

Entrepreneurship in Emerging Economies

Maw-Der Foo

Professor of Entrepreneurship
Nanyang Business School
Nanyang Technological University, Singapore
50 Nanyang Avenue, Singapore 639798
Email: mawderfoo@ntu.edu.sg
<https://orcid.org/0000-0002-4887-081X>

Balagopal Vissa*

Professor of Entrepreneurship
INSEAD
1, Ayer Rajah Avenue
Singapore 138676
Email: balagopal.vissa@insead.edu
<https://orcid.org/0000-0002-4189-9337>

Brian Wu

Stephen M. Ross School of Business
University of Michigan, Ann Arbor
701 Tappan St.
Ann Arbor, MI 48109
Email: wux@umich.edu
<https://orcid.org/0000-0003-4213-3808>

This is the author manuscript accepted for publication and has undergone full peer review but has not been through the copyediting, typesetting, pagination and proofreading process, which may lead to differences between this version and the Version of Record. Please cite this article as doi: [10.1002/sej.1363](https://doi.org/10.1002/sej.1363)

July 2020

* Corressponding author

Keywords: emerging economies, entrepreneurship, founders, governance, institutional logics, new ventures, resource mobilization

Abstract

Research Summary: The economic center of gravity is shifting from mature markets to emerging regions. This shift provides a good opportunity to broaden and deepen our theoretical base of concepts and frameworks because emerging and mature regions differ significantly in their institutional regimes. Hence entrepreneurial resource mobilization in emerging regions could differ significantly because of theoretical differences in actors' action logics and resource governance. The eight papers in this special issue provide new empirical evidence on antecedents and consequences of entrepreneurial resource mobilization efforts in emerging regions. Here, we briefly summarize the state of the field, introduce the articles by situating them in a novel theoretical framework on entrepreneurial resource mobilization, and finally using our framework, we suggest opportunities for future research on entrepreneurship in emerging regions.

Managerial Summary: Entrepreneurship research has advanced mainly using empirical data from the developed economies of North America and Western Europe. Because emerging economies differ markedly in their institutional development from developed economies, this prior research is less likely to be useful to understand entrepreneurship in emerging regions - which are increasingly crucial components of the global economy. This special issue contains eight articles addressing different aspects of the entrepreneurial resource mobilization process using diverse research methods on empirical data drawn from a broad range of emerging economies. This introduction describes the state of the field prior to the special issue, introduces the special issue articles and identifies topics that still need further investigation. We distill the current state of knowledge and offer a roadmap for future scholarship.

Keywords: emerging economies, entrepreneurship, founders, governance, institutional logics, new ventures, resource mobilization

Introduction

The center of gravity of economic activity is shifting from mature market economies (i.e., North America, Western Europe, and Japan) to emerging economies (exemplified by the initials BRICS, indicating Brazil, Russia, India, China, and South Africa; PWC, 2017). The past decade has also seen tremendous innovations in the technological, organizational, and business models used in emerging economies. These innovations include technological advances that leapfrog mature economies, new ways of organizing and scaling growth ventures, novel forms of social entrepreneurship, consolidation of fragmented markets, creation of new market niches, and development of a new social ecology of entrepreneurs (Claes & Vissa, 2020; Dunlap & Kluter, 2018; Shankar & Narang, 2019; Wan & Wu, 2017; Winterhalter, Zeschky, Neumann, & Gassmann, 2017). These phenomena are important and are worthy of study in their own right. In addition, there are two scholarly reasons a focus on entrepreneurship in emerging economies is crucial for the field.

First, focusing on emerging economy entrepreneurship allows us to expand our theoretical base of concepts and frameworks. Extant conceptual frameworks on entrepreneurship are based on the study of the entrepreneurial process in mature market economies. Such economies have well-developed factor markets for key resources such as labor and capital, and these resource markets function relatively effectively because of the well-developed institutions that underpin them. By contrast, entrepreneurship in emerging economies occurs in a context marked by different forms of market and institutional development (Chang & Wu, 2014;

Dorobantu, Kaul, & Zelner, 2017; Khanna & Palepu, 2000; Luo & Junkunc, 2008). For entrepreneurial phenomenon, these institutional differences include lacunae in formal structures, such as low quality of contract enforcement; lack of labor and financial market intermediaries, such as executive search firms and VCs; and less developed informal institutions, such as an ecosystem of mentors and advisors. Hence, we expect entrepreneurship in emerging economies to differ from that in mature economies. In particular, resource mobilization processes in emerging economy entrepreneurship would likely include a large proportion of non-market-based actions governed through informal governance mechanisms such as social and kinship ties. Likewise, individuals' transitions into entrepreneurship in emerging economies would likely include a large proportion of transitions driven by identity- and necessity-based reasons in addition to the usual motivation of pursuing a potentially profitable opportunity.

The second reason to focus scholarly attention on entrepreneurship in emerging economies is to broaden our empirical knowledge base. Our understanding of how entrepreneurs use nonmarket logics to mobilize resources or how they use informal modes of governance has focused disproportionately on datasets drawn from North America or Western Europe (Clough, Fang, Vissa, & Wu, 2019, p. 258). The past decade's tremendous advances in data collection and availability, however, offer greater breadth and depth of data from emerging regions.

In short, this is an appropriate time to gauge the boundaries of our existing conceptual frameworks, use new phenomena and data sources as testbeds for novel theoretical development (across all levels of analysis), and collate what has been learned. This special issue is thus an

opportunity both to set the agenda for future research on entrepreneurship in emerging economies by curating exemplars and to shed new conceptual light on the entrepreneurship process more broadly. Our receipt of a record 103 submissions for this special issue attests to our scholarly community's interest in this topic—and thus to this topic's importance. As we describe in the remainder of this introduction to the special issue, the eight accepted papers from this broad and deep pool of submissions are exemplars of current leading-edge research as well as signposts that allow us to set the agenda for the next decade of research on entrepreneurship in emerging regions.

Definition of an Emerging Region

Building on the work of Bruton, Ahlstrom, and Obloj (2008), we define emerging regions as those characterized by an increasing market orientation and an expanding economic function. Market orientation may continue to be an important and necessary part of economic development, but technological advancement, especially for the current Industry 4.0, is crucial to moving from developing to emerging, so as to achieve developed nation status. Hence, we define an emerging region as one characterized by increasing market and technology orientation and an expanding economic function.

Bruton et al. (2008) noted that several East Asian economies can be considered emerging. Since then, however, some of the economies listed, such as those of Singapore, Taiwan, Hong Kong, and South Korea, have become developed economies, and with growth in incomes and diversification of economic activities, some Middle Eastern economies, such as those of Qatar,

Kuwait, and the UAE, have arguably made these countries developed nations. Thus, when we seek to understand how an economy can develop, we can move beyond an American-, European-, or Japan-centric model to include models from other regions.

Because management research is eclectic in both theoretical orientation and levels of analysis, this special issue is theoretically and methodologically inclusive. The papers selected for this special issue utilize diverse theories at the individual, firm, and economy levels of analysis, testing them using both quantitative and qualitative methodologies with datasets drawn from a broad range of emerging economies. Given that diversity, then, we thought it useful to begin by conceptually orienting ourselves using prior scholarship on the entrepreneurship process.

The Entrepreneurship Process

Prior entrepreneurship research has identified distinct conceptual stages of opportunity recognition, resource mobilization that drives growth, followed by entrepreneurial exit (Shane, 2003). The eight accepted papers focus on the resource mobilization and growth phase of the entrepreneurship process. To provide some conceptual coherence, we outline a framework for deepening our understanding of how the curated set of papers from this special issue fit in the context of prior research on entrepreneurial resource mobilization and also help identify implications for future research on entrepreneurship in emerging regions.

Our framework, inspired by Clough et al. (2019), utilizes two key dimensions that underpin resource mobilization during the entrepreneurship process. The first dimension

comprises the underlying *action logics*, or actors' cognitions and behaviors during resource mobilization. We draw on the concept of institutional logics (Thornton, Ocasio, & Lounsbury, 2012)—taken-for-granted understandings of what is meaningful and appropriate in a particular setting—to distinguish “market logics”-based action from “nonmarket logics”-based action. According to Thornton and colleagues (2012, p. 2), “[i]nstitutional logics represent frames of reference that condition actors' choices for sensemaking, the vocabulary they use to motivate action, and their sense of self and identity.” In the context of our framework, market logics refers to the assumption that action is guided by economic rationality; it is a cognitive model of human behavior driven purely by self-interest. Nonmarket logics refer to the belief that an individual's social identity and personality are molded largely by community and family relationships. Under nonmarket logics, action is motivated by and oriented toward a goal higher than individual self-interest, such as family, community, or religion.

Nonmarket logics of action emphasize the *appropriateness* of a course of action, whereas market logics focus on its *consequences* (March, 1994). Thus when an entrepreneur asks her close relative to provide funds for her new venture, the close relative may choose to provide those funds because helping family is the normatively appropriate thing to do rather than pondering whether those funds will earn an appropriate financial return—an instance of nonmarket logics of action. Likewise, a social entrepreneur may engage in resource mobilization for her venture by emphasizing its positive impact on the local community, leading to resource flows shaped by community members' feelings of appropriateness in supporting the focal

venture, rather than by focusing on the instrumental benefit that community members may derive from providing those resources. In sharp contrast, when an entrepreneur asks a venture capital investor to fund her new venture, the VC investor may provide funds because she believes that the funds will generate a good financial return on the investment—an instance of action under market logics. Emerging economy settings often lack well-developed entrepreneurial resource markets, such as markets and intermediaries for funding, talent, and advice. Compared with developed economies, a larger fraction of resource mobilization actions in emerging economies could thus involve nonmarket logics. Note that our notion of nonmarket logics is conceptually distinct from the related notion of nonmarket strategies (e.g., Dorobantu et al. 2017), which refers to purposive, self-interested action by established firms, acting alone or in concert, in less developed institutional contexts.

The second dimension is *governance*, which refers to the social and legal institutions under which entrepreneurial actors deploy the mobilized resources. Here we distinguish between formal and informal governance. Formal governance refers both to formal contracts between market participants (Williamson, 1985) and to hierarchical authority (March & Simon, 1958) within formal organizations; in both cases the actors' prior embeddedness in social relations (Granovetter, 1985) can be largely set aside. Informal governance, by contrast, refers to relational arrangements built on trust, identity, and reciprocity (Bradach & Eccles, 1989; Polanyi, 1957) and is derived, in part, from embeddedness in ongoing social relations. Again, emerging economy settings often lack well-developed governance institutions (such as rule of law,

intellectual property rights protection, and judicial systems for the efficient resolution of contractual disputes) that underpin effective market functioning. Hence resource mobilization actions in such settings could involve a significant element of informal governance in addition to the well-studied formal governance mechanisms. For example, when the aforementioned entrepreneur successfully raises funding from a close relative, her venture could issue a formal financial instrument (e.g., preference shares) in return for the funding—an instance of formal governance of the funds raised. Alternatively, the funding from the close relative could have been completed by a simple handshake or a verbal acknowledgement that the funds will be used wisely—an instance of informal governance based on trust and relationships.

Insert Figure 1 about here

Using these two distinct dimensions of action logics and governance as a parsimonious heuristic, we conceptually situate the eight papers featured in our special issue within one of the four cells shown in Figure 1. We hasten to note that both dimensions are a continuum, thus allowing for hybrids. In particular, economic action through platforms and online communities, enabled by Industry 4.0 technologies, often represent hybrid forms of governance and action logics in our framework, because they can act as social glue that creates trust, identity, and community solidarity. Hence the four Weberian “ideal-types” represented in each cell of Figure 1 reflect the extreme ends of the continuum. Our framework also paves the way for future research by highlighting hitherto unexamined dynamic paths that entrepreneurs, ventures, and entrepreneurial ecosystems can use to traverse the four cells. Finally, we note that the action

logics and governance modes we describe have both positive and negative aspects. Accordingly, the papers accepted for this special issue address the bright as well as the dark side of informal governance and nonmarket logics.

Cell 1, which combines market logics with formal governance, is the domain closest to the theoretical construct of the “market” in neoclassical economics. Resource mobilization in this cell involves actors behaving in ways largely consistent with self-interested rationality (or bounded rationality). Mobilized resources are governed through formal contracts—either supply contracts through a product–market interface or employment contracts in efficient labor markets, with human capital resources governed by authority relations within formal organizations. The canonical example of entrepreneurial action in this quadrant would be building a high-technology venture in an established entrepreneurial ecosystem such as Silicon Valley in the United States. Unsurprisingly, none of the eight papers in this special issue fully fit into this quadrant, although presumably this is the “gold standard” to which all emerging economies aspire.

Cell 2 captures resource mobilization activity that is driven by market logics—and that thus has a market exchange–like character with a reciprocal, instrumental benefit—and is subject to informal governance such as verbal agreements, word-of-mouth information flow, interpersonal trust, and subjectively interpreted expectations. Of the eight accepted papers, three fall into this quadrant, indicating that this is a relatively vibrant area of empirical research. In

Author Manuscript

addition, one paper lies between Cells 1 and 2, representing an intriguing hybrid governance form.

Cell 3 combines nonmarket logics of action with formal governance. One of the eight accepted papers falls into this quadrant, indicating that this is a less explored area of empirical research. Clough et al. (2019) describes one important way in which resource mobilization actions can deviate from market logic: conscious usage of alternate logics of action. Such an approach relies on skilled storytelling that employs cultural symbols meaningful to the intended audience (Swidler, 1986). Persuasive narratives often appeal to some goal higher than *merely* making money; hence even in developed economies, nonmarket logics often play an important role in mobilizing support for new ventures—particularly social ventures (e.g., Battilana & Lee, 2014), ventures led by activist entrepreneurs galvanized by social movements (e.g., Greve, Pozner, & Rao, 2006), and even institutional entrepreneurs trying to change regional identities (e.g., Romanelli & Khessina, 2005). As we discuss in the next section, several of our accepted papers study these phenomena in emerging economy contexts and offer avenues for fruitfully extending the associated literature.

Finally, Cell 4 combines nonmarket logics of action with informal governance. Three papers of the eight accepted for this special issue fall in this quadrant, indicating that this is also a vibrant area of research. Resource mobilization efforts in this quadrant are motivated less by factors such as marketlike returns and more by factors such as normative appropriateness based on social identity, community, or kinship ties. Additionally, governance of the entrepreneurial

effort is informal in nature, taking the form of informal labor or expertise transfers, informal arrangements for loans, or lending of physical capital.

Our conceptual framework helps orient and situate the highly diverse papers we curated in this special issue. These eight papers are diverse in their phenomena studied, theoretical perspectives taken, levels of analysis, and methods employed. The phenomena examined in these studies include ecosystem development, firm performance, organizational practices for social innovation, new product development, product portfolio adjustment, new growth opportunity identification, expropriation, business creation, entrepreneurship training, and decision-making styles. The theoretical lenses used to study these phenomena are drawn from the fields of management, psychology, sociology, and economics. These phenomena span individual, firm, geographic region, and country levels of analysis; the studies reflect empirical data using quantitative and qualitative methods, from China, India, Russia, Uganda, and Nigeria as well as a broad cross-country dataset spanning 71 emerging economies. We provide below highlights of the papers included in this special issue, identifying their key messages and illustrating how they advance knowledge about entrepreneurship. We start with papers situated in Cell 1, then move sequentially through papers in Cells 2, 3, and 4.

Papers in This Special Issue

(1) Tae, Lin, and Luo on sharing economy platforms in China: Technological change can help improve institutional environments. In particular, advances in technologies such as smartphones have allowed entrepreneurs to introduce new business models such as online platforms that

create entrepreneurial opportunities. Although such platforms—Amazon, for example—are also prevalent in developed countries, they play a particularly valuable role in emerging economies in Africa, Asia, and South America, because they serve as a novel way of overcoming institutional barriers. Online platforms not only can reduce search and matching costs, making it easier for entrepreneurs to find customers, but also provide a shared infrastructure that reduces barriers to entry for micro-entrepreneurs. In this sense, online platforms, which often represent a distinct entrepreneurial success themselves, also enable the founding of numerous micro-entrepreneurs on the platform. Tae, Lin, and Luo examine an online platform that allows micro-entrepreneurs to prepare food in their own kitchens and then serve customers through the platform.

Intriguingly, they show that the online platform, a private firm, can serve as a hybrid governance form that provides market discipline within an environment that still suffers from weak market institutions. For this reason, we place this paper between Cells 1 and 2, highlighting its unique hybrid nature.

(2) *Bu and Cuervo-Cazurra on informal entrepreneurship and informality costs in emerging economies:* Moving beyond China, and using data from 9,148 new ventures spanning 71 emerging economies during 2010–2016, Bu and Cuervo-Cazurra demonstrate that informal governance’s negative effects on entrepreneurial development are not specific to a particular country but rather are universal across emerging economies. They focus on informality costs that hinder the development of innovative products over the long run. Although informal governance can help get a venture off the ground, it hurts entrepreneurs’ ability to innovate, and incentives

for innovation, even after the transition to formal entrepreneurship. Although we do not dispute the value of imitation, which is often the first step in further development for ventures in emerging markets before they catch up (Kim and Nelson, 2000; Wang, Wu, Pechmann, & Wang, 2019), ignoring original innovation makes it difficult to develop and sustain competitive advantage, especially when the hindrance on innovation has a long-lasting imprinting effect. As a result, an emerging market entrepreneurship system may get stuck in an inferior equilibrium. After exploring the mechanisms that underlie the negative effects of informal governance, Bu and Cuervo-Cazurra highlight the importance of improving market supporting institutions in emerging economies. The next two papers in Cell 2, and another paper in Cell 4, follow this direction.

(3) Bischoff, Gielnik, and Frese on entrepreneurship training and business creation in Uganda:

Education plays a particularly pivotal role in human and institutional development, including for entrepreneurship, particularly in emerging economies. Using an action-oriented research approach, Bischoff, Gielnik, and Frese conducted two field-experimental studies in Uganda, providing entrepreneurial training to college students and examining whether such training helped them start their own businesses. Countering accepted wisdom that access to capital is more important than training in promoting entrepreneurship in emerging economies (Yunus, 1999), the authors demonstrate that their training can help in overcoming capital constraints imposed by the weak institutional environment. This research is important because it shows how educational institutions can make a positive difference by utilizing a learning environment that

does not resort to informal social and political connections to access capital. Furthermore, the authors use a carefully designed experimental approach that allows them to isolate the mechanisms they theorize. This field experimental approach has gained significant traction in development economics and led to the awarding of the 2019 Nobel Prize in Economics (Banerjee & Duflo, 2009). We are certainly pleased to see its appearance in this special issue. We note, moreover, that this approach has not yet been widely adopted in the field of entrepreneurship in management research: We encourage more such studies in different contexts.

(4) Zhou, Ge, Li, and Chandrashekar on government expropriation: We situate this study in Cell 2 of Figure 1, which combines market logics of action with informal governance. Zhou and colleagues provide a compelling discussion of a salient challenge for entrepreneurs in emerging economies—potential resource expropriation by the state. Using survey data from 1,537 Chinese private firms, they provide strong evidence that government expropriation (measured as unauthorized local government levies) was greater when the focal entrepreneur was from a higher socioeconomic status. This effect was stronger in regions with greater income inequality as well as in regions where legal institutions—necessary for effective market functioning—were underdeveloped, although building social ties to government officials mitigated appropriation. This study sheds light on the dark side of informal governance and market logics, whereas prior research tended to focus on the positive side. Driven by economic self-interest motives, resource holders (local government officials) were able to extract extralegal rents from entrepreneurs,

although entrepreneurs who build social ties (*guanxi*) to government officials were able to mitigate the destabilizing effects of such expropriation.

(5) Agarwal, Chakrabarti, Prabhu, and Brem on *jugaad*-based practices in social ventures:

include this study in Cell 3 of Figure 1 because it combines (mainly) nonmarket logics with (mainly) formal governance. In this interesting mixed methods study set in India, Agarwal and colleagues provide food for thought on the frugal (*jugaad*-type) resource mobilization practices that are endemic in social ventures in emerging regions. They use event structure analysis (ESA) to identify the timing of critical events in the life history of three healthcare social ventures, then use a multiple case study approach to elaborate on frugal practices for mobilizing resources. The entrepreneurs in this study mobilized resources using mainly nonmarket logics (appealing to community concerns) and governed the use of resources through a mix of formal (hierarchical) and nonformal (social network-based) approaches. This study is important because it introduces ESA to the entrepreneurship researcher's methodological toolkit and adds to conceptual understandings of frugal innovation practices.

(6) Bao, Wei, and Di Benedetto on learning and new business opportunities: We situate this paper in Cell 4 of Figure 1 because of its focus on informally learning from other firms (vicarious learning) in its action logic. The paper also provides evidence that weak legal systems can result in less efficacious vicarious learning. Examining firms in China, the authors found that experiential learning (i.e., firms' learning from their experiences) and vicarious learning (i.e., firms' learning by observing other firms) predicted higher identification of customer needs.

Interestingly, they found that vicarious learning had a stronger effect, presumably because experiential learning can result in competency traps. Of particular importance for an emerging market context, environmental uncertainty moderated these relationships. Specifically, vicarious learning becomes even more important for identifying customer needs amid demand uncertainty because of the wide range of companies from which the venture can learn. By contrast, legal inefficiency reduces the efficacy of learning from other firms, as legal inefficiency could result in other firms behaving in similar ways to deal with the inefficiency. This study also contributes to the learning perspective in entrepreneurship research (Funken, Gielnik, & Foo, 2020), particularly learning from experience and from other firms.

(7) Shirokova, Osiyevskyy, and Laskovaia on effectuation, causation and firm performance in

Russia: We place this paper in Cell 4 of Figure 1. The use of resources outside the venture is a tenet of effectuation theory as well as a form of community logics. The flexibility required in effectuation may require less formal governance mechanisms. Shirokova et al. examined the effects of causal and effectual reasoning on firm performance on a sample of firms in Russia and found that both predicted firm performance, with economic crisis moderating the relationship. The causal approach predicts higher firm performance, especially in the absence of economic crisis. As the authors explain, a causal approach can enable a firm to gather resources efficiently, but the threat-rigidity of this approach makes it harder for firms to adapt during economic crisis. In contrast, the flexible effectual approach can result in firm losses during low economic crisis, but this approach predicts higher profits during economic crisis. Moreover, the flexible effectual

approach predicts lower performance variability than for the causal approach. According to this paper's findings, firm-level outcomes of effectual and casual approaches are affected by economic conditions such as economic crisis, which are prevalent in emerging economies. During economic crisis, the effectual approach may be more appropriate, creating the firm flexibility needed for higher firm performance and lower performance variability. However, a causal approach can be more appropriate in stable environments.

(8) Oriaifo, Torres de Oliveira, and Ellis on intermediaries improving institutions in Nigeria:

Using a discourse analysis approach, Oriaifo, Torres de Oliveira, and Ellis analyze how intermediaries such as the Ford Foundation can trigger initial institutional improvements via rhetorical legitimation strategies in Africa. Related to the foundational value of education discussed for Cell 2, organizations can utilize rhetorical strategies to legitimize commercially oriented entrepreneurial endeavors among state governments, profoundly changing a community's mindset and hence its support of such entrepreneurial activities. Building on prior research originally developed in developed economies, the authors demonstrate the effectiveness of rhetorical legitimation strategies, including logos, ethos, pathos, autopoiesis, and teleological appeals. Pushing the literature forward, however, they identify a novel rhetorical legitimation strategy used in Aba, Nigeria, known as anthropos appeals, or "appeals that place emphasis on the audience's community consciousness to encourage them to join the campaign, or the willingness of the audience to cooperate with those involved by way of participation. Moreover, this strategy seems to take into consideration the communal character of many African cultures."

Communities, lying as they do between the state and the market, are an important pillar for human society to enjoy sustainable growth (e.g. Putnam, Leonardi & Nanetti, 1993). This research provides a powerful confirming testament. Although much of the standard debate is about the relative strengths and weakness of the state and the market, given their ambiguous effects in emerging economies it may be more productive to focus instead on cultivating communities that have a strong culture rooted in trust, which may promote the growth of entrepreneurial activities. Such communities can help in overcoming many market frictions, such as lack of trust or imperfect capital market.

Future Research on Entrepreneurship in Emerging Regions

As mentioned, we received more than a hundred submissions for this special issue, indicating substantial scholarly interest in the topic. The papers in this special issue provided a snapshot of cutting-edge empirical research set in emerging regions and focusing on the causes and consequences of resource mobilization during the entrepreneurship process. The authors of these exemplar papers do an excellent job of identifying future research opportunities based on their own study findings. As the editors of the special issue, we wish to broaden and complement their observations by identifying important areas of research opportunities not covered in the curated set of eight papers. As we elaborate hereafter, these avenues of future research include the other elements of the entrepreneurship process (opportunity identification and exit) not examined by any of our accepted papers, as well as global shocks (e.g., pandemic, trade war,

geopolitical tension) that could materially affect the phenomenon of entrepreneurship in emerging regions.

Research on opportunity identification and exit stages of the entrepreneurial process.

Although opportunities are a foundational element in entrepreneurship, including their discovery/identification, evaluation, and implementation (Foo, Wong, & Ong, 2005; Keh, Foo, & Lim, 2002; Shane & Venkataraman, 2000), we received only a few papers on this topic, only one of which made it through the review process. This paper examines opportunity identification in the context of growth of an existing new venture rather than opportunity identification for nascent entrepreneurs. We believe that the emerging region context provides fruitful avenues for future research in this area, including how indigenous and non-indigenous entrepreneurs from emerging regions recognize business opportunities and how they obtain the information, knowledge, and skills needed for opportunity recognition. For example, information and knowledge are needed to recognize business opportunities (Shane & Venkataraman, 2000), but information asymmetries in emerging regions could make information hard to come by, including by raising the costs of gathering information and knowledge to prohibitive levels. How do entrepreneurs in emerging regions go about obtaining information in such a context? Perhaps, as the papers in this special issue illustrate, networks, informal institutions, and personal (and vicarious) learning become even more important. Similarly, how do entrepreneurs in emerging regions learn from developed economies and adapt this learning to create competitive advantages? As the challenges that have faced eBay and Uber in China and Southeast Asia have

shown, firms in developing economies can learn from and outcompete firms from developed economies. Such considerations suggest another under researched area that can provide fertile ground for study, focusing on how firms in developed economies recognize opportunities in emerging economies. The popular press is replete with stories of the difficulties that firms from developed economies have faced in emerging economies, often owing to a lack of information, knowledge, and expertise. As mentioned, information asymmetries make informal sources of information and experiential learning essential for recognizing opportunities in emerging regions. Future research can identify strategies and methods that entrepreneurs from developed economies can employ to plug into informal sources of information and gain knowledge and skills. Much is left unanswered on the opportunity recognition process in emerging regions, and we call for more research into this topic, taking into account the distinctive circumstances in these economies.

None of the papers in this special issue examined the exit stage of the entrepreneurial process in emerging regions. Extant research has separately examined firm-level exit and individual entrepreneurs' exit, the former referring to the trade, sale, or dissolution of a new venture and the latter to the activity of the founding entrepreneurs (Aggarwal & Hsu, 2014; Wu & Knott, 2006). The relatively scant research on entrepreneurial founders' exits in mature market contexts show how entrepreneurs recover from a failed venture (e.g., Eggers & Song 2015; Sarasvathy, Menon, & Kuechle, 2013; Shepherd, 2003), because failure is the modal outcome in entrepreneurship. We encourage further research in emerging regions that examines

entrepreneurs' recovery from failure, both deepening and broadening our existing frameworks on founder failure. This is especially pertinent because founder failure is often seen as taboo in emerging regions, given social pressures from family and friends; in addition, a frequent lack of social safety nets makes failure personally riskier for founders in emerging economies.

Much more important, we advocate for studies of successful founder exits. Although successful founder exits are relatively rare events, they could be very consequential in emerging regions, because the population of successful entrepreneurs, "self-made" wealthy men and women (Keister 2005), has access to disproportionate resources. As Kingehans and Vissa (2020) suggest, newly wealthy commercial entrepreneurs could have a significant spillover effect in broader society by deploying their skills and expertise in social domains. Understanding the circumstances under which such new elites have significant spillover effects in emerging regions is an important area of future research.

Global shocks and future research on entrepreneurship in emerging regions. When we envisaged this special issue, the global economy was growing strongly, and globalization was the consensus in intellectual discourse. In fact, many of the economies studied in this paper benefited from globalization, including those of China, India, and Africa. These economies plugged into the global supply chain, enabling them to leapfrog technology and sell their products and services internationally. The more recent trend of populism in electoral politics has resulted in large, mature economies' looking inward. This has been reinforced by the COVID-19 pandemic's having exposed the fragility of global supply chains for essential products, which were

economically efficient but suffered severe disruptions due to natural and human causes. We expect this trend of looking inward and deglobalization to continue for some time.

As a result, many of the insights garnered from previous studies of how economies can develop must be revisited. For example, getting foreign countries to transfer technology may become more difficult. If so, how might emerging economies reduce the technology gap? Perhaps internally generated sources of technology are needed instead of, or in addition to, knowledge transfer. Furthermore, even as the world looks inward, countries are more reluctant to adopt international standards, as seen in the problem of defining standards for 5G technology. Hence companies must be more adaptive, able to operate in a multi-standard world. Companies must also be more resilient in the face of more stringent regulations on where they can import certain products (which can form part of the global supply chain) or additional tariffs placed on some of these products. Hence, instead of optimizing their operations, firms should build in redundancies to safeguard their operations. Here again researchers can revisit the current insights, which tend to focus on using efficient operations to provide fresh insights into how firms can compete in this new environment.

Numerous industries are reconfiguring their global supply chains across countries and firms. For example, in addition to operations in China, many manufacturing companies are setting up factories in countries such as Mexico and Vietnam. Highly publicized turmoil provides numerous entrepreneurial opportunities that are worth studying by scholars. In particular, entrepreneurs in the new supplying/emerging economies should learn from the lessons of

Chinese entrepreneurs. Since its entry into the World Trade Organization, China has been serving as the manufacturing plant or OEM provider for firms in advanced economies that kept only high-value-added activities, such as R&D and design, in house. In doing so, China accumulated capital and created jobs, lifting hundreds of millions of people out of poverty. Much of this was achieved by private entrepreneurs. As Chinese firms now also develop innovation capabilities, they are no longer satisfied with being at the low end of the global value chain, and they aim to compete in the product markets, where profit margins are much higher. Such underlying dynamics have caused tension between China and the United States (Wan & Wu, 2017). COVID-19 may have accelerated this potential rupture of relations. If more manufacturing activities move to other emerging economies such as Vietnam and Mexico, then entrepreneurs there may benefit by learning from their counterparts in China how to manage the relationships with multinational firms and create jobs for the local economy. Meanwhile, Chinese entrepreneurs may respond to the loss of export market orders by pivoting to new (domestic) business opportunities.

Although recent shocks have affected numerous businesses, large and small, these events can result in novel business opportunities. Future research can take stock of prior research into environmental jolts throughout history to discover how new firms can identify business opportunities in the face of adversity. For example, several management publications studied the 9/11 shock in 2001, identifying how opportunities emerged and how entrepreneurial firms

captured these opportunities, resulting in even higher rates of business founding after the crisis (Aggarwal & Wu, 2015; Paruchuri & Ingram, 2012; Wang, Aggarwal, & Wu, 2020).

Conclusion

This special issue curates eight outstanding papers that capture the recent entrepreneurship dynamics in emerging economies and lay out a vibrant agenda for future entrepreneurship research. Over the past several decades, many emerging regions have been catching up in their economic development, gaining increasing importance in the global economy. Compared with their economic significance, however, institutional development in emerging economies still lags—an incongruity that may likely impede emerging regions from reaching their full potential. This changing dynamic is reflected in the contributions made by the papers in this special issue. During the last century, when emerging regions lagged far behind in both economic and institutional developments, scholarly work tended to focus on how entrepreneurs mobilized resources relying on nonmarket logics and informal governance, constrained by the weak institutional environments. By contrast, papers in this special issue demonstrate a recent trend whereby entrepreneurs have also actively improved institutional environments, using a variety of tools that have included community, education, and technology. To synthesize these papers, we developed a theoretical framework (Figure 1) based on action logics and governance. We hope this framework can catalyze and provide direction to potential new research questions that entrepreneurship scholars in emerging regions can pursue. Although Cell 1 is the “ideal” positioning in the absence of economic and institutional frictions, we do not

insist that it is the only place where all entrepreneurial activities should be positioned. Rather, we encourage further research that systematically assesses the costs and benefits of various approaches, tracing the evolutionary paths leading toward the ideal, and uncover novel hybrid arrangements. In line with the papers in this special issue, we encourage the use of multiple research methods, ranging from ethnography to field experiments. Finally, faced with the multiple global shocks that are currently reshaping the economic and institutional landscape, we take a positive view, believing that more entrepreneurial opportunities will arise and calling for more research in these exciting areas.

REFERENCES

- Aggarwal, V., & Hsu, D. (2014). Entrepreneurial exits and innovation. *Management Science* 60(4), 867-887.
- Aggarwal, V., & Wu, B. (2015). Organizational constraints to adaptation: Intra-firm asymmetry in the locus of coordination. *Organization Science* 26(1), 218-238.
- Banerjee, A. V, & Duflo, E. (2009). The experimental approach to development economics. *Annual Review of Economics*, 1, 151-178.
- Battilana, J., & Lee, M. (2014). Advancing research on hybrid organizing—Insights from the study of social enterprises. *Academy of Management Annals* 8(1), 397-441.
- Bradach, J. L., & Eccles, R. G. (1989). Price, authority, and trust: From ideal types to plural forms. *Annual Review of Sociology* 15, 97–118.
- Bruton, G., Ahlstrom, D., & Obloj, J. (2008). Entrepreneurship in emerging economies: Where are we today and where should the research go in the future. *Entrepreneurship Theory & Practice* 32(1), 1-14.
- Chang, S., & Wu, B. (2014). Institutional barriers and industry dynamics. *Strategic Management Journal* 35(8), 1103-1123.
- Claes, K., & Vissa, B. (2020). Does Social Similarity Pay Off? Homophily and Venture Capitalists' Deal Valuation, Downside Risk Protection, and Financial Returns in India. *Organization Science* 31(3),576-603
- Clough, D. R., Fang, T. P., Vissa, B., & Wu, A. (2019). Turning lead into gold: How do entrepreneurs mobilize resources to exploit opportunities? *Academy of Management Annals* 13(1), 240-271.
- Dorobantu, S., Kaul, A., & Zelner, B. (2017). Nonmarket strategy research through the lens of new institutional economics: An integrative review and future directions. *Strategic Management Journal* 38(1), 114-140.
- Dunlap, D. R., & Klueter, T. M. (2018). Laggards, leading imitators or leapfroggers: How are emerging markets innovating? *Academy of Management Proceedings* 2018(1), 1-1.
- Eggers, J. P., & Song, L. (2015) Dealing with failure: Serial entrepreneurs and the costs of changing industries between ventures. *Academy of Management Journal* 58(6), 1785–1803.

- Foo, M. D., Wong, P. K., & Ong, A. (2005). Do others think you have a viable business idea? Team diversity and judges' evaluation of ideas in a business plan competition. *Journal of Business Venturing* 20(3), 385-402.
- Funken, R., Gielnik, M., & Foo, M. D. (2020). How can problems be turned into something good? The role of entrepreneurship learning and error mastery orientation. *Entrepreneurship Theory & Practice* 44(2), 315-338.
- Granovetter, M. (1985). Economic action and social structure: The problem of embeddedness. *American Journal of Sociology* 91(3), 481-510.
- Greve, H. R., Pozner, J. E., & Rao H. (2006). Vox populi: Resource partitioning, organizational proliferation, and the cultural impact of the insurgent microradio movement. *American Journal of Sociology* 112 (3), 802-837.
- Keh, H. T., Foo, M. D., & Lim, B.C. (2002). Opportunity evaluation under risky conditions: The cognitive processes of entrepreneurs. *Entrepreneurship Theory & Practice*, 27(2), 125-148.
- Keister L. A. (2005) *Getting rich: America's new rich and how they got that way*. Cambridge University Press.
- Khanna, T., & Palepu, K. (2000). The future of business groups in emerging markets: Long run evidence from Chile. *Academy of Management Journal* 43(3): 268-285.
- Kingerhans L., & Vissa, B. (2020). When Does Successful Entrepreneurial Exit Lead to Involvement in Philanthropy? Evidence from India. *INSEAD Working Paper*.
- Kim, L., & Nelson, R. (2000). Introduction: Technology and industrialization in newly industrializing countries, in L. Kim and R. Nelson (Eds.) *Technology, Learning and Innovation: Experiences of Newly Industrializing Economies*. Cambridge, UK: Cambridge University Press, pp. 1-9.
- March, J. G. (1994). *Primer on decision making: How decisions happen*. New York: Simon and Schuster.
- March, J. G., & Simon, H. A. (1958). *Organizations*. New York: Wiley.
- Paruchuri, S., & Ingram, P. (2012). Appetite for destruction: the impact of the September 11 attacks on business founding. *Industrial and Corporate Change*, 21 (1), 127-149.
- Polanyi, K. (1957). The economy as instituted process. In K. Polanyi, C. M. Arensberg & H. W. Pearson (Eds.), *Trade and markets in the early empires* (243-270). New York: Free Press.

Putnam, R., Leonardi, R., & Nanetti, R. (1993). *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton, N.J.: Princeton University Press.

PwC (2017, February). The long view: How will the global economic order change by 2050. [https://www.pwc.com/hu/en/kiadvanyok/assets/pdf/PwC_World_in_2050_final_report_\(February_2017_edition\).pdf](https://www.pwc.com/hu/en/kiadvanyok/assets/pdf/PwC_World_in_2050_final_report_(February_2017_edition).pdf)

Romanelli, E., & Khessina, O. M. (2005). Regional industrial identity: Cluster configurations and economic development. *Organization Science* 16 (4), 344-358.

Sarasvathy, S. D., Menon, A. R., & Kuechle, G. (2013) Failing firms and successful entrepreneurs: Serial entrepreneurship as a temporal portfolio. *Small Business Economics*, 40(2), 417-434.

Shane, S. (2003). *A general theory of entrepreneurship: The individual-opportunity nexus*. Cheltenham, UK: Edward Elgar Publishing.

Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *Academy of management Review*, 25(1), 217-226.

Shankar, V., & Narang, U. (2019). Emerging market innovations: unique and differential drivers, practitioner implications, and research agenda. *Journal of the Academy of Marketing Science*. <https://doi.org/10.1007/s11747-019-00685-3>.

Shepherd, D. A. (2003) Learning from business failure: Propositions of grief recovery for the self-employed. *Academy of management Review*. 28(2), 318-328.

Swidler, A. (1986). Culture in action: Symbols and strategies. *American Sociological Review*, 51(2), 273-286, American Sociological Association.

Thornton, P. H., Ocasio, W., & Lounsbury, M. (2012). *The institutional logics perspective: A new approach to culture, structure, and process*. Oxford: Oxford University Press.

Wan, Z., & Wu, B. (2017). When suppliers climb the value chain: A theory of value distribution in vertical relationships. *Management Science*, 63(2), 477-496.

Wang, L., Wu, B., Pechmann, C., & Wang, Y. (2019). The performance effects of creative imitation on original products: Evidence from lab and field experiments. *Strategic Management Journal*. Forthcoming.

Wang, T., Aggarwal, V., & Wu, B. (2020). Capability Interactions and Adaptation to Demand-Side Change. *Strategic Management Journal*. Forthcoming

Williamson, O. E. (1985). *The economic institutions of capitalism*. New York: Simon and Schuster.

Winterhalter, S., Zeschky, M. B., Neumann, L., & Gassmann, O. (2017). Business models for frugal innovation in emerging markets: The case of the medical device and laboratory equipment industry. *Technovation*, 66-67, 3-13.

Wu, B., & Knott, A. M. (2006). Entrepreneurial risk and market entry. *Management Science*, 52(9), 1315-1330.

Yunus, M. (1999). *Banker to the Poor: Micro-lending and the Battle Against World Poverty*. New York: PublicAffairs.

Figure 1: Dimensions of Entrepreneurial Resource Mobilization Processes

Governance	Formal Governance (contracts or authority)	<p>CELL #1</p> <p><u>Ideal-type:</u> Building a growth-oriented venture in a established entrepreneurial ecosystem in a developed economy – like the Silicon Valley ecosystem of the United States</p>	<p>CELL #3</p> <p><u>Ideal-type:</u> Building a growth-oriented <i>social</i> venture in an emerging economy - perhaps in newly developing entrepreneurial ecosystems like Beijing, China or Bangalore, India or Nairobi, Kenya</p>
	Hybrid Governance (mix of formal & informal)	<p>1) <i>Tae, Lin, & Luo on sharing economy platform in China</i></p> <p>CELL #2</p> <p><u>Ideal-type:</u> Building a growth-oriented <i>commercial</i> venture in an emerging economy - perhaps in newly developing entrepreneurial ecosystems like Beijing, China or Bangalore, India or Nairobi, Kenya</p>	<p>5) <i>Agarwal, Chakrabarti, Prabhu and Brem on jugaad-based practices in Indian social ventures</i></p> <p>CELL #4</p> <p><u>Ideal-type:</u> Engaging in a <i>lifestyle / necessity</i> venture (either commercial or social) in an emerging economy – perhaps <i>not</i> situated in any developing entrepreneurial ecosystem</p>
	Informal Governance (Relational contracts or Trust)	<p>2) <i>Bu & Cuervo-Cazurra on informal entrepreneurship and informality in emerging economies</i></p> <p>3) <i>Bischoff, Gielnik, & Frese on entrepreneurship training and business creation in Uganda</i></p> <p>4) <i>Zhou, Ge, Li & Chandrashekar on government expropriation in China</i></p>	<p>6) <i>Bao, Wei, & Di Benedetto on vicarious and experiential learning and recognizing customer needs in China</i></p> <p>7) <i>Shirokova, Osiyevskyy, & Laskovaia on effectuation and causation and firm performance in Russia</i></p> <p>8) <i>Oriaifo, Torres de Oliveira, & Ellis on intermediaries improving institutions in Nigeria</i></p>
		Market Logics (Action guided by boundedly rational self-interest)	Hybrid Logics (mix of market & non-market logics)
			Non-Market Logics (Action guided by community or family institutional logics)

Action Logics

Entrepreneurship in Emerging Economies

Maw-Der Foo

Professor of Entrepreneurship
Nanyang Business School
Nanyang Technological University, Singapore
50 Nanyang Avenue, Singapore 639798
Email: mawderfoo@ntu.edu.sg
<https://orcid.org/0000-0002-4887-081X>

Balagopal Vissa*

Professor of Entrepreneurship
INSEAD
1, Ayer Rajah Avenue
Singapore 138676
Email: balagopal.vissa@insead.edu
<https://orcid.org/0000-0002-4189-9337>

Brian Wu

Stephen M. Ross School of Business
University of Michigan, Ann Arbor
701 Tappan St.
Ann Arbor, MI 48109
Email: wux@umich.edu
<https://orcid.org/0000-0003-4213-3808>

July 2020

* Correspponding author

Keywords: emerging economies, entrepreneurship, founders, governance, institutional logics, new ventures, resource mobilization