

Journal of Entrepreneurship & Project Management

ISSN Online: 2616-8464



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ISSN: 2616-8464

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How to cite this article: Gaucho, P. (2021). Entrepreneurial Ecosystem in Brazil. Journal of Entrepreneurship & Project Management, 5(3), 7-14.

Abstract

The aim of this research was to investigate the entrepreneurial ecosystem of Brazil in the light of the National System of Entrepreneurship – NSE theory, through the implementation of the Global Entrepreneurship Index methodology – GEI. The research shows that Brazil has low quality average institutional interaction. Desktop literature review was used in the study. Nonetheless; social context is the main bottleneck in the national entrepreneurial ecosystem. Differences between the social factors and performance quality of the institutional framework enhance entrepreneurship low socioeconomic effect. The findings of the document indicate that the entrepreneurial ecosystem of Brazil presents low internationalization of companies, innovation in products and processes, high-growth enterprises as well as human capital formation. The findings of the document indicate gives insights for makers of decisions on the variables that decide the start of new businesses that are new.

Key words: *Entrepreneurial Ecosystem, Brazil,*

1.1 Introduction

Studies done by International Monetary Fund (IMF) estimates, Brazil's 2020 nominal GDP was R\$7.348 trillion or US\$1.363 trillion. Brazil is the 83rd country in the world in GDP per capita, with a value of US\$6,450 per inhabitant. The country has an estimated at Int\$21.8 trillion worth of natural resources which includes vast amounts of iron, gold, uranium and timber. Brazil is 8th largest by purchasing power parity in 2020 and the 12th largest with a developing mixed economy that is the twelfth largest in the world by nominal Gross Domestic Product (GDP) and eighth largest by purchasing power parity in 2020.

Brazil's Total early-stage Entrepreneurial Activity (TEA) rate remained steady, increasing ever so slightly from 23.3% in 2019 to 23.4% in 2020. Encouragingly, there appears to be high confidence among this set of early-stage entrepreneurs of Brazil. Its Framework Condition scores were quite varied in 2020, with some increasing substantially while others reduced just as substantially. For "Access to entrepreneurial finance" experts scored Brazil at 4.4 in 2020 (26th among GEM economies), down from 4.8 in 2019. This is always a crucial variable in the capability to do entrepreneurship, so it must be carefully watched, given that several other economies of Latin American actually experienced an increased score for this condition in 2020.

Studies done by to Ács, Szerb and Autio (2014) indicates that its individuals who initiate the process of entrepreneurship, covered by return expectations and benefits regarding the market opportunities exploitation, surrounded by risks and, their findings are conditioned by conjuncture and determinants related to institutions such as provision of capital, support and promotion of entrepreneurial activity, and support entities. Above all, action of entrepreneurship is important to enhance competition and business performance in terms of competitiveness and innovation.

Currently in Indonesia, the number of entrepreneurs is still very limited. This can be seen from the findings of Nawangpalupi et al. (2014) which indicates that the new Indonesia has around 1.65 present of entrepreneurs from a total population of 250 million. Studies done by McClelland (1961), this number has not reached the ideal number of two present of the population. Particularly when compared to the United States far behind because it has reached more than 12 present of the population become entrepreneurs. In addition, Japan has more than 10 present of entrepreneurs, even nearby countries such as Singapore, Malaysia, and Thailand each have 7 present, 5 present and 3 present of the total number of entrepreneurs.

According to the research done by Campanella et al. (2013) universities plays big role in giving birth to successful new entrepreneurs. Because university graduates have far wider insights and are able to develop innovative models as a provision to become an entrepreneur. Jack and Anderson (1999) stated that an entrepreneur will be able to succeed if they have the knowledge of entrepreneurship and artistic abilities

How important the function of higher learning institutions is in giving birth to prospective entrepreneurs, studies done by Mack & Mayer (2016) indicated that must be able to create a conducive entrepreneurial eco-system. The role of each component in the ecosystem such as faculty according to Hayter (2016) is needed in adding to the social network of prospective entrepreneurs. While Autio et al. (2014) stated that determinants of policy are a more dominant variable in creating an ecosystem of entrepreneurship. Also Hermanto & Suryanto (2017), said that policymakers will be able to synergize the components in the entrepreneurial ecosystem. Whereas, Mueller & Toutain (2015) stated that school is the right environment to foster cultural creativity, self-confidence, and freedom to develop. Entrepreneurship will have an effect on students during and after they complete education. The role of schools is very important in the development of ecosystems

According to Guerrero et al. (2016) they indicated the universities' contribution in enhancing innovation and activities of entrepreneurship. While Boh et al. (2016) found a spin-off mechanism for entrepreneurs from ecosystems of entrepreneurship at universities. Whereas Aldrich et al. (1989), Prahalad (2005), and Cohen (2006) stated that ecosystems of entrepreneurship will be more conducive if they are able to explore the component's role from informal and formal networks, physical and cultural infrastructure. Furthermore, research done by Spigel (2017) indicated that each component must be able to reproduce the ecosystem and give benefits.

2.0 Literature Review

2.1 Empirical Review

Neumeyer et al. (2018) who developed the typology of ventures of entrepreneurs, he argued that entrepreneurs assume four groups within ecosystems of entrepreneurs: lifestyle entrepreneurs, aggressive growth entrepreneur's, survival entrepreneurs, lifestyle entrepreneurs, managed growth entrepreneurs. Survival entrepreneurs have no physical location and usually operate from arcade or public markets. They are not formally employed and have a labor-intensive orientation. Entrepreneurs dealing with lifestyle aim at serving a specific niche within a market and are always limited to one or two geographical locations. Managed growth entrepreneurs have multiple locations of operations and extend from local market. Aggressive entrepreneurs have extensive knowledge-based resources such as patents and sophisticated technologies (Neumeyer et al., 2018).

Study done by Subrahmanya (2017) stated that ecosystems of entrepreneurship exhibits three stages. During the initial stage (conception) the entrepreneur needs to be exposed to opportunities mainly access to resources and market (labor, technology and finance). At the development phase, the entrepreneur further develops the business through testing new ideas and improvement of existing ones. At the maturity stage, an entrepreneur implants more strongly a business within the ecosystem while creating own competitive advantages (own well-established source of resources) (Galan-Muros, 2016).

According to Brownson (2013) he referred to the culture of entrepreneurship as a society that enhances the exhibition of the beliefs, attributes and values behaviors that boost the spirit of entrepreneurship among members of such society. Bischoffet al. (2018) also indicated that culture of entrepreneurship enhances collaboration of actors within an ecosystem by inculcating safety and trust among stakeholders. Societies that are bureaucratic and corrupt impact development of entrepreneurship within an ecosystem because of lack of safety and trust (de Bruin et al., 2017). In a comparative case study on determinants for successful entrepreneurial ecosystems between Estonia and South Korea, Kshetri (2014) indicated that there is a dramatic change in the entrepreneurial culture of the two nations. He indicated that such changes in values related to entrepreneurship and social norms have successfully lead to the rise of ecosystems of entrepreneurship in these nations.

Audretsch et al. (2019) grouped ecosystem of entrepreneur findings into three aspects: societal, societal, economic and technological. Accordingly, economic outcomes represent value creation, capital wealth and prosperity from entrepreneurial practices. In a conceptual research done by Philip (2017) about economic implications of small-town entrepreneurial ecosystems he said that sustainable entrepreneurial ecosystems through attracting resource flows (human and financial capital and other supports), increase competitive advantages and capabilities of entrepreneurs which in turn leads to more production.

2.2 Actors in the Brazilian National Ecosystem

2.2.1 Policy

The reform of the laws and regulations for opening and running a business in Brazil has not adapted at the rate with which the economy has grown, presenting many hurdles to overseas corporations.

Out of 190 Brazil is ranked 125th countries in the World Bank's latest annual global report which evaluates the ease of starting a business, dealing with construction permits, registering property, and paying taxes. In Brazil, it takes around 90 days and 11 procedures to start a business in Brazil - though this used to be almost 120 days - and construction permits demand an average 20 procedures and 404 days to finally get authorized.

In a little over a year, government of Brazil have put in place reforms that are structural that have reverted the harshest recession in national history, creating a significant environment of economy and generation of job and income. The general policy of government of Brazil has been to enhance economic growth overall and to poverty eradication.

Governments of Brazil have customarily supported free-trade and free enterprise system. Nonetheless, there is considerable intervention related to bureaucracy: change of regulations constantly and there are complex tax codes and labor. Brazil's tax regime is one of the driving forces behind its complexity. In Brazil, more than 90 taxes, contributions and duties are charged in and all taxes are based on different government spheres of federal taxes, state taxes and municipal taxes. Then again, there is a motivated work force and the development of ventures and industries that are labor-intensive directed toward exporting is encouraged.

This policy has been adversely impacted however over the years by situation of politics, servicing problems and lowering the debt that is foreign, and measure of economy that are tough have been used to shackle inflation, including high interest rates adoption

2.2.2 Market

Proper distribution channel and good marketing networking creates the awareness of existing commodity locally and internationally. This has always increased the sales volume both in the entire Brazil and diaspora.

2.2.3 Culture

Because of its varied background of African immigrants, Germans, Portuguese, Italian, Japanese, East European and Germans Brazil offers a wide spectrum of social and cultural activities, which are different according to the region. Most big cities support institutions related to cultural activities. The different cultures are source of entrepreneurial ideas in Brazil particularly in the hospitality industry, tourism and sports.

2.2.4 Finance

Risks associated with credit are rapidly increasing in Brazil are growig, and insolvencies are forecast to again growth as financial conditions in the market tighten. These in turn have a knock-on impact to payment behaviour trends and the way businesses protect themselves against risks. Brazil's overall country risk has been considered medium for 13 consecutive quarters, however the growing situation associated with politics is expected to have a significant impact growth of the economy.

2.2.5 Visible success

Brazilian observed achievements from other countries thus motivated them to concentrate on their national economy the international reputation drives them as they really want to improve how other countries see and judge them.

2.2.6 Societal norms

Their societal norms of wealth creation through hard work and tolerance to risks associated, mistakes and failures has pushed them to be ambitious and innovative.

2.2.7 Human capital

The presence of serial entrepreneurs in Brazil has enabled development of all sectors of ecosystem as well the availability of both skilled and non-skilled labor. The capacity to attract and retain skilled labor is very important in an entrepreneurial business.

2.2.8 Educational institutions

These has raised people's productivity in Brazil and promoted technological advances and entrepreneurship. it has also played a big role in securing progress related to social and economic thus enhancing distribution of income among people of Brazil.

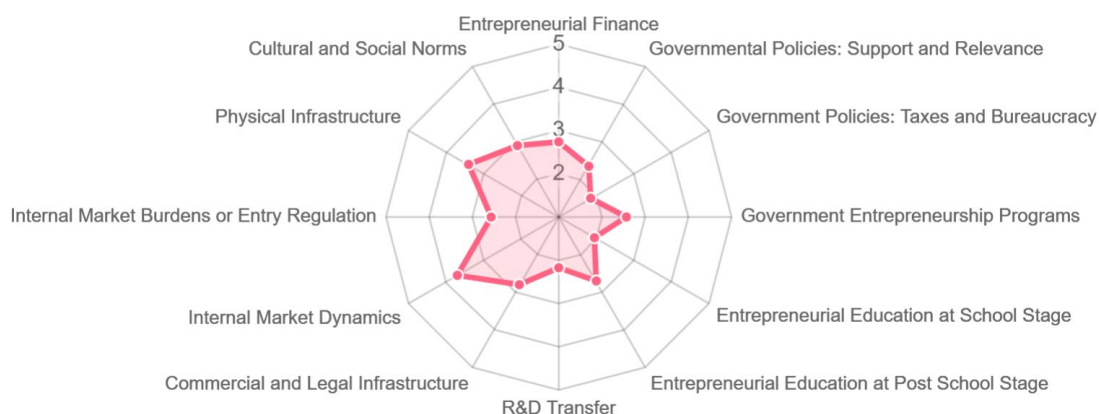


Figure 1: Actors of entrepreneurial ecosystem

2.3 Start-up ecosystem: Financial sector

Financial sector has been constantly changing owing to rapid changes in technology (Fintech). Fintech in Brazil is booming. The country competes with Mexico for the largest fintech ecosystem in the region, reporting annual growth of up to 48%. Market observers report that Brazil's government shows openness to the Internet of Things, and that global companies like Facebook selected Brazil as the destination for their first hub in Latin America. Additionally, Chinese investment in Brazilian startups reflect the economic giant's willingness to use Brazil as a gateway into the region.

For instance, São Paulo, a leading financial capital of Brazil is home to 2,700 active startups fintech companies. World leading tech companies such as Google, Uber and AirBnB build

their headquarters in this city. The leading FinTech company, Hack Station in São Paulo was founded in 2013 offers 3 main products – NuBank credit cards, NuBank Rewards and NuConta digital accounts. Fintech aims to foster Brazil’s startup ecosystem and support the innovators by creating a dynamic community with access to investors, mentors and connections.

2.4 Support profession

Accounting

Accounting in Brazil is responsible in development of the economy. Corporate of high quality has improved transparency, facilitating the mobilization of domestic and international investment, creating a sound investment environment and fostering investor in confidence thus promoting financial stability in Brazil.

Investment bankers

Banks in Brazil has been lending their expertise to companies to help establish the best strategy and the best place to raise equity capital or debt.

Advisors

In Brazil, they have been answerable for executing and planning business strategy on efficiency enhancement in the financial as well as operational management. They prepare budget, advise on project and marketing and risk analysis performance.

Research organizations

To improve productivity and growth of economy, Brazil has invested in research and development (R&D). Research and development expenditure significantly affects total factor productivity (TFP) by improving output per worker. Hence creativity is the most vital variable for nations that ensures growth in employment, growth that is sustainable, welfare related to social as well as the life that is quality. International competition and sustainable growth have enhanced the importance of Research and Development (R&D) expenditure.

University

In Brazil Developmental universities are devoted to assisting address developmental challenges. Developmental universities' other role is to develop and turn out relevant and impactful graduates with the skills, knowledge and disposition needed to meet the requirements of wherever the university is located.

Opportunities

- Huge market (8th economy, 5th most populous country)
- Brazil E-commerce industry is growing by 11.5% in 2017 and is projected to expand by 10% in 2018
- One of the biggest and most active social media audiences in the world (over 90M users)
- In Latin America, it’s the second largest electronic gaming market (expected growth: US\$844M by 2018)
- Easy access to accelerators; abundance of co working spaces and conferences
- Permanent residence visa for investors investing from USD\$60,000 in initial investment.

Challenges

- Strongly bureaucratic system (takes 84 days on average to create a company; ranks 10th worst in the world)
- Complex tax legislations (WB estimated Brazilian businesses spent 2,600 hours filing taxes on average, which is 15 times the average in European countries)
- Restrictive labor market regulations
- Traffic and crime scene (average traffic jam on Friday evenings is 180km (112miles) in São Paulo.

3.0 Conclusion and recommendations

Brazil start-up scene is on the rise although the country's economy is yet to recover from the disastrous economic downturn. In fact, the recent recession that drives up inflation might have open up opportunities for the Brazilians and investors to expand their businesses into e-commerce that offers lower prices and better customer experience. Looking at the current trend, tech company will remain to dominate the entrepreneurial ecosystem in Brazil. Some said that most start-ups in Brazil is merely a clone of what have been done overseas; if they aim to penetrate into the global market, genuine innovations are needed. Yet, we couldn't deny that some business models in Brazil are entirely original. A recent rise of Brazilian start-ups being exported to the international market should speak volume in this scenario. Nonetheless, the power of business and technology is yet to transform Brazil.

With local start-ups set out to address challenges that long plagued the country, we could witness more local innovations in online lending, banking, logistic and mobility before long. In addition to that, the country's new president has promised business-friendly changes that could unleash the immense latent potential in the start-up sector. Hence, it is fair to say that a strong Brazilian start-up ecosystem is brewing. However, Brazilians face a number of challenges including; lack of logistic infrastructure, lack of skills and talented professions in some areas, Excess of bureaucracy when doing business, Lack of legal and regulatory stability to make long term plans and Incredibly high taxes make fiscal engineering and tax optimization a major challenge for many businesses, consuming valuable resources and precious time.

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