where in the product life cycle to start a new business; generally, the earlier the better.
- Planning (5) was correlated with (6) professional advice. Professional advisors can help the entrepreneur create more detailed plans.
- Professional advice (6) was correlated with six other variables. Again, it is correlated with (1) capital, (2) record keeping and financial control, and (5) planning. Professional advice is also correlated with (7) education, (12) having partners, and (16) number of employees. Thus, entrepreneurs that use professional advice have more capital, better record keeping and financial control, more detailed plans, higher levels of education, tend to form partnerships, and have more employees.
- Education (7) is correlated with (6) professional advice, (8) staffing, (12) partners, and (14) marketing skills. Thus, more highly educated entrepreneurs make greater use of professional advice, have a perception that staffing is easier, tend to form partnerships, and have greater marketing skills.
- Staffing (8), again, was correlated with (2) record keeping and financial control and (7) education.
- Product/service timing (9) was again only correlated with (4) management experience.
- Economic timing (10) was correlated with (12) having partners. Partners may be better at determining when during the economic growth stage to start a business.
- Age (11) was correlated again with (3) industry experience and (4) management experience, and with (15) the number of the years the firm has been conducting business and (17) industry. As entrepreneurs age, the number of years in

Table IV.
Correlations

	1 capt	2 rkfc	3 inex	4 maex	5 plan	6 prad	7 educ	8 staf	9 psti	10 ect	11 age	12 part	13 pent	14 mrkt	15 ybu	16 #em
2	0.014															
	0.434															
3	0.184	−0.105														
	0.013	0.104														
4	0.162	−0.019	0.435													
	0.026	0.413	*0.000*													
5	−0.290	0.037	−0.060	0.021												
	0.000	0.328	0.236	0.402												
6	0.147	−0.141	0.082	−0.120	−0.266											
	0.039	*0.045*	0.162	0.076	*0.001*											
7	−0.054	0.204	0.020	0.006	0.095	−0.200										
	0.258	0.386	0.404	0.473	0.128	*0.008*										
8	−0.018	0.229	−0.094	−0.093	−0.049	−0.125	0.293									
	0.415	*0.003*	0.129	0.133	0.279	0.067	*0.000*									
9	−0.0267	0.050	0.145	0.153	−0.090	−0.080	−0.029	0.034								
	0.378	0.275	0.041	*0.033*	0.140	0.170	0.365	0.344								
10	0.054	0.007	0.095	−0.018	−0.082	0.131	−0.075	0.063	0.051							
	0.258	0.468	0.127	0.413	0.164	0.058	0.187	0.227	0.272							
11	0.092	0.028	0.493	0.700	0.041	−0.085	0.006	−0.070	0.125	−0.018						
	0.135	0.370	*0.000*	*0.000*	0.311	0.155	0.473	0.200	0.067	0.414						
12[a]	−0.084	−0.035	0.081	−0.017	0.101	−0.182	0.252	0.064	−0.100	−0.170	0.063					
	0.159	0.339	0.165	0.421	0.113	*0.018*	*0.001*	0.221	0.116	*0.022*	0.225					
13[a]	−0.027	−0.126	0.068	−0.73	0.109	0.070	−0.036	−0.074	0.086	0.072	0.113	−0.106				
	0.372	0.086	0.208	0.193	0.096	0.202	0.333	0.189	0.151	0.195	0.089	0.103				
14	−0.13	0.110	0.007	0.013	−0.047	−0.003	0.173	0.086	0.125	0.072	−0.059	−0.100	−0.062			
	0.441	0.094	0.479	0.437	0.228	0.484	*0.019*	0.151	0.067	0.194	0.240	0.116	0.231			
15	0.049	−0.110	−0.097	−0.026	−0.104	0.072	−0.025	−0.042	0.012	−0.121	−0.243	−0.049	−0.160	−0.088		
	0.289	0.093	0.124	0.378	0.107	0.194	0.383	0.307	0.445	0.073	*0.002*	0.280	*0.021*	0.146		
16	−0.024	−0.106	0.048	0.087	−0.056	−0.162	0.048	−0.029	−0.021	−0.112	−0.064	0.154	−0.165	0.061	0.385	
	0.389	0.102	0.285	0.149	0.252	*0.026*	0.284	0.364	0.402	0.090	0.222	*0.032*	*0.017*	0.233	*0.000*	
17[a] in	−0.029	−0.119	0.037	−0.127	−0.115	0.048	0.010	0.013	0.064	0.082	−0.137	0.014	−0.101	0.107	0.191	0.131
	0.364	0.077	0.328	0.064	0.084	0.284	0.454	0.440	0.221	0.165	*0.040*	0.433	0.112	0.101	*0.004*	*0.048*

Notes: [a] 12, 13, 17 nonparametric Kendall's tau_b coefficients, all others Pearson coefficients; Significance, actual p-values, italic <0.05; ($n = 145$)[a]

business can increase. By industry, the services mean age was 34.67, the retail and wholesale mean age was 33.19, the agriculture/fishing/forestry/farming mean age was 30.60, and the manufacturing mean age was 29.60. However, when running a one-way ANOVA, which is a more robust test with a nonparametric dependent variable, the age difference is not significant ($p = 0.305$).

- Having partners (12) was again correlated with (6) professional advice, (7) education, and (10) economic timing. It is also correlated with (16) number of employees. Partnerships tend to have larger businesses with more employees.
- Having parents that owned a business (13) was correlated with (15) years in business and (16) number of employees. The respondents were not asked if the business was in multi-generations. If so, it is logical that the business would be older and larger.
- Marketing skills (14) was again only correlated with (7) education.
- Years in business (15) was again correlated with (11) age and (13) parents owned a business. It was also correlated with (16) number of employees and (17) industry. It is logical that an older business will tend to have more employees. Years in business by industry was also tested using one-way ANOVA and it was significant ($p = 0.019$). The services mean years in business was 11.69 years, the retail and wholesale mean years was 14.48 years, the agriculture/fishing/forestry/farming mean years was18.00, and the manufacturing mean was 24.13. Thus, in the sample, the manufactures were in business the longest and services the shortest number of years.
- Number of employees (16) was again correlated with (6) professional advice, (12) partners, and (13) parents owned a business.
- Industry (17) was again correlated with (11) age, (15) years in business, and (16) number of employees.

Contribution to knowledge

The Lussier (1995) variables of success were also correlated in the sample for Chile, further validating the model. The most relevant finding is that entrepreneurs in Chile do not tend to make much use of professional advisors. However, the use of professional advisors was correlated with six other variables: capital, record keeping and financial control, planning, education, having partners, and the number of employees. The finding indicate that entrepreneurs that use professional advice have more capital, better record keeping and financial control, more detailed plans, higher levels of education, tend to form partnerships, and have more employees.

If entrepreneurs, managers, investors, lenders, suppliers, educators, consultants, and public policy makers use the information in this study, society can benefit because through direct and indirect ways we all pay when our limited resources are misallocated. Thus, entrepreneurs should consider making greater use of professional advisors. Those who assist, train and advise entrepreneurs may need to do a better job of marketing their services by including documentation of success at helping small business owners. Chile venture capital development has been slow in spite of the country's economic growth and stability (Chocce and Ubeda, 2006). Those who provide capital for business ventures in Chile may use these finding to increase confidence in funding, and they may want to be sure the firm takes advantage of professional advice.

Suppliers may also be a source of advice to the small businesses they serve. Faculty may want to teach business students about the variables of success in this study, as well as other studies.

Pubic policy makers in Chile do realize the importance of small business because it employees the majority of the labor force, so entrepreneurial prosperity is very important to the economic growth of the country. However, economist believe resources are not used efficiently. The people of Chile believe that business success is due to entrepreneurship skills, not to State favors. In Chile, there are no State protected sections, and State policies are supposed to help the small business. However, all the reforms have helped big business, while many small businesses have failed to compete with large business and the new global competition in Chile.

Public policy makers that want small businesses to succeed should consider offering more low interest loans so that entrepreneurs do not continue to start undercapitalized. The government can also make greater use of professional advice to small business at lost cost. The advisors can include understanding the capital needs to start a business, how to keep records and financial controls, management training including how to develop a business plan, staffing, and training on how to market the small business. The government may want to develop a Small Business Administration department based on the US SBA government model.

Limitations and further research

As with all studies, this one has limitations. Although the 14 variables do show correlations between them, they are general measures. More precise measures are needed to be of more assistance to small business. For example, which types of professional advice is needed? What is the amount of "adequate" capital to start a new venture? What is the difference between "good and poor" record keeping? How "specific" should the business plan be? What is the difference between "easy and difficult" staffing and how much and what types of marketing skills are needed to be successful? The variables are also measured based on the perception of the small business owner. Research would be more robust with more objective measures. Thus, further research is needed to improve the measures of success and by making the measure more objective.

Although the variables had correlations in the USA, Croatia and Chile, the variables may not apply to other countries. Cross-cultural study limitation also applies to this research because there are so many differences between cultures that one cannot control for (Shane, 1993). For example, there are differences in legal systems, the economy, attitudes towards business failure and other factors. In conclusion, the Lussier (1995) success variables do appear to have support for use in other countries. But the finding of this study does have limitations and further research is needed.

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