

Entrepreneurial misbehavior associated with tax evasion practices

MARINA EMANUELLI BELO¹THIAGO CAVALCANTE NASCIMENTO¹ANDRÉA TORRES BARROS BATINGA DE MENDONÇA²¹ UNIVERSIDADE TECNOLÓGICA FEDERAL DO PARANÁ (UTFPR) / PROGRAMA DE PÓS-GRADUAÇÃO EM ADMINISTRAÇÃO, CURITIBA – PR, BRAZIL² UNIVERSIDADE FEDERAL DO PARANÁ (UFPR) / PROGRAMA DE PÓS-GRADUAÇÃO EM GESTÃO DA INFORMAÇÃO, CURITIBA – PR, BRAZIL

Abstract

This research aims to understand how entrepreneurs' misbehavior is associated with tax evasion practices in micro and small companies from the Brazilian perspective. Entrepreneurial misbehavior is understood as the set of attitudes intentionally performed by the members of the organization, which result in the violation of social rules, norms, and standards. Through a literature review, we observed that 'Brazil's cultural formation strengthened a common belief that citizens are constantly harmed by the political system, which influences these individuals to circumvent adverse situations and obtain rewards. This social mechanism used as a problem-solving strategy is known as the "Brazilian way." Thus, a qualitative research was carried out with semi-structured interviews with micro and small entrepreneurs and subsequently content analysis. The main results reveal that tax evasion is a rational choice for the entrepreneur. Although some entrepreneurs have hesitated to confirm illegal practice, most of the interviewees stated that, when considering the risks and benefits, the act of tax evasion is advantageous for small businesses since the penalties are negligible, considering the low enforcement.

Keywords: Misbehavior. Entrepreneurial behavior. Tax evasion.

Misbehavior empreendedor associado às práticas de sonegação fiscal

Resumo

Esta pesquisa tem como objetivo compreender como se manifesta o *misbehavior* de empreendedores associado às práticas de sonegação fiscal em micro e pequenas empresas, sob a ótica do jeitinho brasileiro. Entende-se o conjunto de atitudes realizadas pelos membros da organização, de maneira intencional, e que resultam na violação de regras, normas e padrões sociais como *misbehavior organizational*. Observou-se na literatura que a formação cultural do país fortaleceu uma crença comum de que os cidadãos são constantemente prejudicados pelo sistema político, o que influencia na utilização de meios, por parte destes indivíduos, para contornar situações adversas e obter recompensas. Este mecanismo social utilizado como estratégia na solução de problemas é conhecido como jeitinho brasileiro. Assim, foi realizada uma pesquisa qualitativa com entrevistas semiestruturadas a micro e pequenos empreendedores e posteriormente a análise de conteúdo a partir de categorias de análise. Os principais resultados revelam que a sonegação fiscal é uma escolha racional do empreendedor. Embora alguns empresários tenham apresentado certa hesitação para confirmar a prática ilícita, a maior parte dos entrevistados afirmou que, ao ponderar os riscos e benefícios, o ato de sonegar é vantajoso ao pequeno negócio, uma vez que os custos com penalidades são irrisórios, considerando a baixa fiscalização.

Palavras-chave: *Misbehavior*. Comportamento empreendedor. Sonegação fiscal.

Misbehavior empresarial asociado con prácticas de evasión fiscal

Resumen

Esta investigación tiene como objetivo comprender cómo la mala conducta de los empresarios se asocia con las prácticas de evasión fiscal en las micro y pequeñas empresas, desde la perspectiva del estilo brasileño. Se entiende como *Misbehavior* organizativo al conjunto de actitudes realizadas intencionalmente por los miembros de la organización, que resultan en la violación de reglas, normas y estándares sociales. Se observó en la literatura que la formación cultural del país fortaleció la creencia común de que los ciudadanos son constantemente perjudicados por el sistema político, lo que influye en el uso de los medios, por parte de estos individuos, para sortear situaciones adversas y obtener recompensas. Este mecanismo social utilizado como estrategia de resolución de problemas se conoce como método brasileño. Así, se realizó una investigación cualitativa con entrevistas semiestruturadas a micro y pequeños empresarios y, posteriormente, el análisis de contenido a partir de categorías de análisis. Los principales resultados revelan que la evasión fiscal es una opción racional para el empresario. Si bien algunos empresarios han dudado en confirmar la práctica ilegal, la mayoría de los entrevistados manifestó que, al considerar los riesgos y beneficios, el acto de evadir es ventajoso para las pequeñas empresas, ya que el costo de las sanciones es ínfimo, considerando la baja ejecución.

Palabras clave: *Misbehavior*. Comportamiento empresarial. Evasión de impuestos.

Article submitted on August 31, 2020 and accepted for publication on January 19, 2021.

[Translated version] Note: All quotes in English translated by this article's translator.

DOI: <http://dx.doi.org/10.1590/1679-395120200187>

INTRODUCTION

The capacity of companies to create jobs and generate income, hence, to pay taxes, assigns them an important role in the socioeconomic development of countries (Eslabão & Vechhio, 2016). However, by adopting corrupt practices in conducting their strategic actions, these organizations affect the business environment negatively (Borini & Grisi, 2009).

There is no consensus in the literature on the definition of the term “entrepreneur”, and on the attributes of such person. Nevertheless, we can say that entrepreneurs are individuals that foster the development of organizations, from a decision-making process based on identifying new opportunities in the business environment, analyzing available information, and taking into account process risks (Casson, 2000; Eckhardt & Shane, 2003; Hisrich, Peters, & Shepherd, 2014; Shane & Venkataraman, 2000). Thus, in this paper, we adopted the definition by Hisrich et al. (2014, p. 7), who describe the entrepreneur as an individual who acts from the identification of opportunities that arise in business environments, which are often “extremely insecure, with high risks, and intense time pressures”, and require a “considerable emotional investment”.

According to Brenkert (2009), in order to take advantage of the opportunities identified in the business environment, the entrepreneur makes decisions that may involve breaking legal and moral rules. In some situations, this behavior can be accepted as part of entrepreneurship.

Among the illicit practices used by Brazilian micro and small companies, the most used is tax evasion (Forte, Domingues, & Oliveira, 2015). In Brazil, according to the Central Bank, while the primary deficit for the year 2018 was around R\$ 108 billion, deviations from the collection expected in that same year, represented by tax evasion, reached R\$ 570 billion (Sindicato Nacional dos Procuradores da Fazenda Nacional [SINPROFAZ], 2019). That is, disregarding the expenses with government debt interests, public sector accounts could be in balance, if the expected tax collection were effectively carried out.

Tax evasion, the term we use in this study, is a practice that requires a decision based on a rational, strategic, and careful analysis between the costs and benefits of the corrupt act; that is, there is an assessment whether the expected return is sufficient to compensate the risks of detection and punishment (Allingham & Sandmo, 1972; Clemente & Lírio, 2017). Despite this, the corrupt practice is not just the result of a rational assessment, since the decision to evade will also involve ethical and sociological aspects regarding the individual motivations of each agent (Siqueira & Ramos, 2005).

Forte et al. (2005) observe that the country’s cultural formation strengthened a common belief that the political system constantly harms citizens, which influences their use of means to circumvent harsh situations and achieve rewards. This social mechanism for solving problems is known as the “Brazilian knack” (Duarte, 2006).

Thus, each entrepreneur, in a decision-making process inherent to his function, when considering evasion at the organizational level, will identify the risks and expected returns of certain operational and strategic actions. He will take also into account aspects of his individual ethical formation and position in the social environment, including cultural, political, and economic features (Brenkert, 2009; Forte et al., 2015).

Considering this context, we formulated the following guiding question for this research: how entrepreneurs’ misbehavior associated to practices of tax evasion manifests itself in micro and small companies, from the perspective of the ‘Brazilian knack’?

Thus, to attain this objective, we structured this paper in sections that comprise, in addition to this introduction, the basic theoretical framework that discusses entrepreneurial behavior and its relationship with the concept of Organizational Misbehavior and the Brazilian Knack, and the practice of tax evasion. Next, we describe the methodological procedures, the analysis of collected data, final remarks, and the references used.

ENTREPRENEUR'S MISBEHAVIOR

In conducting business activities, an entrepreneur faces different harsh situations, such as high tax burden, restricted access to credit, strong competition, and excessive bureaucracy, among others. Aiming to take advantage of opportunities in the business environment, he develops organizational strategies that may involve violating legal and moral rules (Brenkert, 2009; Forte et al., 2015).

Vardi and Wiener (1996) define organizational misbehavior as the set of actions taken intentionally by organization members, which results in the violation of social rules and standards. The expression covers three categories, according to the individual's intention to act: a) for his own benefit; b) for the organization's benefit; and c) to cause damage to the organization.

Costa (2018) categorizes organizational misbehavior according to the direction of the actions taken by organization members: interpersonal, intrapersonal, and organizational. Interpersonal direction occurs when misbehavior directly involves at least two persons in the organization, as is the case with situations that include, for example, aggression and violence, moral and sexual harassment, discrimination, and misuse of authority. Intrapersonal direction, on the other hand, does not involve people other than the individual who shows the deviant behavior, as happens when there is illicit drug abuse and antisocial behavior. Finally, organizational direction expresses that misbehavior relates directly to the organization, such as theft, espionage, intentional errors, and those already mentioned - corruption and fraud. Therefore, this is the dimension addressed in this paper.

In a recent literature review, Gervásio (2018) developed a summary table, presented in Box 1, with the different concepts adopted by authors on organizational misbehavior.

Box 1
Revision of concepts on organizational misbehavior

Authors	Concepts
Thompson and Ackroyd (1995, p. 2)	Anything you do at work, but you should not.
Robinson and Bennett (1995)	Deviations of employees with inappropriate voluntary behavior and contrary to regulations and standards that threaten the organization's well-being.
Vardi and Weitz (1996, p. 153)	Any intentional action by organization members that defy and violate (a) shared organizational norms and expectations; and/or (b) social values, customs, and appropriate standards of conduct.
Collinson and Ackroyd (2005)	Subordinates' informal practices, which can be defined as self-consciousness of breaking rules.
Griffin and Lopez (2005)	Forms of intentional, non-accidental behavior, potentially harmful to the organization or to people in the organization.
Medeiros and Alcadipani (2016)	An opposition to organizational behavior, as a form of resistance in organizations.

Source: Gervásio (2018).

Our understanding is similar to that of Vardi and Wiener (1996); thus, we adopted their concept of organizational misbehavior, where intentional actions carried out by organization members that result in breaking the rules are a deviant behavior and configure an organizational misbehavior.

These authors establish that organizational misbehavior can occur through a member's intention of getting benefits for himself, or providing gains for the organization, or even damaging the organization or harming someone.

Pedroso, Massukado-Nakatani and Mussi (2009) understand that cultural factors also influence entrepreneurial behavior, whether positive or negative, as is the case of misbehavior. Considering that individuals that make up a given society affect and are affected by local culture, they compared the entrepreneurial profile to the Brazilian knack, and identified positive common attributes, such as skills for negotiation and problem solving, creativity and innovation, flexibility, and good personal relationship.

THE BRAZILIAN KNACK

Described as a phenomenon that happens daily and can be seen in both public and private spheres (Motta & Alcadipani, 1999), the Brazilian knack, or simply “knack”, is the result of the asymmetry between informal practice and instrumental rationality of the bureaucratic system (Flach, 2012).

According to Barbosa (2005, p. 44), the difference between knack and corruption is perceived by “[...] the existence or not of any material advantage arising from the situation”; however, there are circumstances where, even involving financial benefits, the action will be seen as a knack, and not as a corrupt behavior. This distinction is much associated to the monetary value involved in the transaction: when it is a low value, as in the case of tips, it is a knack, which becomes corruption as these values increase.

Motta and Alcadipani (1999) disagree on this understanding, by observing that knack is different from corruption since it does not imply material gains for whom grants it.

From another perspective, Braga and Bezerra (2017, p. 29) argue that the Brazilian knack is associated to corruption when it is a solution developed “[...] to avoid complying with legal obligations, which, despite being fair or not, are part of our legal system and must be observed”. In this view, it is not necessary to provide high-value financial advantages to understand knack as corruption; to these authors, the knack is corruption in early process.

Thus, seen as a negative behavior, the knack comprises aspects such as transgression of rules and laws, contempt for formalities, trend to corrupt or be corrupted, low level of planning, and non-compliance with deadlines (Barbosa, 2005; Braga & Bezerra, 2017; Pedroso et al., 2009).

When assessing knack’s positive attributes, Pedroso et al. (2009) realized that there are common aspects between the characterization of the Brazilian knack and the features that form a profile associated to entrepreneurs. The authors found in the selected literature the following interfaces between the characteristics of the Brazilian knack and the entrepreneurial profile: creativity and innovation; initiative for change and problem solving skills; ability to persuade and reconcile; adaptability and flexibility; and capacity for personal relationship.

In the view of Forte et al. (2015), during the development of the activities of micro and small companies, entrepreneurs constantly face dilemmas arising from the conflict between the search for business maintenance and the maximization of results, due to the need to act according to socially accepted moral precepts. The authors argue that cultural aspects, such as the Brazilian knack, added to the strong competition and difficulties to keep the company alive, tend to influence entrepreneurs’ decision regarding the adoption of corrupt practices such as tax evasion.

Thus, being a social practice that affects the attitudes and behaviors of individuals, in dealing and solving adverse situations found in daily activities (Vieira, Costa & Barbosa, 1982), we understand that the knack will also affect the behavior of entrepreneurs in the face of difficulties that may arise in managing their businesses.

TAX EVASION IN MICRO AND SMALL FIRMS

Among the practices of private micro and small companies that deviate from social expectations, tax evasion is considered a corrupt practice, and the most common (Borini & Grisi, 2009; Forte et al., 2015), which occurs from an analysis that involves rational and ethical aspects (Siqueira & Ramos, 2005) and results in losses for tax authorities.

Correia and Pires (2017) argue that taxpayer dissatisfaction with the social return from tax payment is a determinant factor for not complying with norms. Siqueira and Ramos (2005) argue that, in general, individuals are averse to paying taxes, thus carrying out activities in order to reduce their tax obligations, by using mechanisms that may be licit or not. For Grzybovski and Hahn (2006), there is still a social consensus that the taxpayer who decreases his tax obligations, even if illicitly, is acting with more intelligence than the other taxpayers.

Among the alternatives for reducing tax payment, tax avoidance is a licit practice, because it uses foreseen aspects or legislation gaps to develop tax planning (Menezes, Wilbert & Lima, 2017). Tax evasion, on the other hand, is seen as an illicit conduct in which the taxpayer uses practices such as omission of payment, simulation, or fraud to achieve tax savings (Borini & Grisi, 2009; Correia & Pires, 2017; Lima, Wilbert & Serrano, 2017). According to G. Amaral, Olenike, L. Amaral and Steinbruch (2009), tax evasion is a voluntary and conscious action by an individual who wants to reduce, totally or partially, or postpone his tax obligations.

Therefore, tax evasion consists of reducing or canceling tax burden by illicit means, considered a crime against the tax system, with the purpose of reducing tax contribution (Berger, Dallapicula, Alencar & Dalmácio, 2009; Borini & Grisi, 2009; Correia & Pires, 2017; Lima et al., 2017).

For Brazilian business people, the practice of tax evasion is a matter of survival, which reduces the feeling of illegality for those who act outside the tax legislation. They understand that their acts can be justified by the difficulties in dealing with factors such as high tax burden, excessive bureaucracy, poor distribution of government services, and growing perception of public corruption, which lead to a decrease of tax collection (Correia & Pires, 2017; Forte et al., 2015). For Correia and Pires (2017), when taxpayers feel that the counterpart for the collected funds is inefficient, or the tax system is unfair, tolerance regarding tax evasion practices increases.

METHODS

To answer the research problem, expressed in the question: “how entrepreneurs’ misbehavior associated to practices of tax evasion manifests itself in micro and small companies, from the perspective of the Brazilian knack?” We used a qualitative research to understand and explain social phenomena, observe the relationships among different groups, and understand agents’ reflections on certain actions (Godoi & Bandeira-De-Mello; Silva, 2006).

The research is also exploratory-descriptive, since it explores new elements within the topic and describes the reality presented by interviewees. We used semi-structured interviews with entrepreneurs chosen intentionally by easy access, who are responsible for the creation and current management of organizations classified by Act no. 123/2006 as micro-enterprises (ME) or small businesses (EPP).

We chose micro and small companies by considering both the fact that access to their owners and managers was easier, compared to large companies, and their relevance for the Brazilian economy. The Brazilian Support Service to Micro and Small Firms (SEBRAE, 2018) published the report “*Know the main figures on the participation of small businesses in the Brazilian and São Paulo economies*”, which shows that micro and small companies account for 27% of the GDP and represent 98.5% of the private companies, providing 54% of all formal jobs in the country.

Box 2
Characteristics of interviewed entrepreneurs

Codename	Duration and transcription	Interviewee's Description
Mercury E1	Length: 02:39 Page: 84	He started as a business owner in 1994, opening a mechanical workshop. After almost fifteen years of operation, he chose to expand his businesses and opened a carrier to maximize his income. Along with such activities, he informally buys and sells used vehicles.
Venus E2	Length: 01:06 Page: 30	In 2014, he bought a mini-market, and over the years expanded the structure of the business. Today it has eight employees. Currently, he has two other informal businesses in the food area: a roast meat shop and a frozen food trade.
Mars E3	Length: 00:58 Page: 28	After working as an employee in a fumigation and pest control company, in 2017 he saw a market opportunity and opened a fumigation firm with a partner. Right at the start of operations, they broke up the partnership. The company has no employees and, when necessary, hires outsourced service providers.
Jupiter E4	Length: 00:48 Page: 24	He started his career in the IT area as a storeowner, in the interior of Paraná; however, with increasing competition, the company went bankrupt, and he moved to the state capital as an employee of an organization in the same sector. In 2010, he started again by creating a business for the sale and maintenance of electronic equipment, also providing consulting services to some companies; currently he employs five people, and acts both in the company's management and operation.
Uranus E5	Length: 01:24 Page: 39	In mid-2010, he identified a business opportunity in the segment of vehicle wash in companies, where he worked for almost six years with a partner and 12 employees. When the partnership was broken up, he chose to close down the company in the washing area and start a new business in the beer trade area. In this business, he has the support of his wife and two other service providers.
Neptune E6	Length: 01:28 Page: 40	In 2006, in partnership with a colleague during the undergraduate course, he opened a company in the software development area, to work for the government. In parallel, in mid-2007, he opened a new firm with another partner, in the same segment, to operate with the private market. He is currently the only owner of the company that provides services to the public sector; with both companies active, he has around 10 employees.

Source: Elaborated by the authors.

We collected data in October 2019 through semi-structured interviews, both in person and by telephone, according to interviewees' suggestion and availability.

After completing the transcriptions, we organized the speeches by using the mixed grid technique. First, we established categories from theory, and then, according to aspects identified during field approach, we added new categories: legitimation of tax evasion; maximization of earnings and the organization's survival; inspection and probability of punishment; tax awareness; and the Brazilian knack.

Thus, following these methodological considerations, the next section explores and describes the analysis of collected data.

ANALYSIS AND DESCRIPTION OF INTERVIEWS

Here we describe the analysis categories defined in the previous section, and discuss the cases addressed in the study.

Legitimation of tax evasion

According to Grzybovski and Hahn (2006), the main factors used to try legitimizing tax evasion acts relate to the bureaucracy of government processes and the feeling of low social return from tax collection. Another relevant aspect in searching to legitimize these illegal acts is the strong perception of public corruption cases.

These factors can be noticed in Venus's speech, as a justification for closing business activities. In many cases, a sum of factors leads to the practice of tax evasion, closing companies, and increasing the informality of small ventures.

For the interviewee, bureaucratic issues hinder the daily life of the small business owner, since he plays different roles in the company, routinely assuming operational and support activities. In addition to the bureaucracy, Venus also considers the tax issue detrimental to investments in small businesses in the country. Given these difficulties, several entrepreneurs end up their activities.

Although Mars states that some government actions facilitate the processes of issuing electronic invoices, such as the creation of a smartphone application, the activity is still very bureaucratic; although it can be issued anywhere "[...] I prepare the invoice, time consuming and everything [...] and at the time of issuing, it does not". For the participant, the bureaucracy for issuing tax documents does not fit in the routine of small business entrepreneurs, who reported: "[...] there are times when I leave the city hall and it is a disgrace, you don't have time, the internet doesn't help either [...] then I leave it for later". Because many customers do not want or need the invoices, this causes them not to be issued correctly.

Confirming Forte et al. (2015), who state that the practice of tax evasion should not be justified by the 'tax burden' factor, Jupiter says that tax burden itself on small companies' activities does not hinder tax collection, but instead it is the complexity of the current tax system.

We also noticed participants' dissatisfaction with the obligation of paying taxes and the counterpart offered in public services, which confirms Correia and Pires (2017), who describe the low perception of social return, compared to the values raised by tax collection, as one of the factors used as an excuse for tax evasion by small companies.

For Uranus, if the social return offered by public institutions from tax collection were effective, tax evasion would decrease; he states "[...] if it were a fair system, my God ... I would gladly pay! I would surely pay taxes, do you know?!" He complements his speech by saying that tax collection would also be higher if the entrepreneur noticed the positive influence of public institutions in the development of his business.

Mars also states that if social return were efficient, tax collection by small businesses would be higher "[...] if the deal was fair, oh, you know ... we are eating you, but we are returning service, benefit, man, ... I would gladly pay". For Neptune, even with the reduction of tax evasion, there would be no improvement in the return to the population "[...] they go there and steal the same way, and the money is never enough [...]".

Such facts confirm Anokhin and Schulze (2009): taxpayers' confidence levels regarding the State would increase if they noticed an improvement in corruption control and social return.

In addition to these aspects, another factor that seems to legitimize the practice of tax evasion is the lack of own resources for firm development, as in Uranus's speech: "there is always an investment to make. A lamp that burns, something to change in the bathroom, I need to innovate, I need to change something outside, it's a new tent to buy [...]".

Using the context of resource shortage as a justification for tax evasion, the following section addresses the maximization of results and the survival of micro and small firms.

Income maximization and organization survival

The search for maximizing return on investments can lead taxpayers, whether individuals or legal entities, to act in a corrupt way, by ignoring society's rules of conduct and practicing a series of illicit actions (Borini & Grisi, 2009), among which tax evasion is the most common practice in micro or small companies (Forte et al., 2015).

Venus reports that in his trade branch there are no companies, regardless of size, that do not indulge in acts of tax evasion. The conditions of the business environment make tax evasion an essential tool, legitimized by peers, for the survival of micro and small companies. He emphasizes, "There is no one in activity today, and I state, there is no one – small or large – within my branch, at least, that does not evade".

When asked about his perception on the reason for the high practice of tax evasion, Venus reports: "[...] it is more a matter of survival"; however, he immediately completes the sentence by saying that "[...] there are people who arrive at a point where they could afford it. But, man, if you are doing that way, if you have X left at the end of the month, ... it's very easy to get used to the good life". This counterpoint shows that illicit actions taken to achieve tax savings (Correia & Pires, 2017) are not always for the organization's survival, and is one of the ways used intentionally to maximize the entrepreneur's own income and change his quality of life. At this point, Mercury adds, "he only survives because he evades. If he pays 100%, he will not survive".

When describing some illegal actions for reducing tax collection, Jupiter says that buying and selling goods without invoice is a very common practice. "[...] If you buy without an invoice and sell without it, it is a way of evading ... Of course, you will not do this in 100% of the cases, but it happens a lot, you buy a good amount without an invoice and sell it without it too".

Financial unfeasibility in complying with tax obligations is also present in Mars's words: "[...] unfortunately..., I prefer to live like this ... Surviving ... Right or wrong ... Not hurting anybody. Instead of 'oh, I'm paying all taxes correctly', then... I can't change my car, I can't buy better equipment [...]"

This passage from Mars's interview reflects the conflict highlighted by Forte et al. (2015, p. 97) between "[...] earning more and ensuring the company's survival by being unethical, or to act ethically and take the risk of losing financial benefits". At the same time that he shows sadness for acting illegally, he keeps his decision in order to maintain the enterprise.

As mentioned by Forte et al. (2015), the interviewees' speeches show that the practice of tax evasion is a critical strategic tool for business survival, which decreases the illegality of the practice.

Inspection and probability of punishment

Allingham and Sandmo (1972) observe that the taxpayer's decision on doing or not tax evasion is a rational choice, where he weighs the risks and advantages of acting illicitly. Mercury reports that his tax evasion practices, carried out intentionally, have brought higher financial benefits compared to the costs of punishment, over the twenty-five years he has owned small businesses. In his perspective: "[...] unfortunately, crime pays off in this country [...] cost-benefit, even if it falls under inspection, you will ... They will make a calculation ... You issue what is overdue, then, etc.... They divide in 100 times".

Therefore, the advantages of evading seem to exceed the potential risks, because the probability of punishment is low and, when it happens, it still compensates. According to the interviewee, the amount evaded is "[...] money that, if it took five years, it would be invested. You would almost take all the money from this investment".

On the other hand, this same participant said that inspection, resulting from the implementation of electronic invoices, was a determining factor for the reduction of tax evasion practices in his transport activity: "[...] in recent years, I could not evade anymore, because of the electronic invoice, right?!" In addition, "nowadays it's very difficult with this electronic invoice; it's much tied to things. It's hard to evade. Hence, if there is a gap... Each company knows the gaps in detail, right?"

In Neptune's perspective, the probability of punishment is higher regarding labor obligations, when compared to tax obligations, and this factor is essential to the entrepreneur's decision to keep up to date tax payment related to his employees' payroll.

Clemente and Lírio (2017) observe that taxpayer, in order to make the decision to evade, will carry out an analysis of the expected benefits and the probability of inspection and further punishment. These observations are in line with Neptune's: "[...] we prefer to be correct in the labor area, than ... inspection is stronger, it is easier to occur ... anyone can call the inspection, for example".

According to Barth and Ognedal (2018), the detection of low levels of tax evasion is more complex compared to practices involving higher values, which reduces the likelihood of punishment for micro and small companies. To complement this discussion, the next topic presents an analysis of these individuals' tax awareness.

Tax awareness

In order to provide a better understanding of the socioeconomic purpose of taxes, Baialardi, Rosa and Petri (2015) observe that tax awareness is a social aspect that should be widely spread among taxpayers; in this regard, part of the interviewed entrepreneurs reported understanding, at least partially, the importance of tax collection for the implementation of public policies, as says Mercury:

I go to a gas station, I ask for receipt. Why? Because they are already charging my tax. Hence, the gas station will not give me the 17% discount. [...] For goods and products, I really ask for the invoice. Because that tax, the gas station owner is already charging. It is not the case of harming the owner, but he is already paying. [...] As for the service... we do it differently. People bargain... service is my time, my soul that I put in the business. And I don't think it's right that my soul, my work, should give so much to the government. It is absurd.

Mercury's speech shows that the entrepreneur is aware that the use of resources for public education comes from tax collection; and he asks for invoice as a consumer of certain establishments. However, he keeps legitimizing his own tax evasion, saying that tax collection from service companies is unfair.

When asked about the impacts of tax evasion on society, Jupiter argues: "[...] what is evaded results in the lack of investments in health, education, transportation ... Yeah ... Basically, you withdraw the money from that". However, although apparently aware of the role of taxes in providing public services, he tries to legitimize his illicit practice by having, in theory, support from society. "A very interesting thing is that I have been in this area for over 30 years, we know that the customer arrives and asks for the discount, in exchange for not issuing the invoice".

For Grzybovski and Hahn (2006), there is a social consensus that the taxpayer who pays less tax, even by illicit means such as tax evasion, is more intelligent than other taxpayers. Mercury confirms it:

600 reais above their table. I went there ... paid 70 reais, evaded 200. And this paid for my lunch, dinner, and party. The gap... as I say, the law is full of gaps. And... who is clever, those who studied, they know all that. The dumb says, "no, I charged 4 thousand, I collect for 4 thousand". No. It's stupid... who doesn't evade?

As Baialardi et al. (2015) observe, an accountant has the important role of mediating this awareness, due to his proximity to the individuals responsible for deciding whether to evade tax authorities. From another perspective, Mercury states that, at the beginning of his enterprise, over 25 years ago, he received an accountant's guidance to formalize his company only in face of inspections; that is, the agent responsible for mediating the tax awareness process, in fact, mediated the practice of evasion.

The Brazilian knack

According to Forte et al. (2015), when corrupt practices are so common to the point of being rooted in a given society, the population tends to develop a cultural feeling of loss toward the political system. Believing that they are constantly harmed, taxpayers develop actions to circumvent rough situations, thus achieving rewards.

For Duarte (2006), this social mechanism used as a strategy in problem solving is known as the “Brazilian knack”, and can involve cheating rules or norms, as well as through “conciliation, smartness, or skill” (Barbosa, 2005, p. 41).

When asked about the impacts of inspection on controlling tax evasion, Mars argues that although he believes that inspection would contribute to reduce illicit acts, the cultural factor in the country would still encourage taxpayers to seek ways to bypass the established rules and cultural factors. According to Vieira et al. (1982), the Brazilian knack can be used to overcome difficulties that arise in daily life, and even involves actions to escape bureaucracy and cheat inspection.

Venus says that he intends to terminate the activities of his company, which has a good credit rating, as a strategy to end current debts.

The idea is, perhaps, to write off the company, which is 20 years old, and whose rating is good [...] and start from scratch, trying to escape this inspection. Like “oh, no, this firm went bankrupt”. Since I have a protest in my name, this in theory would justify... I have to tell my accountant... So that I can arrive and say “Oh, it failed. Let’s negotiate with the suppliers”, and then I would open a new firm, in some other way, and start from scratch.

Venus’s speech shows that the entrepreneur, when viewing harsh situations in conducting his activities, seeks to develop strategies to circumvent them, even if they involve breaking rules of conduct or legal norms, as is the case of filing for bankruptcy, in order to get better negotiation conditions with suppliers, even if, in practice, the company remains active.

As previously described, micro and small businesses’ entrepreneurs see the tax system, and politics in general, as the main adverse factor in the business environment. Since the knack can reflect the transgression of social conduct and laws (Braga & Bezerra, 2017), we may say that tax evasion is used as a Brazilian knack to overcome part of the difficulties of keeping micro and small companies; that is, the practice of tax evasion without an illegality bias is done under the influence of entrepreneurs’ cultural traits.

Uranus expressed his dissatisfaction with the public system and described that, at the beginning of his activities, he found difficulties with the city hall for releasing the business license, and he had to resort to that alternative to overcome the adversity. According to the interviewee:

[...] we received a visit from the city hall, and they pointed a million things. I said “Come on, this is a beer store, not an industry”. They wanted me to do millions of things here, and I said, “Look, there’s no point what you guys are asking me for”. Therefore, we had to involve a city councilor... we must know how to use the political environment in order to have its support.

Uranus’s speech makes it clear that, from a feeling of loss against the political system, he used his relationship with third parties (contact with the council member) to escape the bureaucracy; this situation, according to Vieira et al. (1982), can be considered a Brazilian knack. At the end of the interview, the researcher asked him about his understanding of the Brazilian knack concept, and he promptly resumed the subject:

I think the Brazilian knack is terrible. But once in a while we need it, don’t we? ... Sometimes we do not escape. Really. As much as we want to say “no, man, the problem is” [...] I don’t want to be repetitive, but resuming the visit I received, the things they asked. I had to use the Brazilian knack and said “No, I know so-and-so, everyone. I just contacted them, and this is it”. Hence, it’s not only the knack, but sometimes you also have to use a trick in order to be respected, understand? You have to take action. Yes, ... this is one of the Brazilian knacks, we have to grow, to prevail in a situation; if not, they will crush you.

Considering the positive and negative characteristics of the Brazilian knack, Pedrosa et al. (2009) observe that they are close to those attributed to the entrepreneurial profile; for entrepreneurs, even agreeing that they can be harmful and illegal, it is necessary to assume this behavior.

FINAL REMARKS

This study aimed to understand how entrepreneurs' misbehavior manifests itself, regarding tax evasion practices in micro and small companies, from the perspective of the Brazilian knack; the results indicate that different factors influence tax evasion practices as an entrepreneurial misbehavior.

Among the factors mentioned by small business owners as harmful to the development of their companies, they highlight tax burden and the system's bureaucracy. The social return provided by the State is not sufficient compared to the tax burden on business activities or on the final consumer; this fact seems to contribute to statements that legitimize the illicit act of evading as a compensation for the perceived injustice of the tax system.

Entrepreneurs also presented other justifications for legitimizing the illicit practice: the complexity of the tax system, bureaucracy, and the lack of resources for the development of business activities. When they find bureaucratic difficulties for doing some activity, they seek other means, including illicit ones, to achieve the desired goal.

Research results indicate that tax evasion, as an illicit act carried out with the intention of canceling or reducing tax collection, is widely adopted as a survival mechanism for small businesses. Entrepreneurs seek to legitimize their practices by stating that, if they complied with their tax obligations, they would not have sufficient resources to keep or develop the firm. The sensation of the practice illegality is reduced by agents' understanding that there is no other way to keep the organization. Therefore, the fact that these entrepreneurs choose tax evasion instead of a financial and tax planning deserves attention.

Hence, tax evasion is an entrepreneur's rational choice. Although some have hesitated to confirm the illicit practice, most of the interviewees said that, when weighing risks and benefits, the act of evading is advantageous for small businesses, since the costs of penalties are negligible, considering a weak inspection and the consequent likelihood of punishment.

Entrepreneurs partially understand the importance of tax collection for implementing public policies. In the role of consumers, they demand issuing an invoice in the establishments they attend, in order to ensure tax collection; while in the role of entrepreneurs, they look for countless ways to reduce their tax obligations, buying and selling without invoice, keeping employees without due labor registration, opening informal businesses, among other facts.

Although they understand that tax collection is the source of funds for providing public services to the population, on the other hand, by practicing tax evasion in order to get resources for developing their businesses, they prioritize their individual demands to the detriment of the collective. For the interviewees, even though tax evasion has a negative impact on the distribution of public resources, when buying from informal establishments or not requesting invoices in exchange for discounts, part of the population contributes to the persistence of the illicit practice.

By assuming that tax evasion, as an illicit practice associated with corruption, has historical roots, culturally we understand that there is a feeling of constant damage toward the political system and, consequently, toward the national tax system, as interviews show. Entrepreneurs report that they sometimes use illegal practices, such as tax evasion, to circumvent the adversities that arise in daily business, which can be characterized as the Brazilian knack.

Therefore, the research identified that tax evasion, as it happens intentionally, based on a rational analysis between risks and benefits, and results in breaking legal or moral rules for achieving benefits, can be considered a practice of entrepreneurial misbehavior. This misbehavior, in turn, manifests itself as the Brazilian knack, since it is an infringing practice used to overcome adversities, and always seeks justification against the sense of injustice from the public system.

The results highlight important aspects of the misbehavior practice by entrepreneurs of micro and small companies; however, we must be aware of the research limitations. Although qualitative research does not use numerical criteria to attain representation, this study involved the participation of six respondents who work in different market segments; this may be considered a limiting factor for achieving a deeper dialogue between the categories of analysis. In addition, when using a research sample based on accessibility to entrepreneurs, the study may not have reached agents with significant practices for the research context.

From these limitations, but with the purpose of deepening the discussions on the topic, we recommend keeping a qualitative research approach, in order to expand the dialogues and contradictions among different subjects, using the speech analysis technique, relevant for this goal. Hence, new studies should address the practice of tax evasion by entrepreneurs of micro and small companies, from the perspective of different actors who are interested in the tax collection issue, such as agents responsible for tax inspection and control bodies, as well as members of society who notice benefits or losses in the distribution of public resources.

Another possibility that could advance the subject refers to the investigation of specific sectors such as civil construction, beauty salons, clothing trade, or relevant companies among entrepreneurship scholars, such as technology-based businesses, startups, incubated companies, among others. Hence, it would be possible to start a wider knowledge on how these practices manifest themselves in different segments and types of companies.

REFERENCES

- Allingham, M. G., & Sandmo, A. (1972). Income tax evasion: a theoretical analysis. *Journal of Public Economics*, 1, 323-338. Retrieved from [https://doi.org/10.1016/0047-2727\(72\)90010-2](https://doi.org/10.1016/0047-2727(72)90010-2)
- Amaral, G. L., Olenike, J. E., Amaral, L. M. F., & Steinbruch, F. (2009). *Estudo sobre Sonegação Fiscal das empresas Brasileiras*. Curitiba, PR: Instituto Brasileiro de Planejamento Tributário. Retrieved from <https://ibpt.com.br/sonengacao-fiscal-da-empresas/>
- Anokhin, S., & Schulze, W. (2009). Entrepreneurship, innovation and corruption. *Journal of Business Venturing*, 24, 465-476. Retrieved from <https://doi.org/10.1016/j.jbusvent.2008.06.001>
- Baialardi, C. F., Rosa, P. A., & Petri, S. M. (2015). O contador como colaborador da conscientização tributária. *Revista Ambiente Contábil*, 7(1), 1-17. Retrieved from <https://periodicos.ufrn.br/ambiente/article/view/5029/5056>
- Barbosa, L. (2005). *O jeitinho brasileiro: a arte de ser mais igual do que os outros*. Rio de Janeiro, RJ: Elsevier.
- Barth, E., & Ognedal, T. (2018). Tax Evasion in Firms. *Labour*, 32(1), 23-44. Retrieved from https://doi.org/10.1007/978-1-4614-7753-2_34
- Berger, F. S., Dallapicula, T. M., Alencar, R. C., & Dalmácio, F. Z. (2009). A ética da evasão fiscal: um estudo comparativo de profissionais e estudantes da área de negócios. In *Anais do 3º International Accounting Congress*, São Paulo, SP.
- Borini, F. M., & Grisi, F. C. (2009). A corrupção no ambiente de negócios: survey com as micro e pequenas empresas da cidade de São Paulo. *Revista de Administração*, 44(2), 102-117. Retrieved from <http://200.232.30.99/download.asp?file=V4402102.pdf>
- Braga, S. P., & Bezerra, E. V. (2017). O jeitinho brasileiro: as pequenas corrupções diárias e seus reflexos na morosidade da justiça. *Revista de Política Judiciária, Gestão e Administração da Justiça*, 3(1), 17-33. Retrieved from <http://dx.doi.org/10.26668/IndexLawJournals/2525-9822/2017.v3i1.2160>
- Brenkert, G. G. (2009). Innovation, rule breaking and the ethics of entrepreneurship. *Journal of Business Venturing*, 24(5), 448-464. Retrieved from <https://doi.org/10.1016/j.jbusvent.2008.04.004>
- Casson, M. C. (2000). An entrepreneurial theory of the firm. In N. J. Foss, & V. Mahnke (Eds.), *Competence, governance and entrepreneurship: advances in economic strategy research* (1a ed., Cap. 6, pp. 116-145). Oxford, UK: Oxford University Press.
- Clemente, F., & Lírio, V. S. (2017). Evidências internacionais de sonegação fiscal: uma análise a partir do modelo de Graetz, Reinganun e Wilde. *Estudos Econômicos*, 47(3), 487-507. Retrieved from <https://doi.org/10.1590/0101-41614732fvcv>
- Collinson, D. L., & Ackroyd, S. (2005). Resistance, misbehavior and dissent. In R. Batt, P. Thompson, & P. S. Tolbert (Eds.), *The Oxford handbook of work & organization*. Oxford, UK: Oxford University Press.
- Correia, P. M. A. R., & Pires, I. C. G. M. (2017). Evasão fiscal, ética e controvérsias: percepções do agente fiscal sobre a ética fiscal dos contribuintes. *Revista Estudo & Debate*, 24(2), 230-248. Retrieved from <http://dx.doi.org/10.22410/issn.1983-036X.v24i2a2017.1324>
- Costa, R. E. (2018). *Organizational Misbehavior: explorando experiências em instituições públicas de ensino superior do Triângulo Mineiro e Sul Goiano* (Master Thesis). Universidade Federal de Uberlândia, Uberlândia, MG.
- Duarte, F. (2006). Exploring the Interpersonal Transaction of the Brazilian Jeitinho in Bureaucratic Contexts. *Organization*, 13(4), 509-527. Retrieved from <https://doi.org/10.1177/1350508406065103>
- Eckhardt, J. T., & Shane, S. A. (2003). Opportunitities and entrepreneurship. *Journal of Management*, 29(3), 333-349. Retrieved from [https://doi.org/10.1016/S0149-2063\(02\)00225-8](https://doi.org/10.1016/S0149-2063(02)00225-8)
- Eslabão, D. R., & Vecchio, F. B. (2016). Condições e Obstáculos ao Empreendedorismo no Brasil. *Revista de Economia, Empresas e Empreendedores na CPLP*, 2, 79-90. Retrieved from <https://doi.org/10.29073/e3.v2i2.22>
- Flach, L. (2012). O jeitinho brasileiro: analisando suas características e influências nas práticas organizacionais. *Gestão e Planejamento*, 13(3), 499-514. Retrieved from <https://revistas.unifacs.br/index.php/rgb/article/view/1197/1852>
- Forte, S. H. A. C., Domingues, M. C. S., & Oliveira, O. V. (2015). Uso e percepção de licitude de práticas ilegais ou antiéticas de sobrevivência de micro e pequenas empresas. *Revista Ibero-Americana de Estratégia*, 14(3), 93-109. Retrieved from <https://doi.org/10.5585/ijsm.v14i3.2203>
- Gervásio, V. S. O. S. (2018). *Compreendendo o organizational misbehaviour na gestão pública: um estudo de caso em uma instituição de ensino superior pública* (Master Thesis). Universidade Federal de Uberlândia, Uberlândia, MG.
- Godoi, C. K., Bandeira-De-Mello, R., & Silva, A. B. (2006). *Pesquisa Qualitativa em Estudos Organizacionais: Paradigmas, Estratégias e Métodos*. São Paulo, SP: Saraiva.
- Griffin, R. W., & Lopez, Y. P. (2005). "Bad behavior" in organizations: A review and typology for future research. *Journal of Management*, 31(6), 988-1005. Retrieved from <https://doi.org/10.1177/0149206305279942>
- Grzybovski, D., & Hahn, T. G. (2006). Educação fiscal: premissa para melhor percepção da questão tributária. *Revista de Administração Pública*, 40(5), 841-864. Retrieved from <https://doi.org/10.1590/S0034-76122006000500005>
- Hisrich, R. D., Peters, M. P., & Shepherd, D. A. (2014). *Empreendedorismo* (9a ed.). Porto Alegre, RS: AMGH.
- Lima, B. R. T., Wilbert, M. D., & Serrano, A. L. M. (2017). Parcelamento de Tributos Federais como Forma de Financiamento Indireto. *Revista de Administração, Contabilidade e Economia*, 16(3), 1079-1108. Retrieved from <https://doi.org/10.18593/race.v16i3.13405>
- Medeiros, C. R. O., & Alcadipani, R. (2016). In the corporate backstage, the taste of revenge: misbehaviour and humor as form of resistance and subversion. *Revista Administração*, 51(2), 123-136. Retrieved from <https://doi.org/10.5700/rausp1229>
- Menezes, Á., Wilbert, M., & Lima, B. (2017, December). Probabilidade de Detecção de Evasão Fiscal: uma análise da evolução da fiscalização da pessoa jurídica no período de 2006 a 2016. In *Anais do 3º Congresso UnB de Contabilidade e Governança*, Brasília, DF.

- Motta, F. C. P., & Alcadipani, R. (1999). Jeitinho brasileiro, controle social e competição. *Revista de Administração de Empresas*, 39(1), 6-12. Retrieved from <https://www.scielo.br/pdf/rae/v39n1/v39n1a02.pdf>
- Pedroso, J. P. P., Massukado-Nakatani, M. S., & Mussi, F. B. (2009). A relação entre o jeitinho brasileiro e o perfil empreendedor: possíveis interfaces no contexto da atividade empreendedora no Brasil. *Revista de Administração Mackenzie*, 10(4), 100-130. Retrieved from <https://doi.org/10.1590/S1678-69712009000400006>.
- Robinson, S. L., & Bennett, R. J. (1995). A typology of deviant workplace behaviors: amultidimensional scaling study. *Academy of Management Journal*, 38(2), 555-572.
- Serviço de Apoio às Micro e Pequenas Empresas. (2018). *Conheça os principais números sobre a participação dos pequenos negócios nas economias brasileira e paulista*. Retrieved from <http://www.sebrae.com.br/sites/PortalSebrae/ufs/ro/artigos/perfil-das-microempresas-e-empresas-de-pequeno-porte-2018,a2fb479851b33610VgnVCM100004c00210aRCD>
- Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research, *Academy of Management*. *The Academy of Management Review*, 25(1), 217-226. Retrieved from <https://doi.org/10.2307/259271>
- Sindicato Nacional dos Procuradores da Fazenda Nacional. (2019). *Reportagem cita sonegômetro, placar da sonegação criado pelo SINPROFAZ*. Retrieved from <https://www.sinprofaz.org.br/noticias/reportagem-cita-sonegometro-placar-da-sonegacao-criado-pelo-sinprofaz/>
- Siqueira, M. L., & Ramos, F. S. (2005). A economia da sonegação: teorias e evidências empíricas. *Revista de Economia Contemporânea*, 9(3), 555-581. Retrieved from <https://doi.org/10.1590/S1415-98482005000300004>
- Vardi, Y., & Weitz, E. (2004). *Misbehaviour in Organisations: Theory, Research and Management*. Mahwah, NJ: LEA.
- Vardi, Y., & Wiener, Y. (1996). Misbehavior in organizations: A motivational framework. *Organization Science*, 7(2), 151-165. Retrieved from <https://www.jstor.org/stable/2634978>
- Vieira, C. A., Costa, F. L., & Barbosa, L. O. (1982). O “jeitinho” brasileiro como um recurso de poder. *Revista de Administração Pública*, 16(1), 5-31. Retrieved from <http://bibliotecadigital.fgv.br/ojs/index.php/rap/article/view/11440/10392>

Marina Emanuelli Belo

ORCID: <https://orcid.org/0000-0002-7263-8922>

Master in Administration from the Academic Department of Management and Economics at the Federal Technological University of Paraná (UFPR).
E-mail: marinaebelo@gmail.com

Thiago Cavalcante Nascimento

ORCID: <https://orcid.org/0000-0002-5452-8965>

Ph.D. in Administration from the Federal University of Paraná (UFPR); Professor of the Graduate Program in Administration at the Federal Technological University of Paraná (UTFPR). E-mail: thiagoc@utfpr.edu.br

Andréa Torres Barros Batinga de Mendonça

ORCID: <https://orcid.org/0000-0002-9585-7239>

Ph.D. in Administration from the Federal University of Paraná (UFPR); Professor of the Graduate Program in Information Management at the Federal University of Paraná (UFPR). E-mail: andrea.tbbm@gmail.com