

Call for Chapters



Destructive Entrepreneurship in Emerging Markets: Causes and Consequences

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Book Description:

Typically, entrepreneurial activities are characterized as economically and socially beneficial (e.g., Mises, 1949; Kirzner, 1973; Yonekura and Lynskey, 2002; Shane, 2003). Distinguishing productive entrepreneurial activities from destructive ones is one of the most puzzling contradictions for entrepreneurship scholars (Foss and Klein, 2012; Dimov, 2017). Consequently, understanding whether entrepreneurship may be economically and socially harmful as opposed to productive may depend on how the ‘rules of the game’ are set (Baumol, 1990; Lucas and Fuller, 2017; Boudreaux, Nikolaev, and Holcombe, 2018).

In differing institutional settings, destructive entrepreneurship influences the economy's structure as entrepreneurs find it profitable to shift resources toward those areas that corruption makes profitable. However, although destructive entrepreneurship might result in new venture creation, it also causes a long-lasting negative impact on economic development and the persistence of disorder that increases uncertainty and erodes trust among the players (Baumol, 1996; North, 1990). Furthermore, it creates an institutional environment that pushes prospective entrepreneurs from productive to destructive activities (Dimant and Tosato 2017), thereby redirecting resources from some sectors of the economy to others (Boudreaux et al., 2018).

Destructive entrepreneurship can appear in different forms in informal settings, from operating outside general business regulations, tax laws, property rights laws, labour laws, and environmental regulations to illegal activities that contravene other laws and regulations such as import laws, internet regulations, copyrights, trademarks, and intellectual property laws (Webb, Ireland, and Ketchen, 2014). Similarly, voids in formal institutions lead to difficulties and poor functioning in the product, capital, and labour markets (Khanna et al., 2010). Institutional voids manifest themselves in ineffective regulatory frameworks, misguided government activities and policies, failure of financial institutes, weak intellectual property rights, absence of well-developed product distribution systems, and poorly developed labour markets with deficiencies in reaching out to potential buyers and skilled employees (Palepu and Khanna, 1998). When institutional weaknesses exist, market failure is a common phenomenon. Especially the capital markets are characterised by lack of information for some entrepreneurs and investors who would abstain, but also disclosure of information to selected entrepreneurs due to corruption who would unfairly capitalize on limited resources. A well-functioning finance system does not exist hindering funding of entrepreneurial activity. Labour markets are short of skilled labour and inflexible, whilst in extreme cases, unregulated labour allows for abuse of the workforce. Governments in countries with institutional voids can be extensively involved in business decisions in favour of selected large companies at the expense of set up and scale up of entrepreneurial activity. Yet, these countries lack effective mechanisms to enforce contracts and strengthen intellectual property rights (Khanna and Palepu, 1997; Estrin et al., 2013).

While exhaustive literature has emerged since the mid-1990s which tries to evaluate the impact of institutional voids and informal economy quality on macroeconomic performance (e.g., North, 1990; Crawford and Ostrom, 1995; Palepu and Khanna, 1998; Meyer and Peng, 2005; Babecký and Campos, 2011; Efendic et al., 2011; Stephan, Uhlaner and Stride, 2015), one major shortcoming of the existing literature is the lack of research in emerging markets from an entrepreneurship perspective. These markets are typically characterized by institutional voids in the form of information asymmetries in markets, misguided regulations and the inefficient judicial system (Palepu and Khanna, 1998), large informal sector (Webb et al., 2014), corruption, and lack of IP protection (Estrin, Korosteleva and Mickiewicz, 2013). Consequently, the characteristics of emerging markets may provide a habitat for destructive and unproductive entrepreneurship and lead entrepreneurial individuals toward acting in this way.

The aim of this book is to provide explanations to questions such as what does destructive entrepreneurship look like in emerging economies? What are the causes of destructive entrepreneurship in emerging economies? What are the consequences from destructive entrepreneurship activities? What is the link between institutional set up and destructive entrepreneurship? What does this mean for productive/destructive entrepreneurship? There are few empirical studies in destructive entrepreneurship that often try to show the availability of such harmful activities (or their taxonomy, e.g., Webb et al., 2014, on their effects on hampering growth aspirations of entrepreneurs, e.g., Estrin et al., 2013). In addition, extant literature has focused on

institutions and enhancing such activities (Xheneti, Smallbone, and Welter, 2012, cited in Williams, Dragana, Cristian, and Tim, 2017) within the informal economy without showing the causes.

Suggestions for topics in the context of emerging markets include, but are not limited to the following:

- The traits and mindset of a destructive entrepreneur in the emerging market context
- The role of cognitive biases in leading individuals toward destructive entrepreneurship
- The entrepreneurial journey of destructive entrepreneurs in emerging markets
- Networks of destructive entrepreneurs in emerging markets
- The analysis of context (e.g., religion, culture, family background, country's developmental stage, and geographical location) influencing individuals to do destructive entrepreneurship
- The relationship between institutional infrastructure and destructive entrepreneurship in emerging markets
- Examples of negative socioeconomic externalities that result from destructive entrepreneurship and how they can be prevented.
- Comparisons of destructive entrepreneurship and productive entrepreneurship in emerging markets
- Under what conditions can destructive and productive entrepreneurship co-exist?
- Formal and informal rules of the game. How do formal and informal institutions shape destructive entrepreneurship?
- Policies emerging market governments can implement to hinder destructive entrepreneurship and enable productive entrepreneurship
- Consequences of deliberate policies implemented in emerging markets to sustain sustenance at the expense of creative and innovative productive entrepreneurship
- How does the COVID-19 pandemic influence destructive and productive entrepreneurship in the emerging context?

Important Dates:

- The deadline for submission is June 30th , 2023
- The book chapters will follow double-blind peer review process; the deadline for peer reviews is aimed at October 30th , 2023.
- The expected date for Final manuscripts: 30th December 2023

Manuscript length: About 6000 words.

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