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From issue: **Cuba and Colombia** (Fall 2014)

### ■ AQ FEATURE

# Why Entrepreneurship Matters in Cuba

BY [Susan Segal](#)

## Cuba's rising entrepreneurs face special challenges, but their energies and creativity are recognizable the world over.

For almost two decades, I have watched entrepreneurship explode across Latin America and the Caribbean, empowering citizens, transforming economies and changing lives. In sectors ranging from restaurants and small manufacturing to high tech, entrepreneurs are changing the economic and social landscape of the region. Perhaps most important, they are also generating jobs. Across the region, 60 percent of employees work for businesses with five or fewer employees. In Mexico, 72 percent of employment comes from micro-, small- and medium-size businesses. In Brazil, small enterprises create two out of every three jobs.

Whether they are running small enterprises (as in Cuba today) or high-impact companies raising venture funding in Silicon Valley, these entrepreneurs are willing to take risks, betting everything on their ideas and often looking failure in the eye—only to try again and again.

In my days as a venture capitalist and angel investor, I heard many ideas, reviewed countless business plans and was privileged to meet an enormous number of entrepreneurs. Each had a vision for the business they wanted to create and a resolute drive to succeed. They were willing to work day and night, seven days a week, to realize their dream. They had courage and tenacity. “No” was simply not in their vocabulary.



Restaurant 1800, opened in Havana in November 2012, has sought to embrace social media as a marketing platform. Photo: SEB AGUDELO

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But of course, a great idea or vision does not always translate into success. To be successful, there needs to be a business plan and a team, as well as a willingness to grow and expand that

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team. As they grow, businesses require additional, diversified talent. A founder also needs to know when to step aside as a manager and empower others.

At the very beginning of the Internet boom in Latin America, my team and I backed an amazing young Argentine entrepreneur with great vision and extraordinary charisma. In order to grow the business and take it to the next level, he needed experienced management talent. We helped him find that—and today, after selling that company, he is a serial entrepreneur, having started and sold multiple companies.

Some of the most important advice that I give to the entrepreneurs I mentor is this: success is created not by a single person, but by great teams.

### Obstacles and “Resolving” Them

Success also depends on providing incentives; among the most common is giving owners equity in the start-up. A major challenge for entrepreneurs in Cuba today is the lack of guarantees for their property and equity—two critical elements needed for a business to grow.

Cuban entrepreneurs also face many other challenges. The tax structure is onerous, and there is little to no reliable access to wholesale goods or rental space. Nor are there clear rules of the game. And of course, there is almost no access to credit; capital markets are nonexistent.

But most important—and unique to Cuba—is that for almost 60 years, people have lived in a planned economy with no direct relationship between employer and employee, and absolutely no concept of private enterprise. Until recently, the Cuban system did not recognize the concept of owning a business. The idea of creating private wealth was contrary to the revolution. At the same time, basic business education in Cuba—accounting, finance, management, computer skills, entrepreneurship training—was not available. Even after the government started to allow some forms of private business activity, red tape and regulations remained obstacles to opening and operating a business; and in some quarters, the ideological rejection of the accumulation of personal wealth—and the inequality that came with it—persisted.

Yet the Cuban entrepreneurs I have met display the same incredible optimism, drive and ineffable spark of creativity as the other entrepreneurs with whom I’ve engaged in Latin America and elsewhere. They are selling their belongings to raise capital and finding creative ways around the red tape and challenging regulations. They are proactive in their search for the basic business and management skills they need to grow their businesses and remain solvent. Today, programs like *Cuba Emprende* and efforts by universities and professional associations are providing aspiring business leaders with the nuts and bolts of a business education. As everywhere else in the world, those who succeed in Cuba will be those who can “*resolver*” (overcome) all the odds stacked against them—those who are not afraid to fail.

Cuba needs entrepreneurship. The Cuban state cannot by itself create enough jobs to support its citizens. That can only be achieved by allowing courageous individuals to create small businesses. Change is inevitable, but it will come at Cuba’s own pace.

But the U.S. has a role to play as well. We can encourage the process by going beyond granting permission for U.S. citizens to send remittances to family members in Cuba, to permit investment in small businesses on the island. Low-cost connectivity will also facilitate Cuban entrepreneurship, as it has everywhere else. Small business creation has a huge ripple effect on the economy: it will create demand for more inputs, goods and services throughout the supply chain, which will drive even more job creation and optimism.

There are many similarities between the needs of entrepreneurs in Cuba and those in other countries in the hemisphere, even taking into account the special challenges Cubans face. Being an entrepreneur enables people to build a better life for their children, to feel empowered, and to believe that they can control their own destiny. Over time, those dreams and the indomitable spirit of Cubans themselves will drive change. But it is critical now to support the first signs of entrepreneurial energy wherever they appear on the island. It is Cuba's budding entrepreneurs who will quietly lay the groundwork for future job creation, savings and, of course, much-needed growth for their country.

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