

A Theoretical Framework To Analyze The Effects And Characteristics That Determine An Sme With Peter Pan Syndrome

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Abstract

The article critically analyzes the literature on the Peter Pan Syndrome (PPS) in the context of small and medium-sized enterprises (SMEs), highlighting the lack of a well-defined conceptual framework and the confusion between PPS and Opportunistic Tax Behavior (OTB). It proposes that practices such as creating multiple companies to avoid taxes should be classified as OTB, not PPS. The study emphasizes the need for more empirical research to develop a solid conceptual structure for SMEs affected by PPS, especially in Brazil. The research suggests using models like linear regression and structural equation modeling to validate theories and enhance understanding. The article aims to contribute to academia and industry by expanding the theoretical frameworks linking PPS to growth, mortality, and operational performance of SMEs. It concludes that the study is pioneering and seeks to promote international dialogue and empirical investigation on the effects of PPS on SMEs globally.

Keywords: *Peter Pan Syndrome, SMEs, SME life cycle*

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I. Introduction

The concept of Peter Pan Syndrome (PPS) has been mistakenly applied to the context of Small and Medium-sized Enterprises (SMEs) and is often used to justify the lack of growth of these companies. However, the current literature fails to clearly distinguish between what constitutes the PPS effect and what represents Opportunistic Tax Behavior (OTB), a mechanism used by some SMEs to hide their growth. This article seeks to fill this gap by proposing a new conceptual framework for SPP in SMEs, clearly differentiating it from opportunistic practices aimed at securing tax benefits intended exclusively for SMEs.

Although the literature on SME growth is extensive, there is a scarcity of studies that approach SPP from a perspective that considers the distinction between voluntary stagnation and disguised growth strategies. Most studies assume that SME owners split up to maximize tax benefits, categorizing these actions as SPP. However, this article argues that this practice is, in fact, opportunistic tax behavior because, even when segmented, these companies continue to grow.

This article contributes to the literature by proposing a new interpretation of SPP in SMEs. Instead of focusing solely on the lack of growth, it explores the hypothesis that some SMEs may choose not to grow or hide their growth as a deliberate strategy, influenced by factors such as high tax burdens, environmental uncertainty and risk. The research seeks to present empirical research propositions to answer the central question: What factors and characteristics determine the existence of the Peter Pan Syndrome in SMEs?

In this theoretical research, the propositions are not tested empirically; the aim is to open a channel for scientific discussions aimed at expanding theoretical and empirical studies to build a conceptual framework on SPP in the context of SMEs.

Although it does not empirically test the propositions discussed in the next section, the contributions of this research are both theoretical and practical. Theoretically, the research encourages the development of studies on SPP in SMEs, enriching the literature and offering a new perspective on the non-growth behavior of some SMEs. In practical terms, this research can help SME owners and managers to review their business strategies and promote more effective tax policies.

The article is structured as follows: section two presents the theoretical review and propositions; section three describes the methodology and research models; and section four presents the final considerations.

II. Theoretical Review And Proposals

Justification

The Peter Pan Syndrome (PPS) is a concept from psychology introduced in the book *The Peter Pan Syndrome: Men Who Never Grew Up* (Kiley, 1983), which examines the behavior of individuals who resist growing up to avoid adult responsibilities. This concept has been adapted for SMEs in studies such as those by Choi and Lee (2018, 2020), Dilling-Hansen (2016) and Sudhir (Talukdar, 2015), who investigated the factors that contribute to the stagnation of SMEs. According to Dilling-Hansen (2016), SMEs play a crucial role in the economy, especially in developing countries, where they account for more than 50% of the jobs generated. Because of this importance, many countries adopt differentiated tax treatments for SMEs. Choi and Lee (2020) argue that government policies aimed at benefiting SMEs often fail due to unintended consequences caused by companies influenced by the Peter Pan Syndrome (PPS). The importance and relevance of the topic has led the Organization for Economic Cooperation and Development (OECD) to intensify studies on the sustainability of SMEs, especially in developing countries.

In this context, Choi and Lee (2020) highlight the scarcity of academic research on this topic and, as far as we have been able to reach, specifically on the Peter Pan Syndrome in SMEs, there are only the aforementioned studies published in journals. In the Brazilian context, this is the first study to investigate the factors that determine the Peter Pan Syndrome in SMEs. Among the four studies that discuss the PPS, three identify tax benefits as the main factor preventing SMEs from growing. On the other hand, Dilling-Hansen (2016) suggests that SMEs benefit from greater organizational flexibility in less intense competitive environments, which can encourage stagnation. This factor is conceptualized as the BMW Syndrome (OECD, 2018), which, despite a certain similarity, differs from the SPP.

This article therefore seeks to expand on the discussion begun in the works by Choi and Lee (2018, 2020), Dilling-Hansen (2016) and Sudhir (Talukdar, 2015), by starting to build a conceptual framework for the Peter Pan Syndrome in SMEs. It is argued in this article that the mere fact that SMEs split their revenue by opening new units in order to maintain tax benefits does not characterize a Peter Pan Syndrome. Our argument counters the conceptual definitions applied in existing studies, since the practice used by the SMEs highlighted in the articles is opportunistic tax behavior exacerbated by deficiencies in the tax legislation of the country in which the study was carried out. This is because SME growth is not stagnant, and the practice used is an attempt to circumvent legislation in order to maintain the tax benefit.

On the other hand, in the literature review, we found that SME owners who have achieved economic and financial satisfaction may show reluctance to pursue growth when they reach higher revenue thresholds, inhibiting business growth - a behavior classified as BMW syndrome by Dilling-Hansen (2016). Unlike revenue splitting to maintain tax benefits, SMEs classified with the BMW syndrome do not exhibit opportunistic tax behavior or Peter Pan Syndrome (PPS). Non-growth is caused by the degree of economic satisfaction of the owners.

So, although the focus of this article is the Peter Pan Syndrome in SMEs, it presents two concepts that need to be explored in an equivalent way: the BMW Syndrome and Opportunistic Tax Behavior (OTB).

Life cycle, maturity and growth of SMEs

Small and medium-sized enterprises around the world play a significant role in national economies. McMahon's (1998) seminal work encouraged researchers to explore the distinguishing characteristics between growing companies and those that stagnate or fail. This focus has driven policy and research efforts aimed at understanding the growth processes of SMEs. In this context, several studies have sought to explain the factors that impact SME growth, financial constraints, survival and management (Ayyagari et al., 2010; Choi & Lee, 2018; Dilling-Hansen, 2016; Filho et al., 2017; Garicano et al., 2016; Hasan & Habib, 2017; Mac an Bhaird & Lucey, 2010; Marris & Penrose, 1961; McMahon, 1998; Mittal et al., 2019; Paavel et al., 2017; Parra et al., 2019; Singh & Gill, 2020; Söderberg & Bengtsson, 2010; Ullah, 2020; Yazdanfar & Öhman, 2014).

Research has provided evidence that financial constraints negatively affect SME sales and employment growth. Furthermore, these studies indicate that tax evasion has no direct impact on SME growth. With regard to capital financing, Ullah (2020) and Ayyagari et al. (2010) describe that SMEs that receive bank financing record higher growth compared to those that do not. Factors such as age, size, intangible assets, ownership structure and the provision of guarantees are crucial determinants of the capital structure of SMEs due to information asymmetry. SMEs overcome the absence of assets as collateral by offering partners' personal assets and external capital to finance projects (Mac an Bhaird & Lucey, 2010; Yazdanfar & Öhman, 2014).

When it comes to analyzing the stages of the SME life cycle, studies indicate that younger companies outperform older and larger ones in terms of growth and profitability. Larger SMEs also perform better compared to smaller ones (Söderberg & Bengtsson, 2010). Hasan and Habib (2017) tested the association between idiosyncratic volatility (IVOL) and stages of the company's life cycle, finding higher IVOL in the early and decline stages and lower IVOL in the growth and maturity stages. In addition, they highlighted how cash flow volatility affects IVOL during growth and maturity, with informational uncertainty influencing IVOL throughout the company's life cycle.

In the Brazilian context, research has focused on the mortality of SMEs, attributing factors such as full-time dedication, operational activities, managerial functions, discipline, purchasing skills, negotiation, finances and family motivation to the business (Son et al., 2017).

In relation to product lifecycle management (PLM) maturity, shortcomings have been observed in PLM maturity analysis among some companies (Paavel et al., 2017). Logistics efficiency is critical for organizations, encompassing internal and external processes to meet customer needs (Kosacka-Olejnik, 2020). Therefore, logistics maturity is essential for SMEs, requiring planning, purchasing, warehousing, inventory management, distribution and reverse logistics (Werner-Lewandowska & Kosacka-Olejnik, 2018). Improved maturity improves supply chain performance and financial results, indicating that SMEs that employ maturity indicators achieve better financial and supply chain performance (Söderberg & Bengtsson, 2010).

The growth and sustainability of SMEs was explored in terms of their capital structure, sources of finance to drive growth and management practices linked to the stages of their life cycle. The combination of these factors, along with information-sharing practices and process maturity, can ensure the sustainable growth of SMEs. Based on the literature, company size is correlated with better performance; for example, early-stage companies potentially have a higher growth performance, which can result in them losing the tax benefit granted to them. This brings us to the formulation of the research propositions:

P1 - The practice of SMEs setting up new companies to maintain tax benefits has a negative impact on their growth, thus compromising their life cycle.

P2 - Adjustments to the organizational structure made by SMEs to maintain tax benefits result in an increase in the cost of capital to finance their operations.

Thus, in the context of this research and its theoretical framework, we defend the existence of three possible causes for the lack of growth of SMEs, only one of which fits the Peter Pan Syndrome (PPS):

- i. Risk aversion and insufficient financial and human capital to support SME growth.
- ii. Opportunistic practices used to exploit loopholes in tax legislation.
- iii. Level of usefulness of the company to its owner.

The first cause is the Peter Pan Syndrome (PPS), the second is Opportunistic Tax Behavior (OTB) and the third can be classified as the BMW Syndrome. The following section addresses each of these causes and presents new propositions that seek to encourage empirical research to expand the conceptual framework of these constructs.

Peter Pan syndrome

In English literature, Peter Pan is a character created by James Matthew Barrie for a play entitled "Peter Pan, or The Boy Who Wouldn't Grow Up", which later became a children's book published in 1911. Peter is a magical little boy who gets involved in various adventures with his friends, but steadfastly refuses to grow up, always appearing as a child. In 1983, when analyzing the profile of adults who resist taking on responsibilities and don't identify themselves as adults, American psychologist Dan Kiley appropriated the main characteristic of this character and coined the term "Peter Pan Syndrome" (Kiley, 1983).

This concept was later applied in business to describe owner-partners who prefer to keep their business at a manageable size, often due to a fear of growth. This parallels Peter Pan's reluctance to embrace adulthood. Such behavior can result from past negative experiences in larger companies or the desire for a manageable return on the effort invested. This establishes a connection between the characters and the managers of micro and small businesses.

Despite the relevance of Peter Pan Syndrome (PPS), little research has been carried out to explore the topic, which reinforces the need for a more robust theoretical framework (Choi & Lee, 2020). This concept,

imported from psychology, requires a solid theoretical foundation to avoid erroneous analysis and conclusions (Choi & Lee, 2018). Tax incentive policies aimed at SMEs, for example, can encourage a slowdown in growth through the practice of revenue splitting as companies approach the limits of government incentives. Other factors, such as high labor costs, particularly employee termination costs, have also been cited in the literature as barriers to SME growth, although without a direct association with SPP (Garicano et al., 2016; Schivardi & Torrini, 2004).

After a literature review to identify conceptual and empirical research specifically addressing Peter Pan Syndrome (PPS), using R software and the Bibliometrix package, we found only six relevant studies on the topic. Despite being widely debated in the OECD, PPS lacks a well-defined conceptual framework and is often presented in studies with statistical or anecdotal evidence (Choi & Lee, 2018). A recent investigation (Jung & Jung, 2022) aligns with our assumptions by indirectly challenging the concept of SPP in previous studies, investigating whether size-dependent policies induce SMEs to engage in discretionary management reporting to appear non-growth. The results suggest that SMEs selectively underreport sales to mask growth, contradicting conventional notions of SPP.

Table 1- Research on the Peter Pan Syndrome in SMEs

Autor	Título	Palavras Chave	Resumo	Periodico	Ano	Citações
JUNG AR,JUNG DJ	The Effects Of Size-Dependent Policy On The Sales Distortion Reporting: Focusing On The Discretionary Sales Management Of Korean Smes		This Study Analyzes Whether Firms Manipulate Size Reports In Order To Seem As If They Have Not Grown Due To Size-Dependent Policies. The Small-And-Med	Managerial And Decision Economics	2022	0
CHOI M;LEE CY	The Peter Pan Syndrome For Small And Medium-Sized Enterprises: Evidence From Korean Manufacturing Firms		This Study Examines Whether Government Support For Small And Medium-Sized Enterprises (Smes), Aimed At Stimulating Their Growth, Achieves Its Intended	Journal Of Promotion Management	2020	2
Choi, Jin-uk Lee, Chang-yang	The Peter Pan Syndrome: Does Public Support Make Small And Medium-Sized Enterprises Reluctant To Grow?	Firm Growth, Public Support, Smes, Peter Pan Syndrome	This Paper Investigates Whether Public Support For Small And Medium-Sized Enterprises (Smes) Creates Incentives For Their Reluctance To Grow.	Athens Journal Of Business & Economics	2018	0
Dilling-Hansen, Mogens	Smes: Peter Pan Syndrome Or Firms Not Grown Up? Creativity, Business Skills And Economic Growth Of Danish Entrepreneurial Firms	Sme, Micro Firms, Entrepreneurship, Growth, Creativity & Business Skills	According To Several Empirical Studies, Smes Account For More Than 50 Per Cent Of All Jobs In Most Oecd Countries, With Micro Firms Holding A Significant Share Of The Pie. The Industry Structure In Denmark Is No Exception And Especially New Entrepreneurial Firms Are Considered As The Foundation For Future Growth	Marketing Science	2016	1
SUDHIR K;TALUKDAR D	The “Peter Pan Syndrome” In Emerging Markets: The Productivity-Transparency Trade-Off In It Adoption	Emerging Markets; Informal Economy; It Adoption; Productivity; Retailing	Firms Invest In Technology To Increase Productivity. Yet In Emerging Markets, Where A Culture Of Informality Is Widespread, Information Technology (It	MARKETING SCIENCE	2015	29

Source: Authors (2023)

The analysis of keywords summarizing specific works on SME growth, life cycle and mortality is presented in the figure below. This analysis can guide future research interested in these topics, with an emphasis on SMEs, companies, growth, Peter Pan Syndrome and sales.

Figure 1- Abstract keywords

different standards within the same country, such as in Korea, China and the USA. In Brazil, the legal basis applicable to SMEs is established by Complementary Law 123/2006 and the National Statute for Micro and Small Enterprises, Laws 8.212 and 8.213 (J. Choi & Lee, 2018; M. Choi & Lee, 2020; Dilling-Hansen, 2016).

Regardless of the legal basis or the size of the SME, some entrepreneurs may reach a level of economic utility that leads to the decision not to continue encouraging the growth of the company. This behavior cannot be classified as Peter Pan Syndrome (PPS), as it is not related to fear or aversion to growth, but rather to the level of economic utility of the company for the owner, and can occur at any stage of the company.

Furthermore, according to Leibenstein (1966), allocative efficiency is a trivial concept and is a concern of microeconomics. For the author, organizations and people do not work as hard or as effectively as they could, because if competitive pressure is light, there is a trade-off between the disutility of greater effort and the utility of less pressure, with better interpersonal relationships. In cases of high competitive pressure, the trade-off is smaller between the disutility of effort and the utility of freedom from pressure.

P4 - The growth of SMEs tends to be smaller and smaller, becoming almost linear, since the maximization of the result in favor of the owner meets his objective in terms of personal utility.

Opportunistic Tax Behavior (OTB)

The classic study "The Nature of the Firm" presents the economics of transaction costs based on the realization that in market trading there are "transaction costs" arising from the search for information, negotiation and formulation of contracts (Coase, 1937).

Transactions between economic agents involve risks that the elements agreed between them will not be effective. Governance mechanisms and structures are adopted in order to reduce these risks and their consequences. Given the situation in which contracts are incomplete, there is the possibility of opportunistic behavior. Opportunism is defined as "the pursuit of self-interest coupled with intentions to manipulate or distort information in a way that confuses the other party to the transaction" (Williamson, 1991). Based on the basic concepts of opportunism presented, we describe the concept of Opportunistic Tax Behavior (OTB) as the action taken by individuals or companies when they perceive ambiguity or a clear lack of legal impediment to some practice, even though such action may result in tax consequences, such as assessment and cancellation of tax benefits.

The international literature surveyed treats tax evasion as corruption, and although it is harmful, there are differences in its impact between countries. For example, in East Asia, growth records are significant despite the high level of corruption (Wang & You, 2012). The authors conclude that corruption can contribute to the growth of SMEs in underdeveloped markets, but in developed markets this practice can hinder the growth of companies. The study by Jiang & Nie (2014) points out that regional corruption in China has a positive effect on the profitability of private companies. The rapid growth of the Chinese private sector brings evidence of financial informality. In this sense, companies with bank financing grow faster than those without, raising the question of whether reputation and relationship-based financing are responsible for company performance (Ayyagari et al., 2010). In the context of this article, we delimit Opportunistic Tax Behavior (OTB) as that in which the entrepreneur decides to keep his company in the simplified tax regime, carrying out corporate reorganizations, such as spin-offs, or setting up new companies - no matter how many there are - in order to meet the threshold of the Simples Nacional tax benefit interval.

The practice of opening new companies as a way of circumventing tax legislation in order to maintain the benefits granted to SMEs is a global practice in which Brazil also excels. According to data from the Brazilian Federal Revenue Service, by the fiscal year 2021, there were 18.8 million companies in the country, of which 951,000 were Small Businesses (EPP), 5.9 million were Individual Microentrepreneurs (MEI) and 10.2 million were Microenterprises (ME). The question is: how many of these 16.35 million companies are really entrepreneurs or were they simply set up to evade inspection? The 2020 OECD report makes a series of recommendations in terms of policies aimed at SMEs, the main one being entrepreneurship-oriented education.

Thus, our final proposition is that it is crucial to distinguish between companies that are genuinely entrepreneurial and those that use tax avoidance practices as a way of maintaining tax benefits. Encouraging better regulation and stricter enforcement policies, as well as promoting entrepreneurial education, can help mitigate opportunistic behavior and strengthen the sustainability and genuine growth of SMEs:

P5 - SMEs that organize themselves into several separate companies to omit their growth in order to remain within the tax benefit should not be classified as Peter Pan Syndrome (PPS), but rather as Opportunistic Tax Behavior (OTB).

Having defined the literature review and established our propositions, the next section shows the methodology used in this research and the models that converge with the propositions presented.

III. Methodology

Using the Web of Science and Scopus databases, along with R software and the Bibliometrix data package, we conducted a search for specific articles on the Peter Pan Syndrome in SMEs. Keywords such as "Peter Pan Syndrome", "SME growth" and "SME life cycle" were used to select relevant articles.

Despite its importance, scientific production on this subject remains limited. However, our review of the literature revealed several factors that could be considered predictors or potential causes of SMEs' failure to grow. For example, Kushnir et al. (2010) conducted a study using World Bank data from 98 countries, identifying 15 obstacles to SME growth. We adapted 11 of these obstacles to the Brazilian context, including logistics and personal wealth maximization, to propose a classification related to the SPP, OTB and BMW constructs, as illustrated in Table 1.

Table 2 Predictors of SME non-growth

Predictors	SPP	COF	BMW
Access to finance	x		
Corruption/tax evasion		x	
Energy matrix	x	x	
Political instability		x	x
Informal competitors	x	x	
Taxes	x	x	
Tax regulations	x	x	
Labor Regulations	x	x	
Workers' level of education	x		x
Requirement of quality standards	x		x
Operating and operating licenses	x	x	
Logistics	x	x	
Maximization of personal wealth	x		x

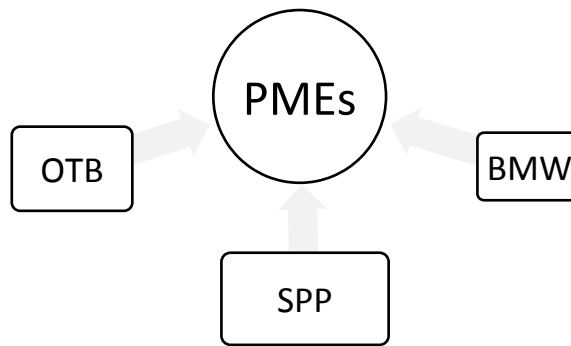
Source: Authors (2023), adapted from Kushnir et al. (2010)

Suggested models for empirical testing

The misuse of the Peter Pan Syndrome (PPS) concept by SMEs to hide fiscal opportunism constitutes a form of earnings management or real earnings management, as discussed by Ali et al. (2022). The practice of earnings management can restrict the optimal allocation of resources for research and development, advertising and the acquisition of new technologies. SMEs that disguise their growth potential not only limit their real operational growth, but also forgo valuable organizational knowledge and fail to allocate resources effectively, which could otherwise improve their performance.

As described in the previous sections, we present five proposals for classifying the non- growth of SMEs. Firstly, we challenge the assertion made by studies that define the Peter Pan Syndrome (PPS) only through the omission of income to evade tax regulations. Secondly, we identify three scenarios to classify the behavior of SMEs: 1) Peter Pan Syndrome (PPS), 2) Opportunistic Tax Behavior (OTB) and 3) Owner Economic Incentive or BMW Syndrome (BMW). Our argument posits that an SME cannot fall into multiple classifications simultaneously; these scenarios are mutually exclusive, even though some predictors described by Kushnir et al. (2010) are applicable in multiple scenarios.

Figure 2- No-growth scenarios for SMEs



Source: Authors (2023)

Note: SPP=Perter Pan; Syndrome; OTB=opportunistic tax behavior;
 BMW = Economic satisfaction of the owner
 Referring to set theory, propositions can be expressed as follows:

As illustrated in figure 2, the entrepreneur's decision to refrain from growth or to disguise growth in order to maintain SME status will align with a unique position within the proposed scenario.

Perter Pan Syndrome Model

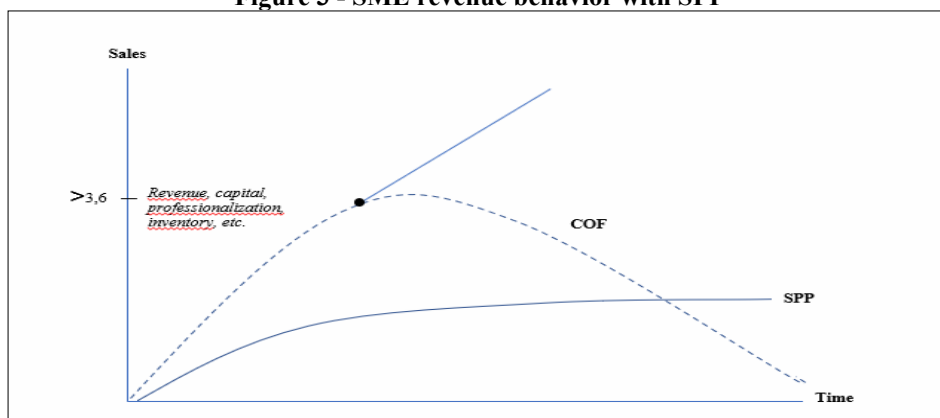
The concept of Peter Pan Syndrome (PPS) in psychology portrays a profile characterized by a lack of maturity and responsibility. Its adaptation to the SME business environment can be defined as a reluctance to change the administrative processes resulting from the company's growth, or simply as an aversion to business risk. In the Brazilian SME classification scenario, where the tax benefit limit is used, identifying a company with SPP involves observing the following characteristics: i) lack of diversification of revenue sources; ii) minimal variation in annual revenues, approaching zero when compared to the company's historical data.

We can therefore express this relationship mathematically as follows:

(1)

Unlike companies that use tax opportunistic behavior (OTB) to dilute turnover and companies that fall into the BMW Syndrome, where the degree of usefulness of the partner's assets is satisfied at a certain level of turnover, the Peter Pan Syndrome (SPP) is characterized by an almost constant annual turnover, which in some cases may even decrease. These companies will not exceed the turnover limit established to maintain the simplified tax benefit, even if the market is expanding.

Figure 3 - SME revenue behavior with SPP



Source: Authors (2023)

Note: Simples is the tax regime applied to SMEs in Brazil

Figure 3 illustrates the revenue behavior of a company with Peter Pan Syndrome (PPS) according to the established premise: there is growth, but with low variation. In this low- growth range, the owner exercises total control over operations, maintaining simple management that doesn't require large capital investments, concern about taxes, competition or staff professionalization. Growth, in turn, implies change and new responsibilities. The dotted line in the figure represents tax opportunistic behavior (OTB) when the company reaches the tax benefit limit. The continuous line that grows indicates the reality of SMEs that hide their growth by opening new businesses to avoid showing the real increase. As illustrated in the example, a company that shows both SPP and OTB can cause confusion if the analysis does not consider the real factors that limit its growth. This reinforces this article's proposal to expand the conceptual framework to avoid distorted analysis of SPP.

Based on the predictors presented, it is possible to model the linear regression according to equation 2.

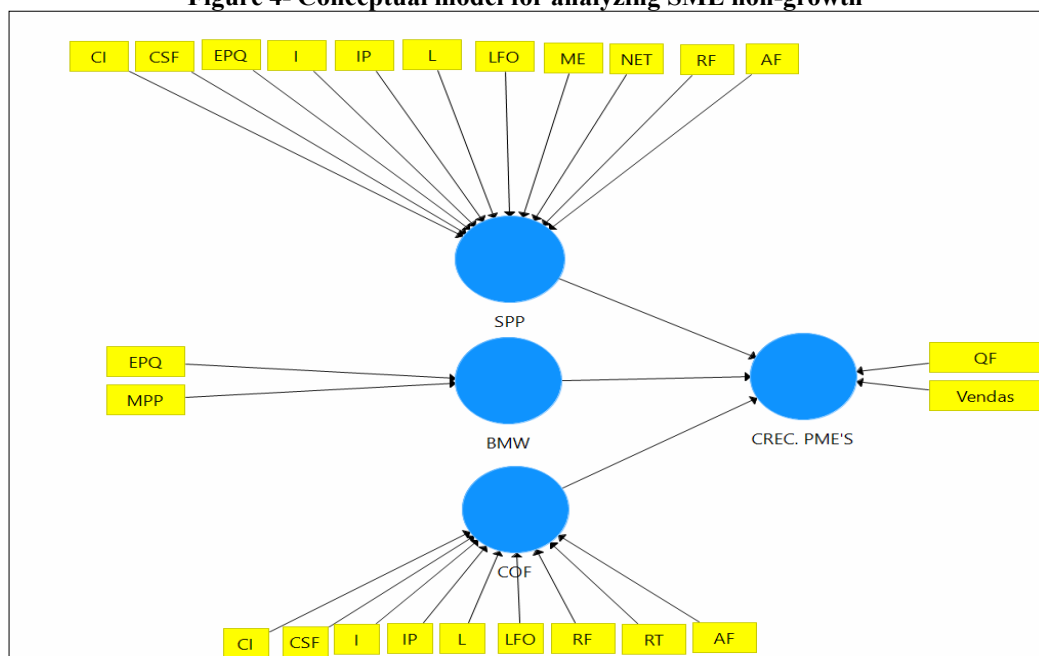
(2)

Where

- AF - Lack of funding ME - Energy matrix
- CI - Informal competition
- I - Taxes
- RF - Tax regulations
- RT - Labor Regulation
- NET - Workers' level of education
- EPQ - Demand for quality standards
- LFO - License to operate
- L - Logistics
- MPP - Maximization of equity

However, unlike the countries in which the studies cited in this article were carried out, in Brazil the bodies that regulate SMEs do not provide information similar to that made available by the stock exchange. This scenario could hinder the development of this research based on secondary data. Therefore, a second proposal for the operationalization of this research is the use of primary data, through structural equation modeling, based on the construction of a scale to measure the predictors presented, as illustrated in the figure below.

Figure 4- Conceptual model for analyzing SME non-growth



Source: Authors (2023)

The second stage of this research aims to test the hypotheses and assumptions made here. It is hoped that the results of the tests can contribute to the formation of the concept of PSC in SMEs.

BMW Syndrome Model

Considering Leibenstein's X-Efficiency theory (1966), some companies may decide to remain at the revenue level and stop growing when the revenue or result achieved by the company satisfies the owner's expected level of utility. However, this characteristic may not be perceptible or consistent with the reality of underdeveloped and developing countries, such as Brazil, due to cultural and economic issues.

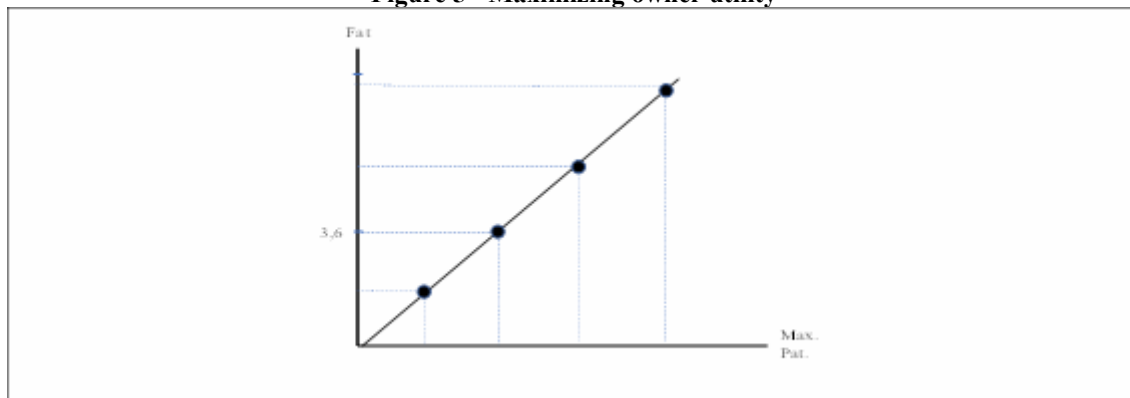
Based on Leibenstein's theory of X-efficiency (1966), we have that:

(3)

In this context, there is no restriction on growth or tax benefits; therefore, the limiting factor is the utility achieved by the owner's personal comfort. Thus, companies that are in the range of 3.6 million reais or more can be classified with the BMW Syndrome.

The basic difference between SSP and BMW is that, in SSP, there is a reluctance towards the company's adult phase, i.e. growth. In contrast, in BMW, growth is stopped by maximizing the owner's net worth..

Figure 5 - Maximizing owner utility



Source: Authors (2023)

As can be seen in the figure above, the point that maximizes the utility of the owner's equity can occur at any level of revenue. From this point onwards, the company's growth, as measured by revenue, will follow an almost linear curve.

Opportunistic Tax Behavior Model

The decision to set up a new company or several companies in order to maintain the tax benefit for SMEs is not a practice exclusive to Brazil. According to J. Choi & Lee (2018), SMEs are encouraged to create new companies as they approach the limits of the government incentive. This characteristic was highlighted in the OECD's annual reports (2018, 2019 and 2020), becoming a concern for the agency regarding the quality of tax subsidies for SMEs. In Brazil, the tax benefit called "Simples Nacional" or "Simples" has a ceiling of R\$3.6 million and a transition band of R\$1.2 million, allowing SMEs to restructure to change their tax regime, either to Real Profit (RP) or Presumed Profit (PP). To illustrate the practice: when SME "A" reaches R\$ 3.6 million or exceeds this limit, it can set up a new SME, called company "B", thus stagnating the turnover of SME "A". This action stops or drastically reduces the turnover of SME "A", allowing it to be included in Simples Nacional again next year, if it has lost the tax benefit.

However, as pointed out in various surveys, the growth of companies and the attempt to circumvent tax legislation prove ineffective, leading to the creation of new companies, such as "C", "D", "E"? "n". In this way, economic analyses can become distorted, as they do not reflect new businesses, but rather opportunistic conduct resulting from fiscal fragility. According to data from SEBRAE (2021), there are 17.05 million SMEs in Brazil, covering three levels: MEI, small and medium-sized enterprises.

It so happens that a large number of these businesses have been boosted and grown by the practice of circumventing legislation, creating a new company instead of a new business. For example, the incentive to open an MEI (Individual Microentrepreneur) in order to purchase vehicles at a discount, or the substitution of

(4)

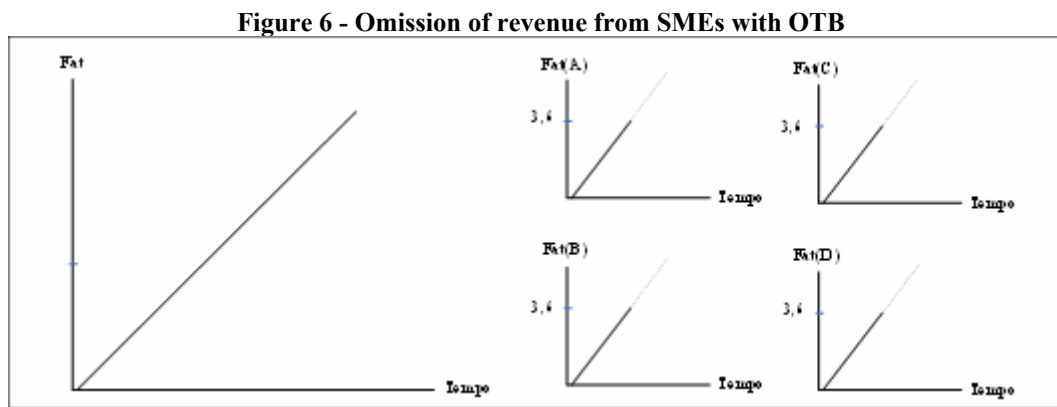
hiring employees under the CLT (Consolidation of Labor Laws) regime for the PJ (Legal Entity) regime, derived from the New Labor Agreement, are common practices. Unlike SMEs with Peter Pan Syndrome (PPS), SMEs with opportunistic tax behavior have no aversion to growth and, in fact, grow, as shown in equations 4 and 5.

Therefore, the real turnover of all incorporated SMEs is given by:

Where , (5)
 R_a = SME revenue "a" up to a limit of 3.6 million
 R_b = Revenue from SME "b" up to a limit of 3.6 million
 R_c = Revenue from "c" SMEs up to the 3.6 million threshold R_{∞} = SME revenue " " ∞ up to a limit of 3.6 million **
 Note ** There is no limit to the number of companies that can be set up, which is why we represent them with infinity.

In other words, the business is unique, but the SMEs use loopholes or loopholes in the tax legislation to dilute their revenues up to the limit of R\$3.6 million in several other units, in order to remain in the tax benefit. Therefore, analyzing the original conceptual essence of the Peter Pan Syndrome (PPS), the classification of SMEs that operate according to the characteristics described cannot be diagnosed as PPS, since they are growing and maximizing results.

The following figure shows the behavior of fiscal opportunism. The larger graph represents SMEs in their actual stage, while their organizational configuration is represented by the smaller graphs. These are broken down into as many units as possible in order to remain in the benefited tax bracket.



Source: prepared by the authors (2023)

Therefore, the non-growth of SMEs in this scenario is unrealistic. As explained, there is clear evidence of growth and capital investment in the organizational structure, but this growth is disguised by the practice of fiscal opportunism. For this reason, it is not possible to classify them with the Peter Pan Syndrome (PPS).

Using the predictors selected in this research, we can 6

(6)

They were:

- CSN: Corruption and tax evasion
- IC: Informal competition
- I: Taxes
- RF: Tax regulation
- RT: Work regulations
- LFO: License to Operate
- L: Logistics

IV. Conclusion

This article addressed the complexity of the classification and growth practices of Small and Medium Enterprises (SMEs), challenging the conventional interpretations of the Peter Pan Syndrome (PPS) and introducing new perspectives, such as Opportunistic Tax Behavior (OFB) and the BMW Syndrome. Therefore, this is a conceptual theoretical article whose literature review indicates that the traditional classification of PPS, which describes SME behavior as a reluctance to grow in order to avoid the responsibilities and challenges associated with growth, does not adequately capture all the dimensions and effects experienced and strategies used by many companies, especially those that adopt opportunistic tax practices.

The literature review revealed that while SPP is characterized by stagnant growth and an aversion to change that accompanies growth, many SMEs that exhibit non-growth characteristics are actually involved in strategies to circumvent tax and regulatory limitations. These practices, which include creating multiple entities to stay within the limits of tax benefits, do not correspond to the classic definition of SPP. Instead, they represent opportunistic tax behavior, where companies continue to grow, but in a way that avoids the impact of tax rules.

The BMW Syndrome, on the other hand, describes behavior where growth is stopped when it reaches a level of personal utility for the owner, reflecting a conscious strategy of maximizing net worth. This classification also broadens the understanding of business motivations and practices related to growth and fiscal management.

Therefore, five propositions were presented in this article, including SPP, OTB and BMW, aiming to offer a more precise approach to understanding the different motivations and strategies of SMEs and their effect on growth or non-growth. The theoretical analysis and construction of the propositions presented show that opportunistic tax practices, unlike simple non-growth, involve disguised real growth to maintain tax benefits, while the BMW Syndrome reflects a behavior of ceasing growth due to the satisfaction of the owner's personal goals.

The conclusion of this study underlines the importance of a continuous review of the classifications and concepts used to describe the behavior of SMEs, taking into account both tax practices and growth strategies. A clear definition of these concepts will allow for a more accurate and informed analysis of SME dynamics and will contribute to the development of more effective policies adapted to the realities of business.

This research has limitations. The first is the scarcity of theoretical and empirical studies on the Peter Pan Syndrome in the organizational context of SMEs. In addition, no empirical tests were carried out to validate the propositions presented in this article, which also suggests an area for future research.

In this sense, as a suggestion to broaden the field of research on SMEs, we recommend the development of empirical studies based on the propositions presented. This research could be conducted in both developed and developing countries. Expanding the number of studies in this direction will contribute to building a more solid conceptual framework on the Peter Pan Syndrome in small and medium-sized enterprises.

Statements

Conflict of interest: The authors declare that they have no conflict of interest.

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