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A spirit for enterprise

By Joe Leahy



Claudio Haddad, founder and president of Insper, the Brazilian business school

When Linda Rottenberg moved to Latin America in the 1990s, she was surprised to find there was no word for “entrepreneur” in the local Spanish or Portuguese. Ms Rottenberg, president of Endeavor, a global non-governmental organisation that supports entrepreneurship, says every university student she met wanted to work for the government.

Over the years, however, with the opening of the region’s economies and the rise of its stock markets, that attitude has changed so much that a Portuguese word for entrepreneur has emerged: *empreendedor*.

“One of my favourite days was when the editor of a Portuguese dictionary told me he was adding the word for ‘entrepreneur,’” Ms Rottenberg said recently, before the Global Entrepreneurship Conference, a summit for service providers in the field, which was held in Rio de Janeiro.

Few people, particularly the participants milling around the conference, would question the existence of a Brazilian entrepreneurial spirit.

On the global stage, there is Brazil’s most prominent entrepreneur, Jorge Paulo Lemann, who is teaming up with Warren Buffett to buy Heinz. Or Embraer, the world’s third-largest commercial aircraft maker, which continues to practise “intrapreneurship” by taking risks on new products and investing in fresh business lines.

At home, there are businessmen such as Andre Esteves, who is building [BTG Pactual](#), the country’s biggest independent investment bank, or Peixe Urbano, the collective buying platform that is Brazil’s version of Groupon.

The idea of the entrepreneur has become such a celebrated part of Brazilian culture that one of the main characters in *Avenida Brasil*, a popular soap opera, was an entrepreneur selling hair products developed in her shop in a *favela*.

But in a country dominated by huge companies, some state run and most recipients of state credit, how much is this idea of the great Brazilian entrepreneur myth or reality? Rather than patting itself on the back, should Brazil, facing increasing doubts over its international competitiveness, be doing much more to foster entrepreneurship?

“You need more Embraers, you need more Brazilian companies participating in higher value-added production chains,” says Paulo Sotero, director of the Brazil Institute at the Woodrow Wilson International Centre for Scholars in Washington.

Brazil’s entrepreneurial ecosystem has evolved rapidly over the past 10 years as entrepreneurs became more international in their mindset, says Patrick Arippol, a veteran of Silicon Valley and a principal at growth capital firm DGF Investimentos in São Paulo. “Now they are realising that we can go abroad, we can go beyond Brazil and Latin America and also that we have to operate at the global level,” he says. “What’s missing still is more success stories – there are success stories but not at the scale you have in the US.”

A class for start-ups

Plenty of data exist to support the idea that Brazil is an entrepreneurial country. The Global Entrepreneurship Monitor found in 2011 that Brazil had 27m adults aged between 18 and 64 either

It is difficult to teach someone to be an entrepreneur. But what if the teacher is an entrepreneur and the school was his idea? That is the story of Claudio Haddad, president and controlling shareholder of Insper, a São Paulo business school. Mr Haddad founded Insper in 2004 as a not-for-profit institution that depends on donations and student fees rather than government support.

The school's entrepreneurship centre provides seminars, and it is building an engineering school whose courses will include a commercial component to help students found their own businesses. Alumni include entrepreneurs such as Gustavo Raulino, co-founder of Mova Filmes, which produces videos on art and culture, and Eduardo Gouveia, founder of Coroas para Velório, an online florist delivering throughout Brazil. "We have a tradition of teaching entrepreneurs because the founders were entrepreneurs," says Marcelo Nakagawa, co-ordinator of the entrepreneurship centre.

starting or already owning a business. That translates as more than one-in-four adult Brazilians – the third-highest absolute number out of 54 countries studied. Research by Ipea, a government agency, found that businesses with up to 10 employees accounted for 37m jobs in Brazil.

A study by Endeavor last year in Brazil's universities found that 60 per cent of students were thinking of starting their own business. Of the 46 universities in the study, more than 91 per cent offered courses connected with entrepreneurship.

The problem is identifying what Endeavor calls the "high-impact" entrepreneurs. These are companies focused on high growth and scalability that use new technology, ideas, management methods or business models to change the competitive landscape. They can be global (those who invent a new idea internationally), national (first to transplant an idea from elsewhere in their own country) or local (first to implement an idea in their own community).

On this measure, Brazil has high-impact national entrepreneurs and innumerable local entrepreneurs. But it has far fewer global ones. Mr Lemann and his partners, who used management techniques focusing on cost control and mergers and acquisitions to build AB InBev, the world's largest brewer, stand out. But they have few Brazilian peers.

Claudio Haddad, founder and president of Insper, a Brazilian business school with an entrepreneurship centre, says perceptions of Brazil's entrepreneurial spirit often spring from the "informal" part of the economy. The small businessman who buys a Kombi van and starts offering services, perhaps never registering a company, gives this impression of dynamism. Yet Brazilians do not have a good record of developing their companies beyond a small size. "They can start a business and earn a living but not too many really have the ambition to become a large company, a big winner in the national scene, much less in the world environment," he says.

Part of the problem is government regulation and the *custo Brasil*, a term used to denote the difficulty of doing business because of complex tax and labour laws and other bureaucracy. Brazilian regulations make it easy for very small companies by granting tax breaks and simplified procedures, but as soon as they increase in size, they are subject to all the cost-intensive regulations of larger companies.

Mr Haddad argues that these barriers to growth are leading to increased concentration in Brazilian businesses. Only a big company can afford the army of lawyers and accountants required for large acquisitions or to manage big franchises. "To scale up you have to have scale," he says.

The solution for policy makers is easy – get out of the way, says Daniel Isenberg, professor of entrepreneurship practice at Babson Global, a subsidiary of Babson College in Massachusetts, which focuses on entrepreneurship. Business founders need governments to remove regressive taxes, such as on revenues, or any others that unfairly impede cash flow. In the case of Brazil, reforms to the overall business environment to bring it more in line with best global practice would be as good as any specific incentives to help entrepreneurs. "You don't have to provide incentives because entrepreneurialism is a naturally occurring act," Prof Isenberg says.

Speaking at the Rio conference, he said Brazilian entrepreneurs were living through the "worst" and "best" of times – worst because of the regulatory environment and best because of the international attention focused on the country at present, with the football World Cup next year and the Olympic Games two years later. "We have a three-year window of opportunity to get this right," he said.

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