**1. Entrepreneurs and Business Strategy**

Let’s look at a case study. Anyone who has been to almost any city on a weekday afternoon recently has probably noticed a new addition to the streetscape—food trucks. You may recall some years ago that when you ventured out for lunch, you would be flanked by food carts on every corner, offering the usual suspects: hot dogs, pretzels, and maybe chips and drinks. But that is not innovative—that is simply meeting demand with basic supply.

Food trucks today are big business, and it took some innovative thinking to get the idea rolling. People working in offices are generally limited in where they can go for lunch to the area surrounding their office. If that happens to be an area with only a handful of semi-desirable food choices, the only options many people have are to drive/metro/taxi/walk to another neighborhood, bring lunch to work with them, or order something to be delivered. Food trucks changed all that.

Using social networking sites like Twitter, food trucks develop a following based upon the unique food product that they carry. It may be Korean tacos or special barbecue sandwiches, or perhaps cupcakes, but whatever the item, there is a following that awaits patiently the arrival of the truck. The trucks themselves are small investments for most entrepreneurs, so it is only a matter of having a unique item that is in demand and finding the right neighborhood in which to park the truck.

But then what? How many Korean tacos can you possibly sell? How do you expand and make your business th rive? *Entrepreneur* magazine, which is an expert in such matters, recently developed a video on just this question.

<https://www.entrepreneur.com/video/220780>

Now take, for example, Big Smoke Burger, a Canadian firm that specializes in hand-crafted burgers. It wanted to expand to Saudi Arabia and purchased food trucks from an American firm that were shipped to Saudi Arabia as part of a franchise expansion. Now, Big Smoke Burger has trucks in Riyadh, in addition to Canada, America, Kuwait, Bahrain, and the United Arab Emirates.

The Big Smoke Burger example demonstrates how multi-national an enterprise as simple as a food truck can be. Franchises offer lower-risk opportunities for companies to expand globally and for entrepreneurs to try their hand at starting a business. While the concept of a food truck may seem a bit out of place in the Middle East, the expansion makes more sense when we start to examine the market. Food trucks thrive in urban environments with a concentration of city workers, younger populations, and an exposure to social media.

As with any global enterprise, it is important to understand the local restrictions and constraints, as we have discussed in earlier modules. For example, local governments may require a food truck to obtain special licenses and certifications, and there may be special insurance requirements. Food preferences vary greatly from region to region, or even city to city, based on local cultures or religious beliefs. So, while the food truck craze may be a great way for aspiring entrepreneurs to jump start a business, the same challenges apply as with any global company.

## 2. Going Global

In this last segment, let’s take what we’ve learned so far and go global. Food trucks are great and likely a good way to make some quick capital. And, as we have seen with the case of Big Smoke Burgers, you can take them overseas. But overseas you will face a very different type of entrepreneurship: informal entrepreneurs.

Consider this description of the information sector from the World Bank (2015):

The informal sector covers a wide range of labor market activities that combine two groups of different nature. On the one hand, the informal sector is formed by the coping behavior of individuals and families in economic environment where earning opportunities are scarce. On the other hand, the informal sector is a product of rational behavior of entrepreneurs that desire to escape state regulations. The two types of informal sector activities can be described as follows:

* Coping strategies (survival activities): casual jobs, temporary jobs, unpaid jobs, subsistence agriculture, multiple job holding;
* Unofficial earning strategies (illegality in business):
  + Unofficial business activities: tax evasion, avoidance of labor regulation and other government or institutional regulations, no registration of the company;
  + Underground activities: crime, corruption - activities not registered by statistical offices.

The informal sector plays an important and controversial role. It provides jobs and reduces unemployment and underemployment, but in many cases the jobs are low-paid and the job security is poor. It bolsters entrepreneurial activity, but at the detriment of regulations compliance -- particularly regarding tax and labor regulations. It helps alleviate poverty, but in many cases informal sector jobs are low-paid and the job security is poor. The size of the informal labor market varies from the estimated 4-6% in the high-income countries to over 50% in the low-income countries. Its size and role in the economy increases during economic downturns and periods of economic adjustment and transition.

In many parts of the developing world, being innovative is not just a means to make money—it is a means to survive. Whether it is a street cart selling cigarettes and cell phone minutes on the corner or a vendor stopping you on the bus to offer chocolates or a stay-at-home mother operating a home day care, ideas abound in many developing economies that we would consider entrepreneurial.

Think about why this type of entrepreneurialism prevails in developing countries, and recall our previous discussions about weak rule of law. Auriol (2014) studied the informal sector in African economies and concluded that unless governments lower the barriers of entry to the formal sector, these informal entrepreneurs are subject to weakened property rights and much higher risks. Barriers prevent informal workers from taking formal jobs. These barriers are caused by excessive regulation, and excessive tax and regulatory burdens placed on formal firms.

According to this perspective, informal firms calculate their cost of doing business and compare it to what they would pay were they formal. This assumes that informal firms are aware of the regulatory processes involved in the formalization process, and that they can make rational calculations of the operating costs in each sector for comparative analysis. In the case of some small firms, such as textile manufacturers or domestic workers, this assumption may be correct. Yet for the thousands of other small firms, including street vendors, transport operators, and personal service providers (tour guides, car washers, performers), it is illogical to presume such analysis was done. Rather than being an economic comparison, it seems more likely that the decision was based upon an economic opportunity that was available at the time and that offered at least basic income for the individual to survive.

###### Check Your Understanding

*Test yourself on some of the key concepts covered in Module 7 in this brief quiz.*

[Click Here to Begin](https://coursecms.csuglobal.edu/file/965aeb34-d5d5-4fb5-8333-67855fd4b12f/3/production/ECN600_7/ecn600_7.html)

### References

Auriol, E. (2014). Barriers to formal entrepreneurship in developing countries. Contribution for "The Enterprise sector: Providing employment and sharing risk” chapter, World Bank 2013. Retrieved from http://siteresources.worldbank.org/EXTNWDR2013/Resources/8258024-1352909193861/8936935-1356011448215/8986901-1380568255405/WDR14\_bp\_Barriers\_to\_formal\_entrepreneurship\_Auriol.pdf

World Bank Group. (2015). Concept of the informal sector. Retrieved from http://lnweb90.worldbank.org/eca/eca.nsf/1f3aa35cab9dea4f85256a77004e4ef4/2e4ede543787a0c085256a940073f4e4

Backward