

OTHER SOCIAL AND BEHAVIORAL SCIENCES

Entrepreneurship in the Favela of Rocinha, Rio de Janeiro: A Critical Approach

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This article explores the reality of entrepreneurship in the favela of Rocinha, Rio de Janeiro. It contrasts the prescriptions of federal and state training programs and support policies for entrepreneurship with the reality of the practice of entrepreneurial activities in Rocinha. It shows that the logic of effectuation can explain microentrepreneurial trajectories in favelas, expanding its original reach from expert entrepreneurs in large firms. It also exposes the severe shortcomings in the training programs and support policies of the Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (SEBRAE). It points to the urgency of reform of the very foundation of entrepreneurship policies in favelas.

O artigo explora a realidade do empreendedorismo na favela da Rocinha, Rio de Janeiro. Ele contrasta as prescrições dos programas e políticas de apoio ao empreendedorismo do governo federal e estadual com a realidade da prática das atividades de empreendedorismo na Rocinha. O artigo mostra que a lógica da efetuação, ou *effectuation*, pode explicar as trajetórias dos microempreendedores nas favelas, expandindo sua abrangência original desde empreendedores experientes em grandes firmas. O artigo também expõe severas limitações nos programas de treinamento e políticas de apoio do Serviço Brasileiro de Apoio aos Micro e Pequenos Negócios (SEBRAE). O texto aponta para a urgência na reforma das fundações das políticas para empreendedorismo em favelas.

Introduction

The appreciation of trajectories of microentrepreneurs in Rocinha, a favela in Rio de Janeiro, offers support to a reconsideration of the reach of the logic of effectuation in entrepreneurship (Saravathy 2001a, 2001b; Chandler et al. 2011; Fisher 2012; Perry, Chandler, and Markova 2012) and suggests the opportunity for further inquiry and policy reform in the microentrepreneurship policies of the Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (SEBRAE, or Brazilian Service for the Support of Micro and Small Business) in favelas (Nunes-Pereira and Bartholo 2015). This article addresses the context and dynamics of Rocinha's microentrepreneurs, with special attention to the constraints imposed by SEBRAE, the primary instrument of federal and state policies toward business creation and expansion over the past forty years (Dias 2012).

The role of SEBRAE in business innovation is widely acknowledged and the object of many academic studies. Brazil's scholarly resource Periódicos Capes, which offers single-source access to more than twenty of the most important academic databases worldwide, when searched on May 12, 2015, returned 260 peer-reviewed journal articles involving SEBRAE; but searching for *SEBRAE* and *favela* add up to only three (Choguill 1995), on low-income housing (Etzkowitz, de Mello, and Almeida 2005) an application of triple helix theory on University-industry-government relations and on recycling materials in fashion (Da Silva Pereira 2009). In 2013–2014, for example, SEBRAE'S various contributions were acknowledged in fields as diverse as business networking (Ipiranga and Aguiar 2014), grassroots innovation (Smith, Fressoli, and

Thomas 2014), sustainability in tourist enterprises (Carvalho et al. 2013), the role of the Internet in small and medium enterprises' sales (Alderete 2013), artisanal mining (Milanez and Puppim de Oliveira 2013), and—touching on the specific concern of this article—on issues of causation and effectuation (Faia, Rosa, and Machado 2014), albeit not on the realities of SEBRAE and business alternatives to it in favelas.

This article discusses five cases that reveal how SEBRAE's national business formula is biased toward formalization, assessing business creation and business management with the same set of invariant criteria. The adoption of a single unified set of invariant criteria does not match, and even contradicts, the reality of microentrepreneurship in Rocinha. What follows reveals exposes how microentrepreneurs' compliance to SEBRAE's rules are essentially tactical, as part of courses of action steered by the logic of effectuation. It is somewhat surprising to disclose that this logic, originally associated with the undertakings of large firms and corporations, should have explanatory power for these successful microentrepreneur initiatives. To that extent, this article both argues for the applicability of the logic of effectuation in favela microentrepreneurship and identifies severe shortcomings of SEBRAE's standards for business creation and operation in a favela, suggesting the opportunity for a searching review of the very foundation of SEBRAE's entrepreneurship policies in favelas, for which the five cases discussed are enough.

National social and economic policies' concern with entrepreneurship has never been so intense as it is nowadays. The contributions and impact of entrepreneurship take pride of place and are deemed a priority, in recognition of entrepreneurship's role as a driver of economic growth, job creation, and innovation. The fostering of entrepreneurship has become one of the most important goals of public policy. And yet many of the policies that seek to achieve those goals fall short, and inquiry into why they fail to achieve what they so earnestly seek contributes to the dialogue among policy makers, the public sector, private businesses, and the academic community, so as to improve their effectiveness (Potter 2008).

In Brazil, entrepreneurship has gained ground in public policy and political agendas. The National Entrepreneurship Policy (Política Nacional de Empreendedorismo, PNE) is a major component of *Plano Brasil Maior* (Brazil 2011), which offers broad guidelines concerning entrepreneurship of the past and current administrations of the federal government, the role of which is to coordinate campaigns to sensitize and mobilize social actors so as to stimulate an entrepreneurial environment. The plan's management is jointly shared by a number of institutions, including five federal ministries: those of development, industry, and international trade; of science and technology; of work and employment; of social development and fight against hunger and of agrarian development. SEBRAE has been the executive arm of federal and state policies to foster entrepreneurship, the locus for interministerial conflicts of interest and policy. Although the Brazilian Congress created the ministerial post of national secretary for micro and small business (Law 112/2012) in March 2013, this brought change to neither SEBRAE's autonomy, role, and position in the larger network (National Network for the Simplification and Registry of Firms and Business, Rede Nacional para a Simplificação do Registro e Legalização de Empresas e Negócios) nor its primary mandate of furthering business formalization.

Federal organs and both public and private institutions are specialized in fostering and supporting entrepreneurs, seeking to achieve an ambitious set of initiatives and carry out programs and projects to support new businesses, with particular attention to micro and small businesses. Stimulating entrepreneurship is viewed as an important tool for creating jobs and generating income, as well as fighting urban poverty (Secretaria de Assuntos Estratégicos 2013). Initiatives that support entrepreneurial activity in low-income areas have correspondingly gained in importance and visibility, requiring greater knowledge on entrepreneurs' behavior, habits, values, and aspirations, as well as acknowledging their diversity.

Rocinha is a favela located in the South Zone of Rio de Janeiro, amid neighborhoods with the highest per capita income in the city (for overviews of Rio de Janeiro's favelas, see Pino 1997; McCann 2006; Sneed 2008; Gay 2012). Its geographical location explains the abundant flow of commerce, particularly of services. Rocinha is the largest of the city's 763 favelas: between 2000 and 2010, its population increased by 23 percent to slightly less than seventy thousand inhabitants, at a rate almost four times the average growth of the city (7.9 percent). With nearly 6,529 commercial enterprises, according to the Economic Census of 2010 (Instituto Brasileiro de Geografia e Estatística 2012), businesses in Rocinha are undergoing transformation, with the opening of fast-food chains and large retail stores, domestic appliance and computer businesses (e.g., Casas Bahia, Ricardo Eletro), as well as concert halls, restaurants, gyms, dental clinics, and the branches of four large commercial banks. Rocinha has received increased federal funds in support of urbanization projects, such as the Growth Acceleration Programs (Programa de Aceleração do Crescimento, PAC I and PAC II) and has come under the jurisdiction of a Pacifying Police Unit (Unidade de Polícia Pacificadora, UPP), Rio de Janeiro State's community policing initiative that would seek to expel

drug lords, pacifying the territory and thus restoring the rule of law. In the past decade, SEBRAE created a special division for those favelas in which the UPP had succeeded. These efforts have stimulated greater exchange within the favelas, reducing the prejudice against those who live in favelas that developed during decades of violence and drug dealing. As a result, this has led to the increase of local businesses and triggered processes of gentrification.

Saras D. Sarasvathy has been at the forefront of the academic discussion of the nature and internal mechanisms of entrepreneurship since the last decade of the twentieth century. She has pointed out the difference between the processes of the inaugural founding and of the routine running of a business. Sarasvathy builds on the Simonian idea of procedural rationality and relies on several empirical cases to develop her alternative theory. Sarasvathy defines as causation all approaches that assume that entrepreneurial activity is goal oriented, clinging to predefined, specific, clear-cut (e.g., strategic) goals. Conversely, the idea of effectuation proposes that resource availability is preponderant in entrepreneurial activity. Entrepreneurs think in terms of what resources they can, and do, control and of the various outcomes that they can, might, possibly attain with such means. In her doctoral thesis, the last under the management of Nobel Prize winner Herbert Simon, she studied the expectations and actions of twenty-seven expert entrepreneurs and thirty-seven MBA students. She showed the misperception that the logic of causation—as expressed in the prescription that leads to a business plan—would be required for the foundation as well as the routine of a business. Rather, she proposes the contrasting logic of effectuation: that the process of founding a business would be guided by principles that have little to do with the systematic, planned approach to business management. She outlined five principles of effectuation: (1) rather than seek to meet demand, entrepreneurs consider what they have, or are, or can supply and gamble; (2) rather than maximizing profits, they minimize losses; (3) rather than qualifications, they choose trust to form cooperative endeavors; (4) rather than seeing mistakes as failures, they view them as an essential part of an ongoing learning process, feedback that provides significant gains in information and lead to recasting or discarding initiatives; and (5) rather than managers with staffs, entrepreneurs are solitary pilots in a plane, incapable of predicting the future, yet still able to control some factors that shape it (Sarasvathy 2001a, 2001b).

This article applies Sarasvathy's formulations to a new object. The logic of effectuation has been used to explain—even more so, to guide—entrepreneurial initiatives of large corporations. Here we present an exemplar that it would also seem adequate to explain the initiatives of entrepreneurs in the very different circumstances of low-income favelas. It does not seek to address the object—low-income entrepreneurs—from a variety of points of view or to address the relative value of contrasting approaches. It provides an exemplar that supports the plea of greater reach for Sarasvathy's logic of effectuation than its original field of application.

An empirical qualitative study gathered twelve cases investigating the profile of local entrepreneurs in Rocinha, five of which are discussed here to document microentrepreneur behavior. This is contrasted with expectations and assumptions expressed in SEBRAE's entrepreneurship training programs and criteria for receiving support, which emerge as constraints to access to the benefits it offers: the criteria correspond to the mainstream logic of causation. This article shows that training programs and policies can disagree with real-life decisions and restraints of at least some of Rocinha's microentrepreneurial activities. The logic of effectuation offers a key to understanding this divergence, and the presentation of five cases suffices to demonstrate, in their diversity, the case for the application: to demonstrate the validity of application of the logic of effectuation to microentrepreneurship in favelas (in contrast with corporate applications; e.g. Brettel et al. 2012; see also Helmersson and Mattson 2013) and the opportunity of further inquiry on actual microentrepreneurial trajectories as a basis for reforming SEBRAE's policies.

Method

To appreciate the explanatory power of the logic of effectuation, it is necessary to describe and understand some cases of microentrepreneurship in Rocinha. We approached this through qualitative research (e.g., Yin 2011; Creswell 2012; Maxwell 2012). The basic requirement for inclusion in the sample was that the interviewee be a resident and run a business in Rocinha. The study comprised twelve interviews, five of which are detailed here, which suffices for the purposes of the article, as the issue does not lie in statistical sampling of a qualitative study or in exhaustiveness or quasi-random sampling, and it cannot be resolved by going deeper into the labyrinth of particular business trajectories.

Interviewees were selected from snowball sampling (Biernacki and Waldorf 1981), in which one interviewee recommends another and so forth. Interviews asked for biographical and entrepreneurial

trajectories in one-hour semistructured, in-depth interviews, producing some thirty to forty pages of transcript each.

Interviews always started with the question “Who are you?” Ultimately, interviews sought to establish dialogue with interviewees, in line with Heinz Kimmerle’s “methodology of listening.” Kimmerle (2001, 293) argued that “we have to listen, to listen for a long time, how in the philosophy of a different culture answers to certain questions and reactions to certain of our arguments are articulated. Listening has to be learned; it requires openness, concentration, discipline and a methodical technique. Listening is art, just as understanding that comes much later.”

Discourse analysis followed (Johnstone 2008; Phillips and Hardy 2002; Wodak and Meyer 2001; Gee and Handford 2012). Fieldwork (i.e., face-to-face interviews) took place between October 2012 and March 2013.

We selected five cases for presentation here on the basis of their variety (different kinds of businesses and sectors of economic activity) and public visibility (having been the subject of national or international media attention). First was LAN House (a cybercafé that serves no food or drinks). The owner of one of Rocinha’s most successful LAN houses received dismissal compensation from a previous job: she had never had R\$4,000 in her hands, her job dismissal compensation. The owner of the LAN house where she worked wanted to sell the business. Despite her lack of experience, she decided to buy it. To her surprise, she received a great help from the LAN house manager, who became an invaluable business partner and provided access to resources she would have been hard pressed to find by other means.

Second was a food kiosk—the owner of one of Rocinha’s most iconic entrepreneurship cases, visible on one of the busiest thoroughfares and a well-known success story from very humble beginnings, which also appeared on a Brazilian TV show. It is a popular place that now employs eight people. After two life tragedies that interrupted her two previous businesses, her parents moved in with her, to support her recovery from depression. She became progressively indebted, draining her family’s savings. Her kiosk started small, when the local drug lord authorized her opening of a small food cart in Rocinha’s main street to sell soup.

Third was a candy wholesale business. This entrepreneur began his professional trajectory working at a bakery outside Rocinha. During his childhood, his father had made a living selling candies and working as a peddler in the Northeast, one of the country’s poorest regions. Threatened by constant armed robberies to the bakery, he decided to move to Rocinha and start his own business selling leftovers from Rio de Janeiro’s street markets. His business came to an end when Rio de Janeiro’s Municipal Health Inspection forbade it. Then, he recalled his father’s experience and began selling candy. His business grew to the point he raised money from friends to buy a store. With the store, he began selling candy wholesale, adding restaurant clients outside of Rocinha through a network of waiters, bartenders, and other workers from Rocinha.

Fourth is a photo studio. The owner of a photo studio began his career as a graphic designer with a college grant that provided aid to low-income people. After graduation, with family funding, he joined with photographer and opened a photo studio from a room in a private residence his sister provided. To make the business known, he leveraged teenagers’ dream of becoming a model: a free photograph of every girl—they organized a beauty contest for aspiring models, with a full portfolio as first prize. This led to a better grasp of the market constraints and narrowed down product mix to ensure quality. By offering higher-quality products, they pulled away from their competitors, and occasionally were hired by those competitors for more skilled jobs.

Fifth is graffiti, as they proudly call their street art. “Wark” (the nickname of a graffiti artist) always enjoyed drawing but never did graffiti until he was seventeen, when a graffiti artist from São Gonçalo, a city in metropolitan Rio de Janeiro, presented graffiti in Rocinha. Wark found his passion, bought an airbrush to make T-shirts, and learned the art of graffiti. His work was appreciated and he became known as “Wark da Rocinha.” He started teaching graffiti to Rocinha’s children, which led to a graffiti institute named after him, devoted to graffiti as a social, cultural, and artistic expression of life in Rocinha.

The script for the interviews was structured, and despite flexibility in that structure, care was taken for each to cover the same core topics. Questions were not read out but were incorporated as naturally as possible into conversation, allowing for any kind of response, and then complemented by clarification questions. Interviews were transcribed preserving their subjective and informal aspects, such as hesitations, long pauses, emotions, grammatical errors, and curse words. Questions and analysis sought to focus and obtain inputs about the contrasting aspects of each experience, such as relational networks in a specific context. Following the opening question “Who are you?,” answers always referred to family history, revealing the influence of these experiences on interviewees’ way of life, traditions, behavior, and values.

Theoretical Background

This section presents the two logics of entrepreneurship: the first is the logic of causation, which relies on causal models to describe entrepreneurial activity as either the selection of best means to achieve predefined ends or the creation of means to achieve such ends; the second is the logic of effectuation, first proposed by Sarasvathy in 2001 (Sarasvathy 2001a, 2001b), which contradicts causal descriptions of entrepreneurship and suggests that entrepreneurial activity is open ended and resource oriented.

The logic of effectuation has a sociological bias and posits a holistic theory (Bygrave and Hofer 1991; Bull and Willard 1993; Julien 2007; Sarasvathy 2013). It asserts that entrepreneurs are important actors in development but takes into consideration that each entrepreneur realizes entrepreneurship differently and that the conditions for performing entrepreneurship will depend on the context. As this particular business environment has an important and even defining role, then entrepreneurship does not depend solely on personal characteristics, as Filion (1999, 23) asserts: "An entrepreneur is a person who imagines, develops, and realizes their visions."

This critique of entrepreneurial theory based on the decision making of the rational human is important, as it is still the predominant viewpoint, especially in business. An emblematic example is the indicator of the Global Entrepreneurship Monitor (GEM), an international study conducted annually to measure entrepreneurship. The classifications of the GEM are based on entrepreneurial potential, measured by the creation of new businesses. However, from the point of view of the logic of effectuation, the act of opening and then closing businesses is not a sign of failure, but rather a mistake, and mistakes are part of the learning process of entrepreneurship. As entrepreneurs interact with the ecosystem, they reconcile the existing perceptions of their businesses with reality. In this light, the various adjustments entrepreneurs make throughout the process, and especially in the initial stages, are justified and are considered a strategic learning process.

Sarasvathy (2001a, 2001b) has demonstrated that the logic of entrepreneurial expertise inverts the underlying logic of causal models (see Duarte et al. 2011, 11). Instead of asking what causation models would expect—"Given my predefined objective, what are the means I need to mobilize to attain it?"—the question entrepreneurs following the logic of effectuation would ask is, "Given the means that I can control, what are the possible outcomes I can achieve?" Sarasvathy supports such a theoretical perspective with empirical research on the logic of entrepreneurs with a history of success; entrepreneurial expertise is largely based not on the logic of causation but on the logic of effectuation.

Sarasvathy (2001a) defines these concepts in the following way: first, the process of causation begins with a predefined goal and concentrates on the selection of various resources to achieve that goal; second, the process of effectuation begins with the set of basic resources that can be controlled and focuses on the generation of one or some possible outcomes that those resources allow. Sarasvathy (2001b) sought to identify how experienced entrepreneurs and MBA students reacted to the hypothetical problem of starting a business by responding to five questions (a topic further explored in Sarasvathy 2008; Dew et al. 2009, 2011). Sarasvathy (2001b) selected twenty-seven entrepreneurs she considered experts. Her selection criteria were to identify entrepreneurs who had taken a business from original idea to initial public offering, and who were still active in the management of the company. Further, she interviewed thirty-seven MBA students and asked them the same questions. The method employed consisted mainly of applying think-aloud protocols (Ericsson and Simon 1993), seeking to identify the logic that the interviewees used to start a new business. Specifically, she sought to obtain verbal excerpts from the interviewees that could be attributed to effectuation rather than causation. An analysis of results reveals that 89 percent of entrepreneurs employed effectuation reasoning and 81 percent of MBA students demonstrated a preference for causation reasoning.

The effectuation process can be translated as a set of principles that entrepreneurs use to make decisions in an uncertain environment. The main principles of the two lines of thinking are compared in **Table 1**.

Sarasvathy and Dew (2005) present the cognitive model of effectuation for the creation of new markets, as a result of entrepreneurs' decision-making processes in their companies. In this approach, the role of relational networks gains prominence in the creation of new markets and products by reducing uncertainty and increasing the set of initial resources. This model proposes a process that begins with initial resources, such as the entrepreneur's characteristics, preferences, and skills ("who am I?"); his or her education, training, and experience ("what do I know?"); and his or her relational network ("who do I know?"). From there, entrepreneurs begin to brainstorm the results they can achieve, moving directly to action without comprehensive planning or plan. They are particularly sensitive to commitments that might curtail their options when creating or changing their business.

Table 1: Main differences between causation and effectuation.

Categories of differentiation	Causation process	Effectuation process
Practice	Start with goals	Start with their means: Who I am, what I know, whom I know
Logic	Predictive	Control
Money	Expected return	Affordable loss
Strategy	Competition	Partnerships
Perception	Exploitation of preexisting knowledge	Leveraging of contingencies

Source: Based on Sarasvathy (2001a, 2001b, 2003).

Plans as such are schematic and short term, fashioned and abandoned as resources change through action and interaction with other people, according to circumstances, as eventualities lead to redefined objectives. Entrepreneurial projects perceived as learning processes almost always change previously designed plans, exposing the use of preliminary, far-reaching business plans that would anticipate and prescribe. Entrepreneurs face changes and challenges by adapting, which can take many forms, one of which is the ability to learn constantly, as the logic of effectuation suggests that the ability to learn must be foremost among their skills.

In the article “Entrepreneurship as a Science of the Artificial,” Sarasvathy (2003) presents a series of similarities between her theory of effectuation and the work of Simon (1996), which affirms the existence of an internal environment in interface with a determined external environment (a topic she returned to in 2013). Entrepreneurs’ perceptions of their own ventures and the learning curve of opening a business are always influenced by context, which makes it impractical to prescribe universal instruments capable of increasing the potential success of start-ups.

Sarasvathy (2008, 73–95) synthesizes the principles of effectuation under five labels: (1) “bird in hand” (start with your means, instead of presetting goals or opportunities); (2) “pilot in the plane” (focus on activities within one’s control, instead of expecting that established market forces will cause the future to unfold); (3) “affordable loss” (limit risk by understanding what one can afford to lose at each step, instead of seeking large all-or-nothing opportunities); (4) “lemonade” (when life gives you lemons, make lemonade; that is, instead of making “what if?” scenarios to deal with worst-case scenarios, interpret “bad” news and surprises as potential clues to create new markets); and (5) “patchwork quilt” (build partnerships with self-selecting stakeholders, including at times competitors, instead of presuming that competitors are rivals to contend with). These five principles make up the logic of effectuation, in direct contrast with the single planning direction of the logic of causation for describing and explaining entrepreneurship.

In the following section, the logics of causation and effectuation are used to explain why the assumptions about entrepreneurship, formalization, and management (which have to do with running, not creating, a business) by SEBRAE through its entrepreneurship programs and policies diverge so starkly from some of the entrepreneurial ways of Rocinha.

Entrepreneurship Training Programs and Policies versus Rocinha’s Reality

This section exposes SEBRAE’s perspectives on entrepreneurial activity, showing how they diverge from the activities of microentrepreneurs in Rocinha. It details five discrepancies between prescriptions in SEBRAE’s training materials and the practice of entrepreneurship in Rocinha (**Table 2**). SEBRAE mirrors the logic of causation reasoning, whereas Rocinha’s entrepreneurial activity mirrors the logic of effectuation.

Strategic Vision

SEBRAE assumes that all for-profit business must strive for growth and profit, as usually understood by classic economics literature (Smith 1776/2003; Ricardo 1821/2004). According to SEBRAE’s (2014d) entrepreneurship-training materials, an entrepreneur must grow to remain competitive, with special attention to continuous improvement. SEBRAE offers tools and advice for innovation, financial management, business expansion, and competitiveness. In what concerns a business’ strategic vision, the underlying assumption in SEBRAE’s (2014f) entrepreneurship-training materials is that “the success of a business is

Table 2: Differences between assumptions of SEBRAE and Rocinha's entrepreneurs.

Facet	SEBRAE assumptions	Rocinha assumptions	Cases
Strategic vision	Profit and growth	Survival and satisfaction	Candy wholesale, food kiosk, photo studio, LAN house
Product-mix strategy	Conditioned by demand	Conditioned by capacity and personal skills	Candy wholesale, food kiosk, photo studio, LAN house
Recruitment and selection	Conditioned by skills	Conditioned by relations	Candy wholesale, food kiosk, photo studio, LAN house
Business location	Conditioned by best business opportunities	Conditioned by relational timely occupancy	Candy wholesale, food kiosk, photo studio, graffiti
Central concern	Business plan	Controlling resources	Candy wholesale, food kiosk, photo studio, LAN house, graffiti

strictly related to the profit it obtains." However, Rocinha's entrepreneurs seem to diverge from the classical emphasis on unlimited growth and profit. Testimonies emphasize survival and satisfaction. Four interviews help support this argument.

The LAN house owner said, "I use what I earn to pay my bills. I want nothing else. I have stopped there." Her business trajectory shows evidence of a preference for stability in the size and market share of her LAN house. She prefers to keep a given level of income in her business rather than undertake the additional work of expansion; she does not see growth as success. Success, for her, is related to the increased opportunities in life that her business allows, rather than an increase in income: to live a better life rather than doing more business.

According to the photo studio owner, "In my view, I think what I have is freedom. I am free to make my own schedule, that is my motivation to be there. To have no boss, no master, that tells me what to do and what not to do. Why would we want to expand our business? To earn more money, to hire more people? No, what I really want is to do what I love, what I enjoy doing. I don't like having to make fridge magnets and banners; I want to do different things. My thing is video: I really enjoy videos. Like, posters, diagramming, things I don't actually do when I have to sell magnets and stuff." This strategic vision stems from his professional inclinations and personal preferences—what he loves—rather than a strictly profit-oriented mind-set. He would rather leverage his business income to do other things that he is not paid to do. Expansion serves his freedom of action rather than increased profit. He views growth not as success but as the risk of pulling him away from what he truly values, even if it might be a support for doing what he likes. It is not clear whether video-related materials are a viable business opportunity, but this does not seem to be his main concern.

The candy wholesaler stated: "It is one of my dreams now, I talk to my son sometimes. I want to let him at ease, you know? I tell to him that, if he wanted, we could buy a shed and build a company for him to make money. And I know that this field makes real money. It is one of the best, because everyone likes candies, children, teens, and adults. Now it is easy, there is the Internet. We can make contact with a large company, like Nestlé, that gives a 10 percent discount when you buy a whole truck. That can be a huge thing. But I would not like to get too involved because I now want to enjoy life, travel with my wife. Therefore, in order to make it happen, this must also be his dream." The candy wholesaler would like to leave a legacy for his son; he sees future opportunities with Nestlé, but his current emphasis is to "enjoy life, travel." The business might allow his son as good a life—but it is really up to his son. Expansion serves his pleasure and might serve his legacy, and his decisions are guided by those rather than the wish for increased profits. He does not view growth as success; he wants is to enjoy what he has and expresses awareness that expanding would mean leaving aside some of the things he enjoys.

The food kiosk owner said: "We pay the rent, we bought a refrigerator, a TV, we remodeled the whole house, we and gave Mommy a new set of dentures. You know, things are quite well this way. We only stopped after everything was all right. Mommy had a job, everybody had a job, so we didn't need to keep growing. We decided to take Sundays off as any normal person." Seeking to expand her business served the food kiosk owner up to a point: it was no longer a priority once she earned enough to meet her goals to pay bills, to improve her home and health, to employ her relatives. She prefers to support her freedom of action rather

than seek to increase profits. She does not view growth as success but as a necessary step that provides a satisfactory income for her family.

The four interviews presented in this section help question whether the official training policies' assumptions to what concerns a business' strategic vision apply to Rocinha's case. Rocinha's entrepreneurial success does not seem to be "strictly related to the profit it obtains" (SEBRAE 2014f); rather, this section has showed that Rocinha's entrepreneurs point to growth and profit as means of survival and satisfaction.

Product-Mix Strategy

According to SEBRAE (2014a), the choice of the best product mix ensures customer loyalty and satisfaction and contributes to a business's success. For SEBRAE, the mix must comprise families and subfamilies of products that respond to customers' shared, homogeneous demand. Product mix should depend on the business's nature, limitations, and objectives. Product mix depends on a desired strategic position, considering provision, financial, storage, losses, and depreciation. According to SEBRAE's (2014a) entrepreneurship-training materials:

The creation of a product mix strategy requires planning the kinds of products that will be offered in time. All products must be included, grouped by families and with their respective prices. Basic attraction products deserve special attention, as they stimulate other products' purchases and have great importance in sales. The plan must also consider whether availability will be continuous, twice in a year, weekly or daily. Families with constant demand can adapt the initial plan, correct it occasionally with revisions. Families involved with seasonal products can elaborate special or temporary plans.

The mind-sets of Rocinha's entrepreneurs diverge from SEBRAE's product-mix strategy recommendations. Rather than creating a product-mix strategy conditioned by demand, Rocinha's entrepreneurs seem to be conditioned by supply, that is, by their available abilities and personal skills in providing a mix of products. Four cases support this argument:

- Photo studio—"During college we helped each other. When Levi [the partner] graduated, he had the idea of opening a studio here."
- Food kiosk—"Then she told us, 'Guys, you have to do something with your lives!'; I said, 'Yeah, we do.' We remained there, sitting, thinking. Then I told my younger sister, 'I still know how to cook.'"
- Candy wholesaler: "That night a thought occurred to me. 'I will change my field, I will change my business.' I remembered my father, who sold candy and stuff. Until today I like to smell those peppermint candy boxes. I remember when my father used to take us the empty boxes for us to smell. We smelled them and got so happy . . . that night I remembered, I remembered my father selling candy, taking care of his twelve children, I remembered those candies and I said: I will sell candy."
- LAN house—"Here [at the LAN house] I have learned a lot. Everything I know about informatics didn't come from any courses, you know? I learned by doing, through the people I met, especially through a friend, whose nickname is "China." When I started, I had eight machines but only three worked. We didn't have air conditioning, we didn't have a thing. Then China told me: if you want, I can assemble other machines for you and you pay me back over time when you can. I do their maintenance, I keep helping you, you keep learning. And he did it. I think he (China) was sent by God. I wasn't even that close to him, it was a thing I didn't expect. I had closer people who didn't do anything, and yet he was the basis for everything."

Rather than mapping out demands to shape a product mix capable of meeting those demands profitably, all four cases emphasize the nature of the appreciation of available skills and resources and the choice of which gamble to take so that there would be demand for what they could supply. The photo studio and the food kiosk mirror personal inclinations and possibilities: the wish to pursue one's vocation or the need to make use of what one knew how to do. The candy wholesaler and the LAN house show that their product mix was almost a given, since the general structure of the demand was there; the real issue was how to make use of their capacity, and they lacked any immediate concerns about demand. The interviews point to an emphasis on the supply of whatever can be derived from capabilities rather than effort to meet a given demand, which aligns with the logic of effectuation (e.g., Sarasvathy 2008).

Recruitment and Selection

According to SEBRAE (2014b), employees are responsible for production and customer service, and for that reason, they must be well selected and trained. The challenge is to make the employee team feel like more than a stakeholder, like a joint owner of the business, and lead them to help make the firm more profitable. SEBRAE recommends that entrepreneurs involve all employees in planning activities, including mission and vision formulation, as well as goal setting. It also recommends offering financial incentives to employees. According to SEBRAE's (2014b) entrepreneurship-training materials: "It is indispensable to select and train your employees well, as a good attendant must enjoy working with the public. As far as production goes, SEBRAE emphasizes the need for employing skillful people, fluent in the application of routines and in their repetition." SEBRAE assumes that a candidate's skills are the most significant aspect to consider for recruitment and selection.

The mind-set of Rocinha's entrepreneurs is different: recruitment and selection are based on personal relations.

- Photo studio—"I thought about calling him [his brother-in-law] to work with us. I can teach him. He learns and then an exchange will take place. That's what I proposed to him. Do you want to learn? And to get some cash out of it? He told me all right. I felt confident, because he is a trustworthy person. I can pass him my knowledge. If it wasn't him it would be more difficult because I don't know, then the person is not bonded to you, there is no commitment, he or she just wants to finish things fast, to give you the minimum, and doesn't even care."
- Food kiosk—"This business I am currently opening I am not opening because I want it. I don't need to open it now. I don't need to get indebted now. I am going to do it because she [the entrepreneur's daughter] cannot work in the kiosk anymore and she needs to work."
- Candy wholesaler—"They were people from the community, that came from Ceará [a relatively poor state in Brazil's Northeast], already known to me. I used to tell them, 'You are going to be informally employed, but if you work beyond your schedule I will pay you overtime.' I did everything I had to do. When the person left, even if they asked to leave, I always paid them everything. I paid everything and gave them a large tip, so everyone that worked with me are my friends, close friends, until today."
- LAN house—"My husband, who is a mechanic, helps me find the best prices for the merchandise I need to buy over the Internet. He also helps me organize the store. My sister earns five hundred Brazilian *reais* [a month] and my brother thirty Brazilian *reais* for Saturday and thirty for Sunday."

These show simple contradictions with SEBRAE's expectations and prescriptions, and the evidence of the interviews in their variety and terms are self-explanatory as to why Rocinha's microentrepreneurs do not even consider the whole apparatus of selection and training on a "professional basis"—it would not serve their purposes. Trust and flexibility are far more relevant than abstract criteria for selection or the possession of formal skill sets.

Business Location

In terms of location, SEBRAE follows the advice of Kotler and Keller (2011) on marketing strategies for business location: that a location must be carefully selected and may even be a critical success factor for business. SEBRAE, following classical business location theory, recommends that optimal business opportunities must condition the choice of a place to start a business. SEBRAE's (2014g) material for entrepreneurial training concerning location states:

The point of sale of any business can be a significant client attractor; hence, if your headquarters is also your point of sale, reflect on the following questions:

- Is it well located?
- Is it easily accessible?
- Is it organized? Clean?
- Is it properly lighted?
- Is it visible and easily identifiable?

In most cases, the point of sale can represent up to 50% of your business's success. Your point of sale deserves all your attention!

SEBRAE conditions business location to the place with best business opportunities; however, location in Rocinha seems to be conditioned by relationship-based access to spaces on particular time slots over the day and in various conditions—what can be gained through relationships that is suitable for long enough in a day or over time—with more emphasis on availability and ease of access than on intrinsic business opportunities. The cases provide the following evidence:

- Photo studio—“We had another place in mind, which was right up there, in the middle of Rocinha, until the day my sister, who rented this place where we are, said she would return to her old house and suggested that we make the studio there. Then, this place fit like a glove.”
- Food kiosk—“I said to my sister, let's go down to the square and ask the drug lord if he would let us use a corner somewhere, and then we could go there and sell bone soup, something to let us make some money and pay our bills. Then I saw an empty place—it was a puddle of mud, you know, a hole this big. I told her, ‘Well, let's get to work, let's take that mud away, make a small sidewalk and put out a table there.’”
- Candy wholesaler—“A week later I was selling twenty to thirty boxes of cookies a day . . . it was when a house came up for sale, in one of Rocinha's small lanes, the Roma lane. It was the beginning of the Real Plan [1994], and fifteen thousand *reais* for the house was a lot of money, but the lady told me she would only sell the house to me. She came through my wife.”
- Graffiti—“Then I realized I was going to need a space, right? A space that would enable me to develop this thing [teaching children]. Then I started looking for this place. The owner of this place [the interview was conducted on site] didn't want to rent me the space, because she thought this graffiti thing would call the police's attention, Rocinha was not yet pacified, that smelled wrong. Then I asked Alessandra Lima. It's very funny, the owner said just like this: ‘This black boy wants to come here and spray graffiti in the walls, this is not right.’ Then I met Alessandra Lima, a white girl with straight hair, good looks and all. I asked her, as a favor, to talk to Dona Lucy [the owner], and ask her if I could stay and have a place to keep my stuff; and I have plenty of stuff, compressor, airbrush, a bunch of canvas, easel—so much stuff, so much work materials. And then what happened? Alessandra talked to her, she agreed to rent it, and Alessandra told her I would be responsible, that Dona Lucy could talk to me [directly], but in the beginning Dona Lucy was bigoted, full of prejudice [against graffiti]. As she got to know me, and became used to me, got to know my work, [she changed] and today I have a great friendship with her.”

Again, SEBRAE's assumption and prescriptions would not apply: location emerges as a matter of opportunity, with such a heavy component of idiosyncrasy and timing as to make ludicrous the idea of anticipation and planning derived from the logic of causation.

Central Concern

According to SEBRAE (2014c), before starting a business, entrepreneurs must check a business's viability through market research. Market research serves to find the best location for the business, to evaluate competitors, suppliers, and consumers. In its entrepreneurship-training material, SEBRAE argues that this stage helps entrepreneurs know the market, develop a sound business plan, see business opportunities, estimate the necessary capital investments, and even understand how economy might affect their initiatives. The central concern, and the formal requisite for applying to official entrepreneurship training programs and support policies, is thus the development of a business plan. According to SEBRAE (2014c):

“The entrepreneur must develop a business plan, in which he or she organizes information about the company he or she wants to create. Planning allows for a clear and consistent vision about the company's development and its translation into feasible goals. The business plan registers the business' value proposition, its risks, competitors, customer profiles and the marketing strategies and financial plans that will make the new company viable.”

Furthermore, according to SEBRAE's (2014e) entrepreneurship-training materials:

Planning is one of the most important steps in starting or expanding a business. In general terms, a business plan must answer questions such as:

- What is the business?
- What are its products and/or services?
- Who are the customers and where will the company be located?
- How much capital will be invested in the company, and what are its estimated revenues and profits over time?

Again, Rocinha's entrepreneurial activity flies in the face of the assumptions of the official entrepreneurship training policies. In contradiction with SEBRAE and in alignment with the logic of effectuation (Saravathy 2001a, 2001b, 2008), developing a business plan is not the central concern of any of the entrepreneurship cases studied. Rocinha's entrepreneurs are more focused on obtaining and controlling resources than on developing a business plan that would anticipate and orient their actions:

- Photo studio—"It was by working together since always that we realized that we could get together and become partners. Besides, we knew that every house in Rocinha had a frame with Estrela Estúdio's picture [an already-established competitor]. Those were the things that made us realize that our studio could be viable. It took us six months of construction and renovation, we bought the couch, but the studio was not yet working. We constructed the studio's room, which has the minimum space required for a photo studio. We invited our friends to test the space and gave them the pictures as a reward. We started the business like this, naturally. We didn't even have a grand opening party. We don't even know if this is right, but it is working quite all right for us."
- Food kiosk—"When I started with the kiosk, I went to the residents' association and no one could authorize me. Then we asked one person, another person, and we were sent to the Administrative Region of Street One [Rocinha's most important street]. We didn't have a chance of getting authorized there. Then we went searching in 'alternative' means [drug lords]. And they let us. They ended up letting us. And then, three days later, after everything was set, the guy that allowed us to open our kiosk was killed. I watched on the TV. Then, the next day, a new 'owner' appeared. Jeez, I froze! It seemed that I had lost a relative. Then I took courage out of nowhere to talk to the new guy. I had nothing to lose, anyway."
- Candy wholesaler—"At that time, I used to buy my merchandise in one of Rocinha's candy stores. Then I went shopping to Apia Street, and the owner of the candy store said, 'Fofura [a high-selling product] is not very profitable, but it sells a lot. I bought one hundred boxes of Fofura Friday and on Monday I was sold out.' I then stopped and thought: that is *the* deal. I am changing from candy retailing to wholesale!"
- LAN house—"I plan some things, but I end up changing them. When I plan to do things one way, I end up doing another. But I do many things without planning. As if it were a shot in the dark. To take risks. We have to dare to risk. I think life is like this, to take risks and seeing if we can achieve something. We have to take risks."
- Graffiti—"In 2003, I received an invitation from Gabriel, O Pensador [a famous Brazilian pop and rap singer] to give graffiti and drawing classes in the Thinking Together Project, here in our community. This initiative was broadcast on Globo TV [Brazil's biggest TV network], on Serginho Groisman's *Ação* show [on initiatives in favelas and similar poor communities]. Gabriel, O Pensador, was quite famous in Rocinha, so I started teaching graffiti to the youngsters and my work began to have some recognition. I began to appear on TV and then I created the institute. It was after Gabriel that I created it, because I felt more structured to construct the place and start developing this work in the community, involving arts and graffiti. I started to participate in calls for proposals for governmental funding. I had my art and I dedicated some time to earn some money, to achieve some goals. I then created other classes and also started teaching in different places in Rocinha."

Perhaps the simplest way of summarizing the evidence in this case is to acknowledge that none of the businesses presented would be amenable for business planning at all; they all had to do with shaping a trajectory in response to circumstances through adaptation and resource control on an ad hoc basis.

Discussion: The Logic of Effectuation as Analytical Key

Visiting these cases and viewing them through the logic of effectuation supports that logic's utility as an analytical key for understanding real-life trajectories of Rocinha's microentrepreneurs.

The owner of the LAN house began her entrepreneurial activity limited by her elementary level of education, and hence had to rely on her relational network—which provides evidence for the bird-in-hand principle: start with your means, instead of setting goals or opportunities. Additionally, she decided to buy a business without further planning or additional considerations, the very business she worked at—which provides evidence for the pilot-in-the-plane principle: focus on activities in one's control instead of expecting that established market forces will cause the future to unfold. Further, her gaining the considerable sum of her job dismissal compensation and the serendipity in finding a reliable business partner gave her the courage to take the risks and start her own business—which provides evidence for the affordable-loss principle: limit risk by understanding what one can afford to lose at each step instead of seeking large all-or-nothing opportunities.

The food kiosk owner's entrepreneurial practice began with her cooking skills (bird-in-hand: start with your means), after emotionally recovering from a tragedy—which provides evidence for the lemonade principle: when life gives you lemons, make lemonade; that is, interpret "bad" news and surprises as potential clues about new markets. She started a new business at her food cart, which later evolved into a food kiosk, without formal planning and with little or no awareness of the contingencies of her context (pilot in the plane).

The candy wholesaler's entrepreneurial practice began with his personal experience with his father during his childhood (bird in hand). Instead of studying the candy market or planning his next steps, his actions reflected creating the future rather than predicting it (pilot in the plane).

The entrepreneurial practice of the photo studio owner relied on his previous knowledge, with special emphasis on his college education as a graphic designer (bird in hand), and his adaptation of skills and desires to the physical limitations of his photo studio in order to operate his business (pilot in the plane), which began completely funded by his family (affordable loss).

The entrepreneurial practice of Wark da Rocinha, the graffiti artist, began with his drawing skills (bird in hand) and his initial investments in an airbrush and ink (affordable loss). He then decided to quit his previous job and fully dedicate himself to his art (pilot in the plane). Despite the difficulties, particularly the lack of an appropriate space for his classes, he managed to develop an initiative with significant social impact (lemonade).

Conclusions

This article has argued that the logic of effectuation can explain microentrepreneurial trajectories in favelas. It has offered evidence for an expansion of the field of applicability of Sarasvathy's formulations on entrepreneurship to a new object (microentrepreneurs in favelas versus expert entrepreneurs from large firms). It also has exposed severe shortcomings in the training programs and support policies of SEBRAE. A qualitative study supplied five cases that supported the claim for the validity of the logic of effectuation as key for understanding microentrepreneurial activity in favelas. It showed how SEBRAE's entrepreneurship-training programs and support policies are at odds with the actual practice of (at least some of) Rocinha's microentrepreneurs. The results suggest that those shortcomings stem from an unwarranted preponderance of the logic of causation in SEBRAE's understanding of the process of business creation. A direct consequence of this appreciation of the enhanced reach of the logic of effectuation would be the prospect, even the urgency, of reforming the very foundations of the policies that support entrepreneurship in favelas.

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