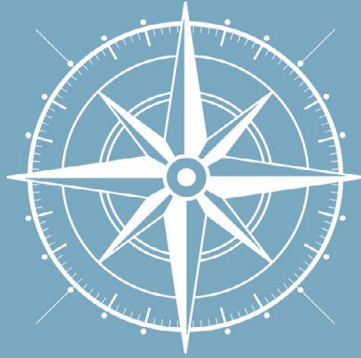


FÁBIO NERY



# MATRIZ SELF

The entrepreneurial Execution Compass

How to avoid business mortality

**EDITORA RECANTO DAS LETRAS**

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## DEDICATION

TO GOD FOR inspiring all my attitudes and thoughts, my all-time companion. If I made it this far, it was by His grace. He granted me the gift of life and gave me this mission to contribute with my work and study to improve the lives of everyone in our existence.

To the Universidad de Salamanca's Chair of Entrepreneurs, which celebrated 800 years of existence with a significant contribution to humanity in its trajectory, faculty, directorate, and administration.

To my mentor Francisca Sánchez Santos, for her support, assistance, patience, suggestions and incentives. To all the teachers for their commitment to delivering the best possible message. To my collaborators, Raul Bonfim and Larice Gomes, I spent great moments discussing the basis and structuring of the work.

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# INTRODUCTION

MICRO, SMALL AND sole proprietorship businesses contribute to a considerable extent to employment and income generation throughout Brazil. At the local level, this sector plays an even more relevant role. It drives the economy of the cities and contributes to tax collection allocated to services and investments that benefit the population. However, entrepreneurs face difficulties managing their companies, particularly in their first years of life. According to a survey conducted by the Brazilian Micro and Small Business Support Service (Sebrae) in São Paulo in 2008, the primary factors for bankruptcy are the lack of prior planning, the absence of economic management, and the behavior of the entrepreneur. These factors are considered a determinant for the survival of companies in Brazil.

The data used in this book refer to the State of São Paulo. Notably, according to *Empreendedores e Proprietários de Pequenos Negócios* (Entrepreneurs and Small Business Owners) magazine, this Brazilian state was the fastest-growing entrepreneurial ecosystem in Latin America. However, it is a very local market, defined by three indicators:

- The scarce presence of foreign workers (7%).
- Small participation of foreign funds (14%).
- Low sales to the foreign market (18% of the clients are foreigners).

Still, according to Sebrae, 99% of all establishments in São Paulo are micro and small companies, i.e., the percentage of medium and large companies is only 1% of the total.

Since 1999, Sebrae has been researching the survival and mortality of companies in São Paulo. Its first publication highlighted that the most relevant obstacles to business success are the entrepreneur's low education and income levels. Due to the lack of credit from financial institutions, the entrepreneur uses personal or family capital, limiting the company's growth and making it vulnerable to the oscillations and seasonality of the market. Moreover, the legislation is also criticized as unfair because all companies' treatment is similar regardless of size.

We can notice a disregard for the most probable cause of business mortality in Brazil. The government created incentives by implementing incentive laws to reduce bureaucracy and the tax burden and providing financial incentives to ensure the survival of companies already established in the country (access to capital and ease of access to public purchases are examples of incentives created by the government). However, according to Sebrae's 2009 research, there was no increase in micro, small and medium-sized enterprises (MSEs) even after making these laws. It shows that

the government has not yet tackled the most significant variable responsible for the high mortality rates.

One of the main variables presented by Sebrae is the lack of analysis of the entrepreneur's behavior. Nevertheless, this is not considered or inserted in the government's strategies to guarantee the survival of businesses in Brazil. By analyzing the business plan models made available by Sebrae in recent years, we noticed that the entrepreneur's profile is not considered a central axis for understanding good business development. Therefore, we propose to use a tool in the business plans developed in Brazil capable of analyzing the entrepreneurial potential of business owners and adding to scientific research on entrepreneurship an instrument that considers the complexity of the individual as a decision-maker.



# CHAPTER I

## Problem approach and presentation of the MATRIZ SELF

TAX POLICIES IMPLEMENTED in the last 12 years by the Union at the national, state and municipal levels have not guaranteed an improvement in SME survival rates. Moreover, the business plan models developed by Brazilian support institutions analyze companies from the following axis: market, marketing, operational and finance. In other words, they do not see the entrepreneur's profile as a critical factor for the business' success. This book seeks to strengthen analysis strategies by presenting a tool for evaluating the entrepreneur's profile.

The business plans developed by Sebrae in Brazil over the last ten years have not undergone significant changes in terms of their approach. In other words, the models used in the country do not address the entrepreneur's profile; that is, they never link business bankruptcy to the entrepreneur's leadership and management skills. Therefore, we ask if the entrepreneur's profile is a crucial variable for the success of companies in Brazil.

This book will contribute to building a program of studies to help students, researchers and citizens, inside and outside the academic field, and elsewhere: to learn, understand and make available for public debate elements about the many ways in which micro, small and medium-sized companies ensure their survival in the state of São Paulo, thus cooperating to fill existing gaps on the subject. The general goal is to develop a tool to analyze Brazil's micro, small, and medium-sized companies' entrepreneur profiles. There are four specific objectives:

- Examine the kinds of companies with the highest survival rates in the state of São Paulo (2008-2014).
- To verify the impact of business mortality on economic growth in the state of São Paulo (2008-2014).
- To identify the conditioning factors of success according to entrepreneurial and managerial skills.
- To understand the causes of short-term closure of micro, small, and medium-sized companies in the state of São Paulo (2008-2014).

Entrepreneurship has become an increasingly popular subject in recent years. According to Dornelas (2003 apud DORNELAS, 2004), entrepreneurship is about doing something new, different, seeking new business opportunities, focusing on innovation and value creation. Stevenson (1993 apud DORNELAS, 2004) emphasizes that entrepreneurship creates value by using resources differently and exploring options.

Timmons (1994 apud DORNELAS, 2004) considers entrepreneurs to be excellent opportunity identifiers, capable of creating and building a vision from scratch, with no previous reference. As stated by Filion, “An entrepreneur is a person who imagines, develops, and realizes visions.”

The first micro and small companies in Brazil were born from family businesses after World War I and the immigration and migration process, with the relocation of artisans and master workers. They established their trade with the support of their families, seeking not to stop their works and supply the market with articles developed by them to replace the imported ones. (MONTEIRO, 2010, p. 28)

Sebrae verified that, with the growth of entrepreneurship, SMEs are growing in importance in the economy, reaching a 27% share in GDP in 2011. In 2018, Brazil already had more than 10 million SMEs, and over 95% of the companies in the country are considered small businesses. These small businesses generate 52% of formal jobs and are the source of 27% of Brazil's GDP. Therefore, according to Schumpeter (1961), entrepreneurship is associated with economic growth. Thus, by analyzing these numbers, we can say that the entrepreneur's behavior is paramount for developing the Brazilian economy.

However, despite the will to start a business, some 27% of the SMEs close their activities in the first year, directly compromising



the region's development and the movement of the country's economy. Therefore, there is an undeniable need to create instruments capable of reducing bankruptcy rates (SEBRAE, 1999).

Azoulay and Shane (2001), Motta (2000) and Mahamid (2012) suggest that the factors causing this short-lived existence are: the pressure from big companies, market limitations, difficulties in obtaining financial resources, working capital management, and the high tax burden. We can also include in this list the poor business management skills. Hence, the manager must be aware of their resources and improve as an administrator to have better results in their business.

WHEN FACED WITH the problem, man either accepts it and tries to understand it or rejects it and ceases to think about it. If he welcomes it, he perceives the reality as it is, taking responsibility and having the right to choose to fix or discard the error, keeping what is right, developing new skills, seeking the good and becoming free. By rejecting it, he hides reality by not thinking about the problem, shifting the error onto the other, falling into fanciful imagination, procrastinating decisions, not taking responsibility.

Alternatively, it is his free will to discard what is right, keep what is wrong, feed the evil, and remain imprisoned in it. Being aware of these behaviors, we create a matrix capable of identifying their actual biological capacity and needs (objective) and intellectual reasons (subjective) to embark on an entrepreneurial career.

Thus, we avoid situations where people with no entrepreneurial skills decide incorrectly, allowing them to improve their deficiencies and develop their potential before starting their own business. Arrogance is what causes rejection, and this is our most harmful feeling, whereas humility is what makes us accept, and this is the noblest of sentiments. They are both formed by the absence or presence of love in our lives. In the hierarchical system, we often evaluate the leadership, its competencies (skills), needs (feelings), conditions, and understanding because we are constantly undergoing technological and behavioral changes in the current times.

We must, therefore, have a very high capacity for adaptation, discarding what is no longer helpful, keeping what is useful and adding the new. Otherwise, we fall into intolerance and harm ourselves.