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Entrepreneurship in Brazil

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## **Abstract**

This research paper examines the entrepreneurship landscape in Brazil. Despite challenges such as corruption, bureaucracy, and limited access to funding, Brazil has one of the highest rates of entrepreneurship in the world, with a growing technology industry and a large domestic market. The Brazilian government has implemented various policies to support entrepreneurship, including tax incentives and subsidies for startups. The entrepreneurial culture in Brazil is shaped by factors such as its history of economic and political instability, collectivist culture, and resourcefulness, which emphasize the importance of social networks and creative problem-solving. While there is room for improvement, Brazil presents significant opportunities for entrepreneurs looking to tap into the country's vast potential. Recommendations include continued government support for entrepreneurship and the development of stronger legal frameworks to reduce corruption and bureaucracy. Implications include the potential for entrepreneurs to tap into Brazil's large and growing market, particularly in emerging industries like Fintech, Ed-tech, and health tech.

## **Introduction**

Brazil is known for its diverse culture and rich history, with a population of over 200 million people, Brazil has one of the largest and most developed economies in the region. Over the years, the country has shaped various cultures which include the Portuguese, African and Indigenous people of Brazil. The country is known for their vibrant music and dance culture which is known as 'samba' worldwide. The national soccer team also shines a spotlight on the country with their success on the world stage.

Brazil is recognized as a leading force in industries like agriculture, mining, and manufacturing. Entrepreneurship is an integral part of the country's economic history since the colonial period, during which Portuguese settlers established a range of agricultural and mining ventures. The country has been through many phases of development from an agriculture-based economy in the early 20th century to a manufacturing-based economy toward the end of the century. In recent years, Brazil has shifted toward knowledge-based industries like technology and service.

The Brazilian government has implemented a wide range of policies and programs to support entrepreneurship and innovation which include tax incentives, access to financing and multiple business incubators. Brazil also saw a surge in venture capital investment over the years with more than \$3.5 billion invested into the country's startups in 2020. The city of São Paulo is home to one of the largest startup ecosystems in the world, with a vibrant community of entrepreneurs, investors, and accelerators.

## **Business Landscape in Brazil**

### **Industry Landscape**

Brazil's economy has shown signs of recovery over the year with GDP growing by 4.6% in 2021 (World Bank). The growth has been with the help of multiple industries like agribusiness, mining, manufacturing, and technology. Brazil also provides entrepreneurs in the area with opportunities in their vast reserves of natural resources. The technology industry is one of the major contributors to Brazil's economic growth. The country has a vibrant startup ecosystem with Sao Paulo is one of the hotspots for startups in the world (Forbes, 2019). Brazil's innovation landscape is dynamic with a focus on emerging industries like Fintech, Ed-tech and health tech. Some areas where Brazil needs to improve are its stability and competitiveness. Brazil's high level of inequality, corruption and bureaucracy gives its entrepreneurs a challenge. The political instability in recent years has also contributed to uncertainty with corruption scandals and the polarized political climate in Brazil. However, Brazil's growing consumer market gives entrepreneurs a good reason to be optimistic about the future.

### **Challenges**

Entrepreneurs in Brazil face numerous challenges, including a complex tax system, high levels of corruption, and limited access to crucial funding. The Brazilian tax system is convoluted, with multiple tax rates and regulations that can make it difficult for startups to navigate (LabsNews, 2021). Corruption and bribery are unfortunately viewed as common business practices, making it challenging for most entrepreneurs to succeed and creating an unfair advantage for some groups. Additionally, the country's ease of doing business is relatively low compared to other nations, with high levels of bureaucracy and regulation creating significant barriers to entry. The complex tax

system is also a significant obstacle, with multiple taxes and regulations making it challenging for entrepreneurs to comply with the law and access government services. In the 2021 Corruption Perceptions Index, Brazil ranked 94th out of 180 countries (Transparency International, 2021), presenting significant challenges for entrepreneurs who wish to operate honestly and compete in a fair market.

## **Opportunity**

Brazil has one of the highest rates of entrepreneurship in the world, with 38.7% of the adult population involved in starting or running a business (GEM, 2021). This highlights the entrepreneurial spirit of the Brazilian people and the potential for businesses to thrive in the country. Additionally, Brazil's technology sector has grown rapidly in recent years, with an estimated 13,000 startups operating in the country (Techonomy, 2021). The report also notes that Brazil has a highly skilled workforce and a large domestic market, providing entrepreneurs with a competitive advantage. Brazil's government has implemented several initiatives to support entrepreneurship, including tax incentives and subsidies for startups (OCED, 2021). These initiatives have contributed to the growth of Brazil's startup ecosystem, providing entrepreneurs with access to crucial funding and support. Overall, the research supports the notion that Brazil presents significant opportunities for entrepreneurs looking to scale their businesses and tap into the country's vast potential.

## **Entrepreneurial Culture**

Brazil's entrepreneurial culture is shaped by a complex mix of factors, including its history of economic and political instability, collectivist culture, and resourcefulness. These cultural traits have helped to fuel the growth of successful startups and industries, despite significant challenges such as a complex tax system, high levels of corruption, and limited access to funding. One of the key strengths of Brazil's entrepreneurship culture is its emphasis on building and maintaining social networks, this is in part to the country's collectivist culture, which values strong interpersonal relationships and community connections (TMF group,2018). As a result, entrepreneurs in Brazil have access to a valuable network of resources, including funding, expertise, and support, which can be crucial for success.

Another important cultural trait of Brazil's entrepreneurship culture is resourcefulness (Amaral et al., 2021). Brazilian entrepreneurs are known for their ability to find creative solutions to complex problems, often with limited resources. This trait is valuable in the face of challenges such as regulatory obstacles, high taxes, and limited access to capital. As the World Bank's Doing Business 2022 report notes, Brazil ranks poorly in terms of the ease of starting a business, with a high level of bureaucracy and regulation creating significant barriers to entry. Despite these challenges, Brazilian entrepreneurs have demonstrated an impressive ability to overcome obstacles and thrive in challenging business environments.

Finally, Brazilian culture values resilience and perseverance in the face of adversity, and entrepreneurs in Brazil are no exception. This trait is particularly important in a country where the business environment can be unpredictable and challenging. According to the Global Entrepreneurship Monitor 2021/2022 report, Brazil ranks in the top 10 countries in terms of the number of people who see entrepreneurship as a good career choice, indicating a strong entrepreneurial spirit in the country. Brazilian entrepreneurs such as Jorge Paulo Lemann, Bel Pesce, and David Neeleman are known for embodying these cultural traits and have achieved success despite the significant challenges they have faced. Overall, Brazil's entrepreneurial culture is characterized by a unique mix of social networks, resourcefulness, and resilience, which provide a distinct advantage for entrepreneurs in the country.

### **Hofstede Cultural Dimensions**

With a high-power distance score, it's evident that there is a significant gap between those in positions of authority and those who are not. This cultural value can make it difficult for entrepreneurs to challenge the status quo and disrupt established industries, as there is a preference for hierarchical structures.

As seen in Figure B, Brazil's average individualism score can encourage entrepreneurs to collaborate with others while pursuing individual goals. The culture of collectivism is apparent in the country's thriving startup ecosystem, where entrepreneurs often work together and share resources to overcome common challenges. Brazil also scores high in masculinity, indicating that traditional masculine traits such as competitiveness, assertiveness, and ambition are important in

the country. While these traits can be advantageous for entrepreneurs, they can also lead to a more aggressive and competitive business environment that may not suit everyone.

In contrast, Brazil's low uncertainty avoidance score indicates a high tolerance for risk-taking. This cultural value can provide a more conducive environment for entrepreneurs willing to embrace uncertainty, but it can also lead to a lack of planning and preparation. Also, Brazil has a relatively short-term orientation, which may lead to a focus on immediate results rather than long-term planning and investment. This cultural trait can create challenges for entrepreneurs who need to be persistent and patient in building a successful business.(Hofstede Insights, 2023)

In conclusion, Brazil's entrepreneurial culture has a complex mix of cultural values and attitudes that can provide both advantages and challenges for entrepreneurs. Understanding these cultural factors is crucial for entrepreneurs to navigate the unique challenges and opportunities of the Brazilian business environment.

### **Government Support**

Brazil's government has implemented a range of policies and programs to support entrepreneurship in the country. These initiatives are aimed at helping entrepreneurs overcome some of the significant challenges they face, including limited access to funding and a complex regulatory environment. One of the key programs aimed at supporting entrepreneurship in Brazil is the National Program for Support of Micro and Small Enterprises (PRONAMPE). This program provides loans to micro and small businesses, with favourable interest rates and repayment terms, as well as simplified application and approval processes.

In addition to PRONAMPE, the Brazilian government has also implemented several other initiatives aimed at supporting entrepreneurship. One of these is the Startup Brasil program, which provides funding and mentoring to early-stage startups. Another is the Small Business Act, which aims to reduce bureaucracy and streamline the process of starting and running a small business in Brazil. These initiatives have helped to create a more supportive environment for entrepreneurs in the country and have contributed to the growth of several successful startups and industries. (Latin America Reports,2019)

In comparison to Canada, Brazil's government support for entrepreneurs may be seen as more targeted and specific, with programs such as PRONAMPE and Startup Brasil designed to address specific challenges facing entrepreneurs in the country. Canada, on the other hand, has a broader range of programs and initiatives aimed at supporting small businesses and entrepreneurship, including tax incentives, grants, and loans. The Canadian government also supports entrepreneurship through initiatives such as the Business Development Bank of Canada (BDC) and the Canada Small Business Financing Program (CSBFP). Despite these differences in approach, both Brazil and Canada recognize the importance of entrepreneurship for economic growth and have implemented policies and programs to support entrepreneurs in their respective countries.

### **Startup incubators in Sao Paulo**

São Paulo, Brazil have emerged as a leading destination for start-ups, with 30% of Brazil's high-growth businesses located in the city. The entrepreneurial culture in Brazil is characterized by factors such as resourcefulness, collectivist culture, and a history of economic and political instability. Despite challenges such as corruption and bureaucracy, the Brazilian government has implemented various policies to support entrepreneurship, including tax incentives and subsidies for start-ups. Additionally, São Paulo is home to several startup incubators, including Startup Farm, ACE, and Darwin Starter. These incubators provide mentorship, networking, and funding opportunities for entrepreneurs.

One of the most innovative and ambitious incubators in São Paulo is Cubo, co-founded by Redpoint ventures and Itaú Unibanco. With a 50,000 sq. ft. co-working space, Cubo provides a dynamic and supportive ecosystem that condenses innovators into a close-knit community. It offers access to top-notch advisors and investors, networking events, lectures, workshops, meeting points, and a 130-person amphitheatre. Cubo was designed to bring together founders, investors, successful entrepreneurs, and academics to foster and strengthen the Brazilian ecosystem.(Redpoint Ventures, 2018)



São Paulo has become a top destination for start-ups in Brazil, with several incubators providing mentorship, networking, and funding opportunities for entrepreneurs. Among them, Cubo stands out as an innovative and ambitious project that provides access to top-notch advisors and investors, as well as opportunities for networking and collaboration. Despite challenges, Brazil presents significant opportunities for innovation and growth, particularly in emerging industries like Fintech, Ed-tech, and health tech. Continued government support and stronger legal frameworks are crucial to unlocking Brazil's vast potential for start-ups.

### **Entrepreneurship in Canada and Brazil**

The entrepreneurship cultures of Brazil and Canada have been shaped by historical, cultural, and economic factors. According to the Global Entrepreneurship Monitor 2020/2021 report (GEM), Brazil has one of the highest rates of early-stage entrepreneurship activity in the world, with 23.3% of adults involved in early-stage entrepreneurial activity (GEM, 2021). In comparison, Canada's early-stage entrepreneurship activity rate is 13.8% (GEM, 2021).

One factor contributing to Brazil's high entrepreneurship rate is its collectivist culture, which values strong interpersonal relationships and community connections. 77% of Brazilian entrepreneurs reported receiving support from friends and family, compared to 58% of Canadian entrepreneurs (GEM, 2021). Despite Brazil's high entrepreneurship rate, starting a business can be challenging due to the country's bureaucratic and regulatory environment. The World Bank's Doing Business 2022 report ranks Brazil 124th out of 190 countries in terms of ease of starting a business, in comparison, Canada ranks 23rd (World Bank, 2021).

In conclusion, Brazil and Canada have distinct entrepreneurship cultures, with Brazil's collectivist culture fostering a strong emphasis on social networks and community connections, while Canada's individualistic culture encourages a focus on innovation and technology. Despite differences in cultural values and regulatory environments, entrepreneurs in both countries share a commitment to driving growth and innovation. By learning from each other's strengths and weaknesses, entrepreneurs in both countries can continue to contribute to a brighter future for all.

### **Recommendation for entrepreneurship in Brazil**

The Brazilian government needs to tackle issues of corruption, bureaucracy and inequality that are prevalent in the country, which present significant challenges for entrepreneurs. Tackling this issue would help more businesses to prevail in Brazil which then could increase the investment the country can receive in the future. Brazil can work on simplifying the tax system to make it easier for startups to navigate, as well as increase access to funding. The Canadian government could also play a role by providing mentorship, financing and guidance to Brazilian entrepreneurs, helping them to navigate the Canadian market and access its resources. Furthermore, the Canadian government could also explore the possibility of opening its doors to Brazilian entrepreneurs through immigration policies that would provide them with the opportunity to establish and grow their businesses in Canada. Overall, Brazil has a vibrant entrepreneurial culture, and with the right support from both the Brazilian and Canadian governments, it has the potential to become a global hub for innovation and entrepreneurship.

### **Conclusion**

In conclusion, Brazil's entrepreneurial landscape is one of the most dynamic and diverse in the world, with a highly skilled workforce and a large domestic market providing entrepreneurs with a competitive advantage. The government has implemented several initiatives to support entrepreneurship and innovation, including tax incentives and subsidies for startups, which have contributed to the growth of Brazil's startup ecosystem. However, entrepreneurs in Brazil also face numerous challenges, including a complex tax system, high levels of corruption, and limited access to funding. Despite these challenges, Brazil's entrepreneurial culture, shaped by a history of economic and political instability, collectivist culture, and resourcefulness, has helped to fuel the growth of successful startups and industries. In summary, Brazil presents significant opportunities for entrepreneurs looking to scale their businesses and tap into the country's vast potential.

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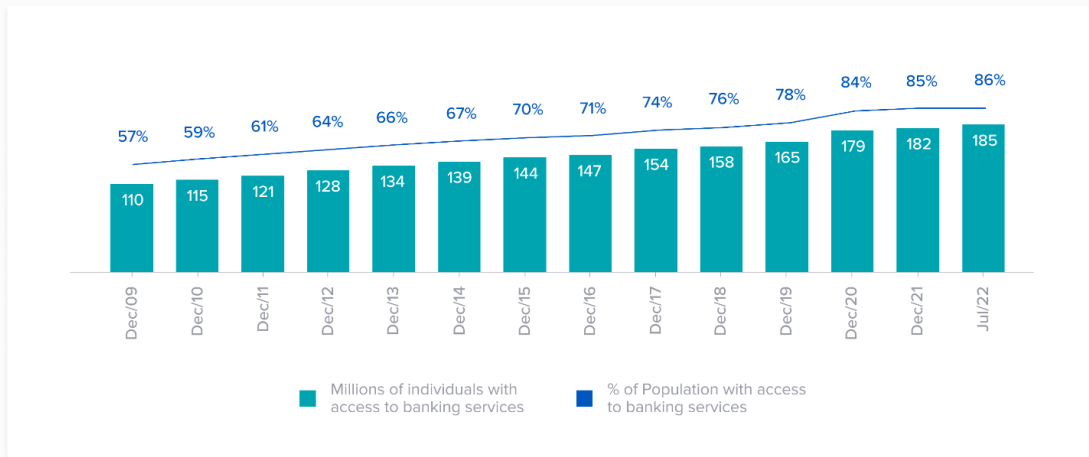
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## Appendix

### Evolution of Brazilian Individuals with Access to Banking Services (Figure A)

#### Evolution of Brazilian Individuals with Access to Banking Services (2009-2022)



Source: Brazilian Central Bank

<https://a16z.com/2022/10/18/brazils-surprising-fintech-tailwind/>

### Hofstede Comparison (Figure B)

Brazil vs Canada vs United States of America

