

Assessing women entrepreneurs' decision process to enter the formal economy in emerging economies: A study in São Paulo, Brazil

Abstract

This paper explores the decision-making process of women entrepreneurs in São Paulo, Brazil. Specifically, we focus on an underdeveloped premise of women entrepreneurs seeking to acquire financial support and other resources to start and grow their ventures in a formal economy and examine the environment for female entrepreneurial activity interrelated to economic, political, social, and cultural forces influencing decisions in such context. Drawing on a qualitative research approach involving ethnographic methods and in situ engagement and observations, we propose a framework to study further the decision-making process and rationale for female entrepreneurs considering entry into the formal economy of an emerging economy. The summation offers a springboard to new research avenues regarding the contextual decision-making process of entrepreneurial women in Brazil's largest metropolis.

Keywords: women entrepreneurs, entrepreneurship, decision-making, formal and informal economies

1. Introduction

Increasing attention has been devoted to understanding what makes an entrepreneur decide between operating in the informal versus the formal economy. Current research and reports emphasize the rise in entrepreneurial activity in emerging and developing economies (Bruton, Ahlstrom, & Obloj, 2008; World Bank, 2010). Nevertheless, the decision-making process of female entrepreneurs continues to intrigue researchers, mainly as women try navigating entry into a formal economy in emerging economies (Discua Cruz, Hamilton, & Jack, 2019).

The number of women entrepreneurs around the world has been steadily growing globally (Brush, de Bruin, & Welter, 2009; Leitch, Welter, & Henry, 2018). Not surprisingly, an array of interesting questions arise out of these statistics, including what compels a woman in an emerging economy to become an entrepreneur. Still, how the efforts of women entrepreneurs can become a lever within her immediate context and beyond merit further attention (Discua Cruz et al., 2019; Díaz-Fernández & Echevarría-León, 2016; Terjesen & Amorós, 2010). Consequently, we believe that the following

question must be addressed: *How and why do women entrepreneurs decide to formalize their ventures in an emerging economy?*

To answer such a question, we rely on recent conversations in entrepreneurship research. It is widely believed that interdependent economic, political, social, environmental, and cultural factors can reflect the economic asymmetries in societies (Johnstone & Lionais, 2004; Peredo & Chrisman, 2006). A recurrent theme in this stream of the literature is how entrepreneurship can play a role in communities and regions determining their collective destiny (McKeever, Anderson, & Jack, 2014; McKeever, Jack, & Anderson, 2015). Understanding the entrepreneurial pathways towards economic impact entails examining specific stakeholders within regions and communities. This process requires an investigation of the synergies and network dynamics at the micro-level of interacting individuals within identified regions. The entrepreneurship literature has recognized diverse factors as significant leverages in entrepreneurial development (Bruton et al., 2008; George, McGahan, & Prabhu, 2012), and thus, we focus on a context where women entrepreneurs are challenged to formalize their business ventures. Our goal is to contribute and help shape the research agenda for Latin American scholars to pursue.

2. Researching the decision-making process of women entrepreneurs in Brazil's largest city

Despite the importance of studying women entrepreneurship ventures in an emerging economy such as Brazil, limited studies exist. Remarkably, the existing literature typically centers on the growing informal sector in Latin America (Bruhn & McKenzie, 2014; Henley, Arabsheibani, & Carneiro, 2009; Maloney, 2004; Smith-Hunter & Leone, 2010). Underprivileged women entrepreneurs with inadequate education levels fall into this category by operating informal micro-businesses (Maloney, 2004). Our study investigates the decision process of entrepreneurial women with defined levels of education and professional competences.

An increasing number of Brazilian women pursue higher education under the perception that high-quality postgraduate degrees can open promising professional and entrepreneurial opportunities (Holland, 2014; Jones, 2000; Madalozzo, 2010). Educated and professionally trained Brazilian women entrepreneurs might consider entering the formal economy because the formal market entry could provide incentives for growing and advancing their firms (Smith-Hunter & Leone, 2010). Our review of the existing literature allows grounding the decision-making process of women entrepreneurs and

theorize why such decisions can affect economic growth. Still, in the Brazilian context, entrepreneurial women might delay the formalization process of their businesses because the process is viewed as time-consuming and complex (Bruhn & McKenzie, 2014; Henley et al., 2009). Notwithstanding the federal and state governments' improvement of the formalization process, Brazilian entrepreneurs still distrust the progression to formalize (Bruhn & McKenzie, 2014). Access to capital and training remain at the forefront of entrepreneurial entry concerns despite efforts from government agencies, private foundations, and banks (Marques et al., 2018) to ameliorate the formalization process. We thus contribute to theoretical conversations by bringing forward the approach and rationale behind the decisions of women entrepreneurs through the concept of distrust (Lumineau, 2017) and recent leadership perspectives (Discua Cruz et al., 2019).

We rely on a qualitative research approach involving ethnographic methods, including in-depth interviews (15), and short-term in situ engagement and observations (Hammersley & Atkinson, 2007). Additionally, the study examines current public and private intervention processes and archival data devised to facilitate the entrance of women entrepreneurs into the formal economy. This research design is, therefore, a highly germane consideration to understand decision-making processes (Graebner, Martin, & Roundy, 2012; Langlely, Smallman, Tsoukas, & Van de Ven, 2013)

Implications

We contribute to the theoretical discussion that explains factors influencing the decision-making process and formal market entry of women entrepreneurs in Latin America. In doing so, we expand understanding of the challenges that entrepreneurial women face in accessing financial support and complementary resources (i.e., training, mentoring, digital services, workspaces) (Henry, Foss, & Ahl, 2016). In regards to practice, we offer guidance to relevant policy and services that could enhance opportunities for formal market entry and shed light on conflicting services and practices that appear as a barrier to formal market entry.

3. Summary

Women entrepreneurs trying to enter a formal market might face interrelated economic, political, social, environmental, and cultural factors that influence their decision-making process. Our work offers a

framework to understand the decision-making process of women entrepreneurs that formalize their ventures in challenging environments.

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