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Informal Entrepreneurship
A Novel Theoretical Perspective on the
Phenomenon, Antecedents and Outcomes

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“The domain of the informal economy covers a conceptual area from the dusty developing country bazaar to the pristine developed country boardroom. (...)

Perhaps most importantly, the reality of business activity in the informal economy encompasses a range of values considered traditional to management scholars—profit seeking, rational, marginal decision making—and traditional values such as the role of family in business, theology, and ethical norms and customs”

Paul C. Godfrey, 2011

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ABSTRACT

Informal entrepreneurship refers to those entrepreneurial activities not complying with all legal mandates in a given context, but aligning with local norms, values and beliefs. Such entrepreneurial activities include the majority of entrepreneurial activities worldwide and are highly heterogeneous. Some examples include petty trade, cross-border trade, street vending activities, unregistered businesses, and enterprises evading taxes or employing illegal workers. Given the prevalence and significance of these activities worldwide, they have sparked interest in the academic literature and attracted increasing attention by practitioners.

Despite the burgeoning number of conversations on informal entrepreneurship and the theoretical contributions emerging from various disciplines, the field of informal entrepreneurship is still fragmented. Therefore, this dissertation aims at bringing synthesizing coherence among the various conversations on informal entrepreneurship, and at drawing a novel theoretical perspective on the phenomenon, its antecedents, and outcomes. To achieve these objectives, Essay I provides an overview of the informal entrepreneurship field through an integrative review of 352 articles from diverse disciplines. It introduces a novel and comprehensive typology of informal entrepreneurs around the globe, proposes a new dynamic perspective relating the phenomenon, antecedents and outcomes of informal entrepreneurship, and develops a forward-looking research agenda. Drawing on this novel theoretical framework, Essays II and III delve deeper in the antecedents of informal entrepreneurship with the aim of uncovering the institutional complexity underneath the phenomenon. While Essay II is explorative in nature and employs a qualitative multiple case study design conducted in an extreme setting, Essay III is explanatory in nature and employs a quantitative cross-country study containing 40 countries over 12 years. The empirical findings shed light on how complex and heterogeneous institutional environments shape informal entrepreneurial activities within and across countries and regions. Thus, they contribute to broader entrepreneurship and management research.

In sum, this dissertation lays the foundations for the field of informal entrepreneurship to mature, bringing together distinct conversations, proposing alternative angles, and stimulating novel theorizing. Furthermore, it entails relevant implications for entrepreneurs, educators, governments, policy-makers, international organizations and NGOs.

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LIST OF ABBREVIATIONS AND ACRONYMS

e.g.	exempli gratia
et al.	et alii
GEM	Global Entrepreneurship Monitor
GLOBE	Global Leadership and Organizational Behavior Effectiveness
IE	Informal entrepreneurship
NGO	Non-governmental organization
SDGs	Sustainable Development Goals
UN	United Nations
WBGES	World Bank Group Enterprise Survey
WDI	World Development Indicators
WGI	World Governance Indicators

1. INTRODUCTION

A high number of enterprises worldwide play by “formal rules”. Such enterprises are “formal”, which means that they appear in the national business registers, pay taxes, and comply with local, regional or national rules, standards and regulations. Formal enterprises benefit from a number of advantages in terms of access to credit, government support, and access to formal opportunities, networks, and partnerships. They receive great attention by the media, and tend to be widely investigated in scientific literature. Nevertheless, besides these formal enterprises, a number of informal enterprises exist that play by the “informal rules”. Such informal enterprises represent even more prevalent phenomena worldwide (Ault & Spicer, 2022; Autio & Fu, 2015). They generally do not appear in the national business registers, do not pay taxes and defy a high number of local, regional and national rules, standards and regulations. Informal enterprises are characterized by an unofficial, latent nature, and operate below the radar of governments and local authorities. They do not have access to formal business resources and legal forms of support. Instead, they rely intensively on informal networks and solidarity practices. These informal enterprises produce negative externalities for society, e.g. in terms of tax loss (Mickiewicz, Rebmann, & Sauka, 2019) and unfair competition with formal firms (Webb, Bruton, Tihanyi, & Ireland, 2013). Nevertheless, they also provide important employment and empowerment opportunities, especially in rural settings and for marginalized individuals (Xheneti, Madden, & Thapa Karki, 2019b). They may allow cultural preservation through alternative, non-capitalistic and non-westernized forms of local development in emerging economies (Shinde, 2010). Against this backdrop, informal enterprises have sparked interest from academics and practitioners around the world (e.g., Godfrey, 2011; McGahan, 2012; Webb, Tihanyi, Ireland, & Sirmon, 2009; Welter, Baker, Audretsch, & Gartner, 2017).

However, research on informal entrepreneurship remains fragmented, limiting the progress of knowledge in this field. Thus, the aim of this dissertation is to develop a novel theoretical perspective on the phenomenon of informal entrepreneurship, as well as on its antecedents and outcomes, to help the field mature, open new research avenues, and spark new interesting ways of theorizing. This chapter introduces informal entrepreneurship as a globally widespread and highly relevant phenomenon, characterized by its own theoretical distinctiveness. Thus, this chapter illustrates theoretical opportunities for the field of informal entrepreneurship and highlights its practical relevance for society. In conclusion, the overarching research aims and the structure of this dissertation are presented.

1.1 INFORMAL ENTREPRENEURSHIP: A GLOBAL AND MULTIFACETED PHENOMENON

This dissertation draws on the definition of informal entrepreneurship as those “entrepreneurial activities that are illegal yet remain legitimate to large groups in a society” (Webb, Khoury, & Hitt, 2020, p. 511). Such entrepreneurial activities are also referred to as “underground” (e.g., Berdiev & Saunoris, 2018b; Feige, 1990; Ram, Edwards, & Jones, 2007), “shadow” (e.g., Achim, Borlea, Găban, & Mihăilă, 2019; Santos, Fernandes, & Ferreira, 2020; Sepulveda & Syrett, 2007), “illegal” (e.g., Aidis & van Praag, 2007; Lesieur & Sheley, 1987; Rosa & Trabalzi, 2016), “off-the-books” (e.g., Williams & Nadin, 2013b; Williams, 2009; Williams & Round, 2010), “hidden” (e.g., Al-Mataani, Wainwright, & Demirel, 2017; Antonopoulos & Mitra, 2009; Williams & Nadin, 2012a), “unregistered” (e.g., Pisani & Morales, 2020; Williams & Kosta, 2020; Williams, Martinez-Perez, & Kedir, 2017), “undocumented” (e.g., Brown, Hotchkiss, & Quispe-Agnoli, 2013; Swanson & Bruni-Bossio, 2019), or “unreported” (e.g., Kuk & Staehr, 2014; Vallanti & Gianfreda, 2020). They represent the majority of entrepreneurial activities worldwide (Ault & Spicer, 2022; Autio & Fu, 2015) and have relevant implications for society (Webb et al., 2013). Nevertheless, given their latent nature and the challenge of capturing informal entrepreneurial activities from a statistical perspective (Charman, Petersen, Piper, Liedeman, & Legg,

2017; Reilly & Krstic, 2019), the field of informal entrepreneurship remains fragmented and is still far from reaching its maturity (Edmondson & McManus, 2007). Despite the challenge of capturing informal entrepreneurship and its latent nature, this dissertation is motivated by the recognition of a wide array of entrepreneurial activities that do not fit into any “classical” entrepreneurship box or pathway (Welter et al., 2017), but yet share commonalities in terms of informality (Webb et al., 2009). Informality refers to the extent to which informal entrepreneurs engage in illegal and yet legitimate entrepreneurial activities (Webb et al., 2020), while not complying with formal rules and regulations. Most of the academic literature on informal entrepreneurship published up to 2008 refers to informality as a dichotomy between formal and informal entrepreneurial activities based on firm registration (e.g., Arimah, 2001; Coate, Handmer, & Choong, 2006; House, Ikiara, & McCormick, 1993). A conceptual change was witnessed in 2011, when Godfrey highlighted the complex and continuous nature of informality, including several dimensions such as firm registration, tax payment, environmental regulations, employment, and health and safety regulations. Godfrey (2011) provided a different perspective of informality as a multidimensional phenomenon instead of a binary phenomenon. In this way, he proposed a new way to capture informal entrepreneurship. Building on this, this dissertation does not refer to formal versus informal entrepreneurial activities exclusively by contrasting firm registration versus non-registration. Instead, this dissertation draws on the continuum of informality (Godfrey, 2011), including fully formal, semi-formal and fully informal entrepreneurial activities. Fully formal entrepreneurial activities comply with all national, regional and local laws and regulations, including business registration, tax law, labor law, environmental standards, health and safety regulations (Godfrey, 2011). Alternatively, fully informal entrepreneurial activities comply with none of these regulations, and semi-formal entrepreneurial activities selectively comply with some of them, representing the shades of gray that span fully formal and fully informal entrepreneurial activities (e.g., Bruton, Ireland, & Ketchen, 2012; Castro, Khavul, & Bruton, 2014; Darbi, Hall, & Knott, 2018). Following this line, the actual number of fully formal entrepreneurial activities undertaken in a given country is much smaller than the number of legally registered entrepreneurial activities. This is due to the fact that many legally registered enterprises do not comply with the full spectrum of national and local laws and regulations, and thus may be classified as “semi-formal”.

1.2 THEORETICAL OPPORTUNITIES

Informal entrepreneurship is a relevant phenomenon that permeates every society around the globe. Given its relevance, it has increasingly attracted scholarly attention and interest from various disciplines. Nevertheless, research remains fragmented thus far and there is need for coherence and higher levels of scholarly exchange to help the field mature and for novel theorizing to emerge. This chapter provides an overview of current conversations in the field of informal entrepreneurship and introduces theoretical opportunities.

Current state of research on informal entrepreneurship. Interestingly, the first study related to informal entrepreneurship was published in 1987; it referred to this phenomenon as a form of deviant economic behavior (Lesieur & Sheley, 1987). This appears in the journal “Social Problems” and refers to illegal businesses associated with line gambling in New York. These are considered informal forms of entrepreneurial activities because they are illegal and yet legitimate, i.e. socially accepted. Despite being formally banned by the national government, they are fostered by a widespread subculture.

In the 1990s, the literature started highlighting a number of other phenomena as informal entrepreneurial activities (e.g., Hartog & Zorlu, 1999; Hisrich & Grachev, 1993; House et al., 1993; Tsang, 1994). As such, informal entrepreneurial activities in communist economies took the shape of any private business being banned by the centrally planned economic system, that were, however, socially accepted by the population that was subjected to a climate of resource scarcity (Hisrich & Grachev, 1993; Tsang, 1994). In developing economies, informal entrepreneurial activities were perceived as a solution to high poverty and unemployment rates (Espinal & Grasmuck, 1997; House et al., 1993; Kesteloot & Meert, 1999). In developed economies, informal entrepreneurial activities tended to be operated by the so-called “under-class”, which constituted the lowest and most marginalized strata of society (Hartog & Zorlu, 1999; Leonard, 1998).

Essay I reviews 352 peer-reviewed academic articles on informal entrepreneurship published up to 2020. These articles span the disciplines of entrepreneurship (44%),

economics (18%), management (12%), development studies (9%), sociology (8%), geography (4%), political science (3%), and other disciplines (2%).

Figure 1 provides an overview of the main journals investigating informal entrepreneurial activities up to 2020 analyzed in Essay I.

Most articles on informal entrepreneurship (36 out of 352, or 10%) were published in the *Journal of Developmental Entrepreneurship*. The other articles on informal entrepreneurship were published in a number of journals, including leading entrepreneurship journals such as *Entrepreneurship Theory and Practice* (e.g., Siqueira, Webb, & Bruton, 2016; Webb et al., 2020; Welter et al., 2017; Williams et al., 2017) and the *Journal of Business Venturing* (e.g., Aidis & van Praag, 2007; Dau & Cuervo-Cazurra, 2014; Hisrich & Grachev, 1993; Kistruck, Webb, Sutter, & Bailey, 2015; Sutter, Webb, Kistruck, Ketchen, & Ireland, 2017; Thai & Turkina, 2014).

Most empirical articles published on informal entrepreneurship employ quantitative methods and draw mostly on secondary data, which are made increasingly accessible by the World Bank, the Global Entrepreneurship Monitor, and the International Labor Organization (Salvi, Belz, & Bacq, 2022). Figure 2 provides an overview of the geographic foci of empirical journal articles on informal entrepreneurship published up to 2020. The majority of them (52%) focus on developing economies, which are characterized by the highest rates of IE (Acs, Desai, & Klapper, 2008; Autio & Fu, 2015; Dau & Cuervo-Cazurra, 2014). A smaller share of publications (20%) focus on developed economies, where informality is common, especially at an early stage of the entrepreneurial process (Williams et al., 2017). Another 17% of the articles focus on transition economies, such as USSR, China, and East European economies (e.g., Aidis & van Praag, 2007; Lee & Hung, 2014). Finally, 11% of the articles draw cross-region comparisons to explain the antecedents and the outcomes of informal entrepreneurship (e.g., Thai & Turkina, 2014; Williams & Kedir, 2018).

These insights indicate that informal entrepreneurship has attracted increasing scholarly attention across the globe and various economies. Yet to reach a more mature stage, characterized by empirical articles testing relationships among established constructs (Edmondson & McManus, 2007), the field needs synthesizing coherence (Locke & Golden-Biddle, 1997). This dissertation tackles this opportunity aiming at synthesizing coherence across the academic conversations on informal

entrepreneurship, and building a novel theoretical framework and a clear research agenda for the future.

Figure 1. Overview of Journal Articles on Informal Entrepreneurship

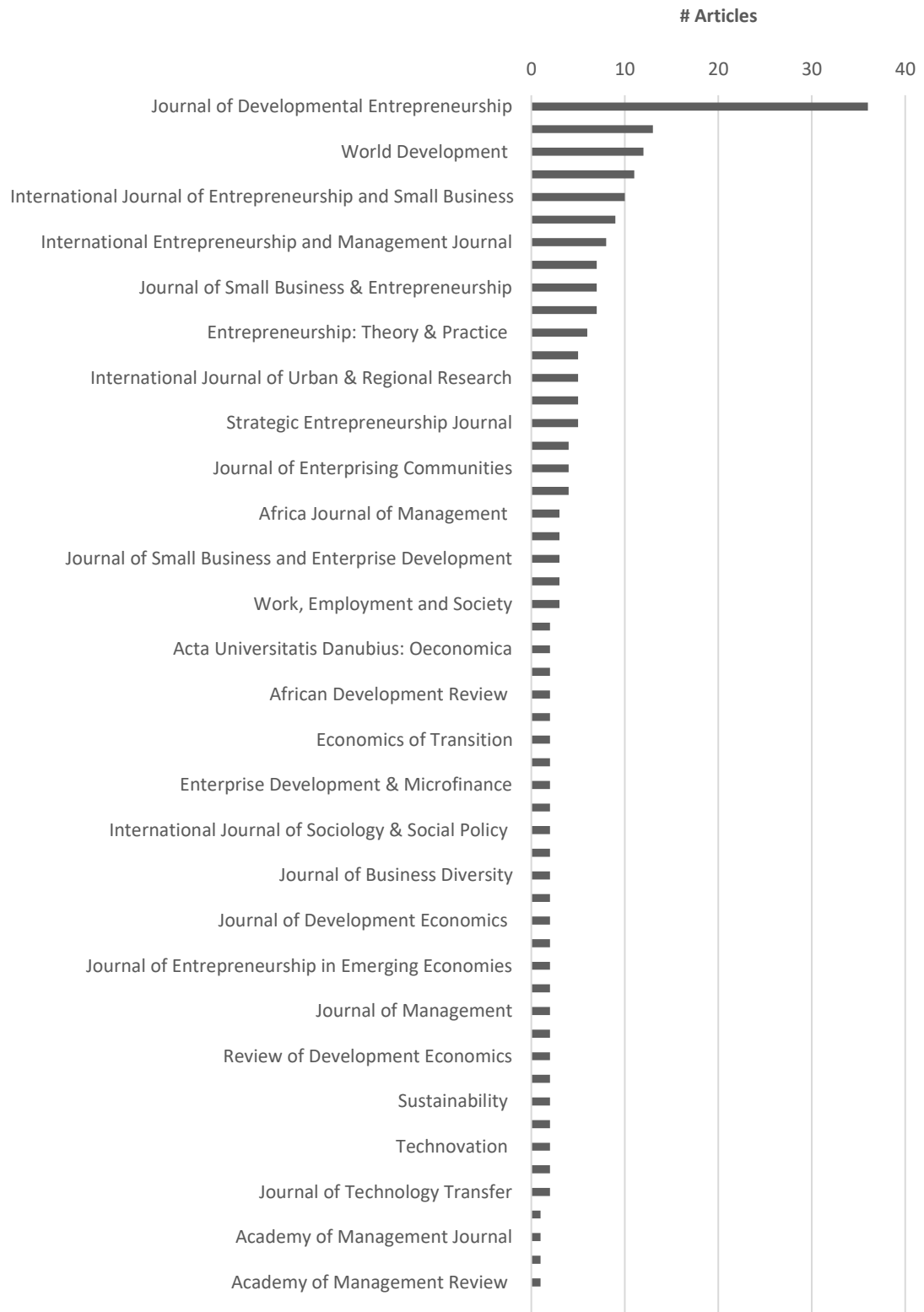
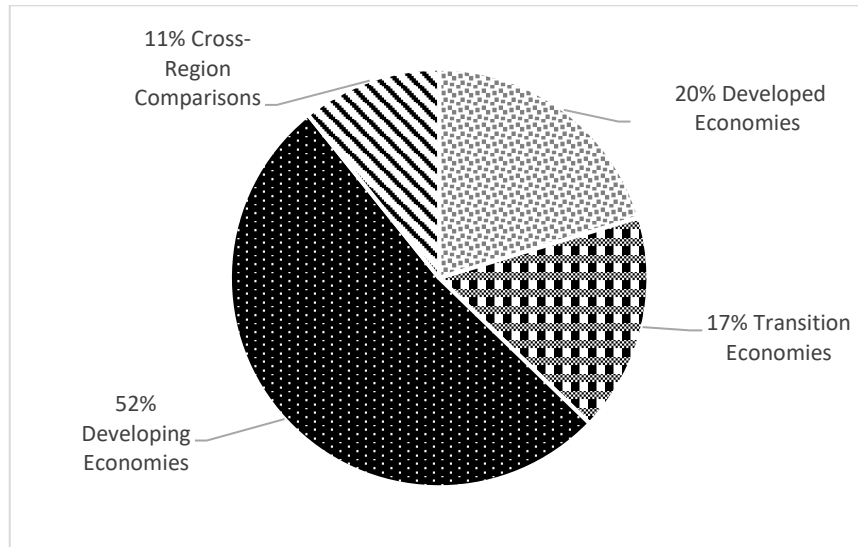


Figure 2. Overview of Geographic Foci of Empirical Journal Articles on Informal Entrepreneurship published until 2020



Towards a new comprehensive theoretical framework of informal entrepreneurship.

Despite the global prevalence and multifaceted nature of informal entrepreneurship, research to date has focused mainly on informal entrepreneurship as a type of necessity-entrepreneurship, mainly occurring in developing economies, for subsistence reasons. Some authors have highlighted how poor informal entrepreneurs mobilize financial resources (e.g., Maurya & Mohanty, 2019), employ social networks (e.g., Villanueva, Angeles, & Revilla, 2018), operate an informal enterprise (e.g., Kiggundu & Pal, 2018), take decisions to formalize it (e.g., Thapa Karki, Xheneti, & Madden, 2020), and achieve entrepreneurial outcomes (e.g., Demenet, Razafindrakoto, & Roubaud, 2016). Some authors have focused on how informal entrepreneurship influences the proximate community where informal entrepreneurs operate, creating empowerment (e.g., Dolan & Rajak, 2016), innovation (e.g., Choi & Perez, 2007), and reducing rural poverty (e.g., Hudson, Williams, Orviska, & Nadin, 2012). In addition, some articles have started highlighting the potential of informal entrepreneurship in shaping formal and informal institutions (e.g., Klein, 2017; Meagher, 2009). In particular, informal entrepreneurs may shape new informal structures of national unity and cohesion (Meagher, 2009), which lead to formal institutional change (Lee & Hung, 2014).

Notwithstanding the interesting conversations above, there is a need to move from the dominant perspective of informal entrepreneurs as poor individuals engaging in

exclusively low-performing entrepreneurial activities, toward a more comprehensive and nuanced perspective. Such perspective of informal entrepreneurship consisting in exclusively necessity-driven and low-performing activities is limited and does not allow a nuanced understanding of the phenomenon. Drawing on this line of argument, Essay I highlights the need for a novel and more holistic understanding of informal entrepreneurial types that are widespread across developing, transition, and developed economies. Such novel perspective could reveal distinctive types of informal entrepreneurs across economies, how they engage in informal entrepreneurial activities over time, why and with what consequences. This could lead to a novel and comprehensive theoretical framework to explain informal entrepreneurship across the border of time and space, stimulate intersections and exchange among currently separated academic conversations, and provide a more comprehensive framework for practitioners.

Towards unpacking institutional complexity and its role on informal entrepreneurship. A burgeoning number of studies highlight the link between formal institutional quality and informal entrepreneurship (e.g., Ault & Spicer, 2022; Dau & Cuervo-Cazurra, 2014; Omri, 2020; Thai & Turkina, 2014). A growing interest for the effects of quality of governance (e.g., Dau & Cuervo-Cazurra, 2014; Thai & Turkina, 2014; Omri, 2020), state fragility measures (e.g., Ault & Spicer, 2022), and intellectual property rights (e.g., Blake, Lux, Russell Crook, Autry, & Zaretzki, 2015) on informal entrepreneurship witnessed. Nevertheless, we are still far from fully understanding how distinctive forms of institutional complexity affect this phenomenon. Beyond the importance of formal institutions in informal entrepreneurship, it is crucial to recognize the role of informal institutions (Minbaeva, Ledeneva, Muratbekova-Touron, & Horak, 2022), i.e. the cultural values determining what “should be right” (Feige, 1990), i.e. what is “legitimate” —beyond “legal”— in a certain society. Informal institutions represent “the socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels” (North, 1990: 3), and some scholars have started unveiling their potential to explain informal entrepreneurship (e.g., Abid, Bothello, Ul-Haq, & Ahmadsimab, 2022). Drawing on this, Essay II and III aim at investigating the role of informal institutions and their interaction with formal ones through distinctive methodologies and research settings. In particular, Essay II employs an explorative

case study design, conducted in rural Mali, to explain how distinctive forms of institutional heterogeneity across villages within the same country shape informal and semi-formal entrepreneurial activities. Whereas, Essay III employs a quantitative panel database, including 40 countries across 12 years, to explain how formal and informal institutions interact and influence the emergence of informal entrepreneurial activities at the national level. Section 2 below will provide a deeper overview of how Essay II and III emerged, the research questions that they tackle, the respective methodologies and their theoretical underpinnings. Before this, the following subsection provides an overview of the practical relevance of informal entrepreneurship.

1.3 PRACTICAL RELEVANCE

Informal entrepreneurship has ancient roots. Some authors refer to informal enterprises as pre-modernization forms of venturing, which tend to disappear in modern times and in increasingly capitalistic societies (Geertz, 1963; Lewis, 1959). Nevertheless, recent literature adopting neo-liberal and post-structural perspectives has shown that informal enterprises do not disappear completely in modern societies but, instead, continue operating outside formal institutional boundaries and have high practical relevance (e.g., Williams, 2018; Williams & Krasniqi, 2018).

Practitioners have shown increasing interest toward informal enterprises, since these yield important consequences at the local, regional and national levels. Table 1 summarizes the costs and benefits of informal entrepreneurship for society. The major social costs relate to tax loss, labor costs, unfair competition with formal firms and a negative environmental impact. The major social benefits include employment creation, empowerment, innovation, cultural preservation and institutional change. The subsections below provide some elaboration regarding such costs and benefits of informal entrepreneurship for society, and a critical reflection relating the overall practical implications of informal entrepreneurial activities.

Table 1. Practical Relevance of Informal Entrepreneurship:
Costs and Benefits for the Society

Practical relevance	Exemplary literature
<u>Societal costs:</u>	
Tax loss	Allingham and Sandmo (1972); Berdiev and Saunoris (2018b); Cebula and Feige (2012); Hasseldine and Li (1999); Mickiewicz et al. (2019); Richardson and Sawyer (2001); Vallanti and Gianfreda (2020); Webb, Ireland, and Ketchen (2014); Williams (2015)
Labor costs	Dammert, Hoop, Mvukiyehe, and Rosati (2018); Edmonds (2008); Hillmann (1999); Jayasinghe (2016); Jones, Ram, and Edwards (2006); Ram et al. (2007); Vallanti and Gianfreda (2020); Webb et al. (2014)
Negative environmental impact	Blackman (2000); Imamoglu (2018); Papyrakis (2014); Rădan-Gorska (2013); Yankson (2000)
Unfair competition toward formal firms	Kosta and Williams (2020); Kettles (2007); Webb et al. (2013)
<u>Societal benefits:</u>	
Employment creation	Cutsinger (2000); Dolan and Rajak (2016); Espinal and Grasmuck (1997); House et al. (1993); Kesteloot and Meert (1999); Mondal (2017); Peberdy (2000); Slade Shantz, Kistruck, and Zietsma (2018)
Empowerment	Adriaenssens and Hendrickx (2011); Atasü-Topcuoğlu (2019); Badger Newman and Alvarez (2022); Guma (2015); Leonard (1998); Tengeh and Nkem (2017); Xheneti, Karki, and Madden (2019a); Xheneti et al. (2019b)
Innovation	Bu and Cuervo-Cazurra (2020); Choi and Perez (2007); Dupuis (2019); Kabecha (1999); Ravenelle (2020); Santos et al. (2020); Ullah, Williams, and Arif (2019); Webb et al. (2009)
Cultural preservation	Achim et al. (2019); George, Kotha, Parikh, Alnuaimi, and Abubakr (2016b); Kozyreva and Ledyeva (2014); Shinde (2010)
Institutional change	Dupuis (2019); Klein (2017); Ravenelle (2020)

Societal Costs of Informal Entrepreneurship. First, informal enterprises act under the radar of government authorities, evading taxes (Mickiewicz et al., 2019; Vallanti & Gianfreda, 2020), which is often driven by a rational costs-benefits analysis including an estimation of the risks of being caught (Allingham & Sandmo, 1972) and the advantages of operating off-the-books (Richardson & Sawyer, 2001). Tax evasion is enhanced by low tax morale (Berdiev & Saunoris, 2018b), i.e. a weak perception of the moral obligation to pay taxes due to e.g. the low capability of the government to “make appropriate infrastructural investments and to provide for the basic needs of society” (Webb et al., 2014, p. 4). This behavior of skirting business tax law leads to high tax revenue losses by the government, undermining the ability to deal with national budget issues and to invest in infrastructure. Cebula and Feige (2012) estimated that the United States lost about 150 billion US dollars from 2001 to 2010 due to business tax evasion. Business tax evasion is even higher in emerging and transition countries (Mickiewicz et al., 2019). This creates alertness and stimulates the application of sanctions by regulators and policymakers attempting to eradicate non-compliant activities (Williams, 2015).

Secondly, informal enterprises may involve child labor (Dammert et al., 2018), exploitative working conditions (Jayasinghe, 2016) or the presence of undocumented workers without proper labor contracts and insurance (Jones et al., 2006). These conditions are due to adherence to local informal norms (Ram et al., 2007) and may represent an alternative to strict formal labor regulations (Hillmann, 1999). Generally, undeclared workers are employed to reach more favorable global competition or to provide a job that guarantees the fulfillment of the workers’ basic daily needs in absence of other alternatives (Webb et al., 2014). In emerging countries, children are generally engaged in the family business after school to support daily activities, or as an alternative to receiving proper education when school is not available (Edmonds, 2008). Some businesses also employ non-family child workers below the radar of government authorities, as well as adult workers below the minimum wage and above maximum working-hour requirements (Vallanti & Gianfreda, 2020). Despite representing a cheap workforce, undocumented workers imply high labor costs since they are subjected to lower professional growth, higher risk of injuries, illness and death, and take the place of formal employees. It is estimated that about 10 million undocumented workers are employed in the United States and about 250 million children are employed worldwide (Webb et al., 2014).

Thirdly, informal entrepreneurial activities may produce negative environmental externalities (Imamoglu, 2018; Papyrakis, 2014; Yankson, 2000). This happens because informal entrepreneurial activities generally do not comply with formal environmental regulations. They may instead handle harmful chemicals and fuels, and employ inadequate disposal practices (Blackman, 2000). Rădan-Gorska (2013) highlights that environmental protection, trash disposal and safety regulations may be very complex and too costly in some cases for informal enterprises to comply with. These enterprises may therefore opt for practices such as emptying septic tanks in rivers or abandoning waste in the forest, posing a “serious hazard” to the environment.

In the fourth place, informal enterprises tend to be characterized by lower costs and thus tend to be unfair competition for formal enterprises (Kettles, 2007). This informal competition may affect the performance of formal enterprises in terms of sales, employment and productivity (Kosta & Williams, 2020). Nevertheless, informal competition represents only a minor threat when compared to the competition from larger enterprises (Webb et al., 2013).

Societal Benefits of Informal Entrepreneurship. Despite the societal costs described above, there are also a number of societal benefits derived from informal enterprises. First, informal entrepreneurship is seen as a solution to high poverty and unemployment rates in developing economies (Espinal & Grasmuck, 1997; House et al., 1993; Kesteloot & Meert, 1999). When formal employment opportunities are absent or scarce, informal enterprises offer an alternative solution for low income individuals to earn a living (Slade Shantz et al., 2018) and to engage in a job that allows the provision for a daily livelihood of the household (Espinal & Grasmuck, 1997), and in some cases for earning surplus income (Mondal, 2017) and receiving professional training (Dolan & Rajak, 2016). For instance, informal tourism is the main source of income in the Barbados. Informal enterprises distribute fresh food to hotels, restaurants and local households. These informal enterprises provide a source of income and employment opportunities despite the high national unemployment rate (Cutsinger, 2000). Another example are informal cross-border enterprises in South Africa, which employ undocumented immigrants to export South African products to their own countries. The profits made by these informal employees are used to support their families in South Africa and are reinvested in the national South African economy through rental payments and purchase of goods (Peberdy, 2000).

Secondly, informal entrepreneurship is a source of empowerment, especially for marginalized societal groups (Adriaenssens & Hendrickx, 2011; Atasü-Topcuoğlu, 2019; Leonard, 1998) and women (Badger Newman & Alvarez, 2022; Xheneti et al., 2019b). Access to education, formal employment and financial resources are limited for marginalized groups. Nevertheless, informal entrepreneurship may act as a form of empowerment, offering access to informal forms of training, income opportunities, and access to informal credit (Tengeh & Nkem, 2017). Similarly, women in patriarchal societies tend to engage in informal entrepreneurial activities, especially after marriage (Xheneti et al., 2019a) as an opportunity to take better care of their households (Guma, 2015), while achieving a certain degree of independence and empowerment (Xheneti et al., 2019a).

Thirdly, informal entrepreneurship may act as a seedbed for innovation (Bu & Cuervo-Cazurra, 2020; Santos et al., 2020). Informal enterprises anticipating specific customer needs (Choi & Perez, 2007) may anticipate market trends and spot new business opportunities that are not allowed to emerge in the current legal frameworks. This is the case of such innovative business models like Napster, which emerged as an informal, successful and growth oriented pirated software enterprise identifying the customer need for digital and more accessible music formats (Webb et al., 2009). Similarly, Airbnb started as an informal enterprise proposing an innovative business solution to the challenges of low-cost travelling. To do so, Airbnb started making use of private host accommodations despite, at its origin, its business model was affected by profound legal limitations (Ravenelle, 2020). Driven by a similar purpose, Uber proposed an innovative business model bridging the need for low cost transportation and the availability of private drivers in the United States (Dupuis, 2019). Another example relates to small informal entrepreneurial units in emerging countries that tend to be innovative in terms of technology and digitalization, allowing social and technological advances in the poorest areas (Kabecha, 1999).

Fourthly, informal entrepreneurial activities may allow cultural preservation, respecting and balancing traditions, rituals, and ancient wisdoms (Achim et al., 2019; George et al., 2016b; Kozyreva & Ledyeva, 2014). For example, forms of informal touristic enterprises may allow the maintenance and propagation of traditional cultural practices and tacit knowledge (Shinde, 2010).

Finally, informal enterprises may emerge in conditions where formal alternatives are not possible within the legal frameworks, such as in the case of Airbnb and Uber. In

these cases, informal entrepreneurs may proactively engage to change the regulatory framework, creating institutional pressure through narratives and actions that allows the informal business to reach momentum and become increasingly acceptable by the legal frameworks (Dupuis, 2019; Ravenelle, 2020). Another example of institutional change led by informal enterprises is the case of the medical cannabis trade, which was illegal in California in the past and was legalized after institutional work and pressure from the informal traders in this domain (Klein, 2017).

Given its high practical relevance, informal entrepreneurship has attracted increasing attention by governments, policymakers, NGOs, social organizations, educators and entrepreneurs. Besides this high practical relevance, informal entrepreneurship entails also its own phenomenological distinctiveness and theoretical potential (Bruton et al., 2012; McGahan, 2012; Webb et al., 2013).

1.4 RESEARCH OBJECTIVES

The *overarching research objective* of this dissertation is to generate a novel and comprehensive theoretical perspective of informal entrepreneurship as a phenomenon, as well as of its antecedents and outcomes. This overarching objective is outlined by two subordinate research objectives.

First subordinate objective. Essay I builds on an integrative literature review including 352 articles on informal entrepreneurship to target the first subordinate research objective of bringing synthesizing coherence, uncovering the heterogeneity among individual informal entrepreneurs, the reasons why they engage in informal entrepreneurial activities, and the consequences of their activities at the individual, organizational and societal levels.

Second subordinate objective. Given the high theoretical and practical potential of unpacking the institutional complexity underneath informal entrepreneurship, Essay II and Essay III tackle the second subordinate research objective of developing a new understanding of the role of formal and informal institutions in regard to informal entrepreneurial activities. This second research objective has the potential of developing new theoretical insights into how informal entrepreneurial activities come

about and grow, contributing to the broader entrepreneurship and management research.

In sum, this dissertation aims to help the field of informal entrepreneurship reach its mature stage, to stimulate cross-disciplinary scholarly conversations, and to create bridges across and within the entrepreneurship and management literature. Reaching these research objectives will also yield practical implications for social enterprises, NGOs, educators, and policymakers dealing with informal enterprises in their daily activities.

1.5 STRUCTURE

Chapter 1 provided an overview of the phenomenon of informal entrepreneurship, its theoretical opportunities, as well as the practical implications and the research objectives of this dissertation. Chapter 2 continues with an illustration of the research framework, which includes a clearly delineated trajectory toward problem formulation, as well as an overview of the theoretical lenses and methodological approaches employed in this dissertation. Chapter 3 will present the three essays at the core of this dissertation. Essay I consists of an integrative review based on 352 cross-disciplinary articles on informal entrepreneurship. The review helps to take stock from previous conversations, builds a comprehensive typology of informal entrepreneurs around the globe and proposes a novel dynamic framework consisting in three *formalizing* and *informalizing entrepreneurial pathways*, their causes and consequences. Essay II explores the informal institutional complexity leading to informal and semi-formal enterprises in contexts characterized by weak formal institutional enforcement. Doing so, Essay II builds a *new theoretical framework of institutional abundance* as a combinatory approach toward formal and informal institutions giving rise to the emergence and growth of informal and semi-formal enterprises. Finally, Essay IV delves into how state fragility and culture influence the emergence of informal entrepreneurial activities across countries. After having presented the three essays at the core of this dissertation, Chapter 4 will provide a discussion of the main findings, limitations, and theoretical and practical implications of each essay. Chapter 5 will conclude this dissertation with some final remarks.

2. RESEARCH FRAMEWORK

This chapter introduces the research framework at the core of this dissertation, including the research questions, theoretical lenses and methods (Table 2). The chapter starts by introducing a detailed trajectory toward problem formulation to showcase how the research questions are generated, and why they are relevant to understand the phenomenon, antecedents and outcomes of informal entrepreneurship. The chapter continues with an overview of the theoretical lenses adopted in each essay, how they have been employed to answer the proposed research questions, and how they inform the process of theorizing. The chapter concludes with an overview of the methods that include: research designs, data sources, approaches to scientific reasoning, and research models employed in the three essays.

Table 2. Overview of Research Questions, Main Theoretical Lenses and Research Methods

ESSAY	RESEARCH QUESTIONS	MAIN THEORETICAL LENSES	RESEARCH METHODS			
			Research Design	Data Sources	Scientific Reasoning	Research Model
I	<p>What are the different types of informal entrepreneurs and how do they vary across contexts?</p> <p>What are the main entrepreneurial activities they undertake?</p> <p>Why do they do so and with what consequences?</p>	Legitimacy, Sociological Institutionalism	Integrative review	352 peer-reviewed journal articles on informal entrepreneurship	Inductive	Variance & Process
II	<p>What role do informal institutions play for new venture creation and growth in fragile contexts?</p>	New Institutionalism	Multiple case study design	<p>70 semi-structured, open interviews,</p> <p>810 pictures,</p> <p>308 pages of field notes,</p> <p>30 YouTube videos,</p> <p>10 Facebook pages,</p> <p>16 blog posts,</p> <p>7 webpages</p>	Inductive	Variance
III	<p>How does state fragility affect the prevalence of informal entrepreneurship across countries?</p> <p>How do cultural values shape the relationship between state fragility and the prevalence of informal entrepreneurship across countries?</p>	New Institutionalism	Cross-country study	<p>Panel dataset</p> <p>including 40 countries across 12 years, built merging data from GEM, WBGES, Polity IV Project, GLOBE, and WDI</p>	Deductive	Variance

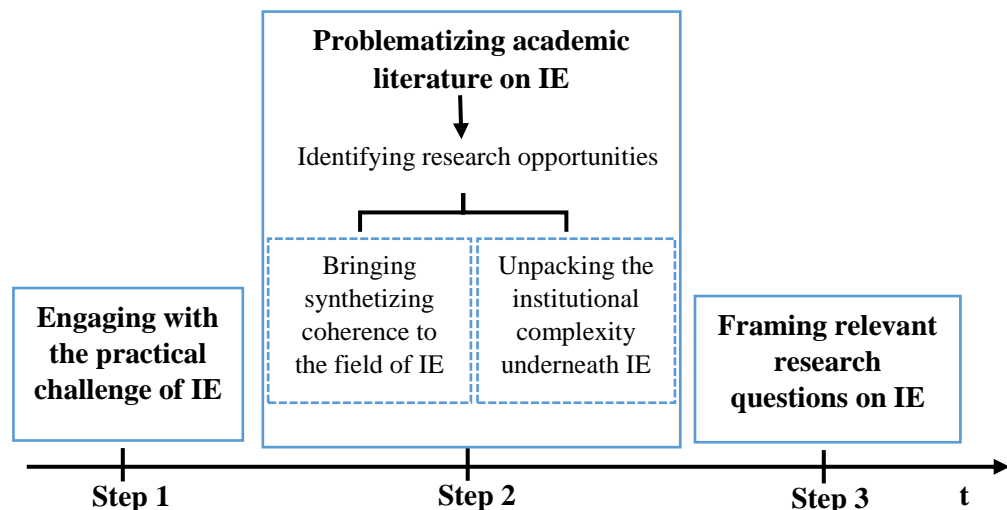
2.1 TRAJECTORY TOWARD PROBLEM FORMULATION

“It is increasingly recognized that what makes a theory interesting and influential is that it challenges our assumptions in some significant way.”

- Alvesson and Sandberg, 2011, p. 247

In the excerpt above, Alvesson and Sandberg (2011) suggest that to develop interesting theoretical advances and to significantly challenge common assumptions in a given field, it is crucial to formulate impactful research questions. Such a research task is fundamental and yet delicate since “the seeds for many rejections are planted at the inception of a project” (Colquitt & George, 2011, p.432). In the initial phases of a research project, the researcher dives deeply into a practical problem and starts engaging with the academic literature (Alvesson & Sandberg, 2011) by following various trajectories toward problem formulation (Chen, Sharma, & Muñoz, 2022). This subchapter illustrates the trajectory toward problem formulation pursued in this dissertation with a three-step procedure, consisting of *engaging with the practical challenge of informal entrepreneurship*, *problematizing academic literature on informal entrepreneurship*, and *framing relevant research questions on informal entrepreneurship* (Figure 3).

Figure 3. Trajectory Toward Problem Formulation



Step 1: Engaging with the Practical Challenge of Informal Entrepreneurship

Answering significant research questions should yield useful practical implications (Chen et al., 2022; Gulati, 2007; Shapiro, Kirkman, & Courtney, 2007). The first step in the trajectory toward problem formulation (Figure 3) relates to engaging with the practical challenge of informal entrepreneurship, which represents more than 60% of global entrepreneurial activities in developed and transition economies, and rising to more than 90% in developing economies (Autio & Fu, 2015). Informal entrepreneurship includes, albeit not being limited to, entrepreneurial activities conducted by street vendors in touristic locations, day laborers, cross-border traders, digital subsistence entrepreneurial activities, informal businesses in centrally-planned economies, informal business activities conducted by persecuted or colonized populations, informal software-based businesses, and businesses escaping tax payment or attention from organized crime organizations.

Since this is such a prevalent and multifaceted phenomenon worldwide, informal entrepreneurship is intrinsically linked to the grand societal challenges targeted by the United Nations through their Sustainable Development Goals (SDGs), especially SDG 8, which aims to “promote inclusive and sustainable economic growth, employment and decent work for all”. More specifically, informal entrepreneurship is addressed by SDG 8.8, which aims to “protect labor rights and promote safe and secure working environments”, and SDG 8.3, which aims to “...encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services” (Huck, 2022, p. 20). In their efforts to address these goals, international organizations, governments, and policymakers have been developing formalization policies to tackle informal entrepreneurship (Williams, 2015). The aim of such formalization policies is to minimize negative externalities of informal entrepreneurship, such as tax revenue loss (Mickiewicz et al., 2019), unsafe worker conditions and employment of illegal workers (Jones et al., 2006), and unfair competition toward formal firms (Webb et al., 2013) at the macro-level. Despite all governmental and non-governmental efforts toward formulating and implementing formalization policies to reduce these negative externalities, long-term positive effects are difficult to achieve due to the high cognitive and moral legitimacy conferred to informal entrepreneurship.

Beyond this, informal entrepreneurship may also lead to positive externalities, such as fundamental forms of employment (Lee & Hung, 2014; Maloney, 2004), cultural

preservation (Shinde, 2010) in developing and transition economies, and technological innovation in developed economies (Choi & Perez, 2007). Thus, a more fine-grained understanding of the phenomenon, its multifaceted nature, its temporal dimension, its antecedents and outcomes may lead to more tailored solutions and to higher practical impact, especially in the long term.

Step 2: Problematizing Academic Literature on Informal Entrepreneurship

After engaging with the practical challenge of informal entrepreneurship, the second step in the trajectory toward problem formulation consists in problematizing the academic literature (Alvesson & Sandberg, 2011, 2020) (Figure 3). This problematizing step helps overcome the “gap spotting” threat, which often leads to weak argumentations and narrow theoretical contributions (Shepherd & Wiklund, 2020). As an alternative to falling into this “gap spotting” threat, the problematizing step helps reach a higher level of engagement with previous literature on informal entrepreneurship, set conceptual boundaries, take stock from current academic conversations and to open space for relevant research questions that could be answered with alternative angles and novel theorizing (Nadkarni, Gruber, DeCelles, Connelly, & Baer, 2018). More specifically, the following research opportunities have been identified through problematizing the academic literature on informal entrepreneurship: *bringing synthesizing coherence to the field of informal entrepreneurship*, and *unpacking the institutional complexity underneath informal entrepreneurship*.

Bringing synthesizing coherence to the field of informal entrepreneurship. Over the last two decades, there has been increasing attention to the phenomenon of informal entrepreneurship from a diverse array of disciplines, including management (e.g., Bruton et al., 2012; Godfrey, 2011; McGahan, 2012; Nason & Bothello, 2022; Webb et al., 2009), entrepreneurship (e.g., Badger Newman & Alvarez, 2022; Dau & Cuervo-Cazurra, 2014; Thai & Turkina, 2014; Siqueira et al., 2016; Thapa Karki et al., 2020), economics (e.g., Bruhn, 2013; Benhassine, McKenzie, Pouliquen, & Santini, 2018; Galiani, Meléndez, & Ahumada, 2017), sociology (e.g., Chepurenska, 2018; Rădan-Gorska, 2013; Ram, Edwards, Jones, & Villares-Varela, 2017), and political science (e.g., Hibbs & Piculescu, 2010; Kurosaki, 2019; Dupuis, 2019). This is in line with the

relevance of the phenomenon and the increasing dissemination of secondary data from international organizations such as the World Bank, the Global Entrepreneurship Monitor and the International Labor Organization. Nevertheless, current knowledge about the phenomenon, as well as antecedents and outcomes of informal entrepreneurship is still fragmented (McGahan, 2012; Santos & Ferreira, 2017; Welter, Smallbone, & Pobel, 2015). To enhance communication across disciplines and to help the field of informal entrepreneurship mature (Edmondson & McManus, 2007), a need to bring synthesizing coherence and to bridge isolated conversations on the phenomenon of informal entrepreneurship exists. More specifically, synthesizing coherence refers to “reinterpreting existing work to show underlying consensus” (Locke & Golden-Biddle, 1997, p. 1034). This could lead to a novel and comprehensive theoretical framework to explain informal entrepreneurship, stimulate intersections and exchange among currently separated academic conversations, and this could provide a more comprehensive framework for practitioners.

Unpacking the institutional complexity underneath informal entrepreneurship. Burgeoning literature has highlighted that weak enforcement of the law is accompanied by informal institutions providing legitimacy to informal entrepreneurial activities (e.g., Dau & Cuervo-Cazurra, 2014; Khavul, Bruton, & Wood, 2009; Kistruck et al., 2015; Webb et al., 2020). This has contributed significantly to our understanding of informal entrepreneurship, yet a more fine-grained understanding of what type of informal institutions affects informal entrepreneurial activities may provide a more comprehensive perspective on why informal entrepreneurial activities emerge and grow (Nason & Bothello, 2022). Beyond this, it is important to consider that informal institutions do not exist in isolation, but rather interact with formal institutions in various ways (Minbaeva et al., 2022). Empirical research focusing specifically on the antecedents of informal entrepreneurship could help unpack the institutional complexity underneath informal entrepreneurial activities (Webb et al., 2020) and develop more effective policy approaches. In particular, it would be relevant to understand how institutions influence informal entrepreneurial activities differently when considering the institutional heterogeneity across regions within the same country (Bothello, Nason, & Schnyder, 2019), as well as across countries, e.g. when considering western and non-western contexts (Nason & Bothello, 2022). This line of research could lead to novel and relevant theorizing, as well as meaningful practical

implications for NGOs, social organizations and policy makers in their efforts of building holistic and tailored policies toward informal entrepreneurship.

Step 3: Framing Relevant Research Questions

By engaging with the practical challenge of informal entrepreneurship and problematizing existing literature, it was possible to identify the research opportunities presented above. Drawing on them, the last step in the trajectory toward problem formulation consists in framing relevant research questions on informal entrepreneurship (Figure 3).

The overarching research objective of this dissertation is to challenge our assumptions (Alvesson & Sandberg, 2011) on informal entrepreneurship, as well as on its antecedents and outcomes as a phenomenon, in a fundamental way and to generate interesting, novel and relevant theory (Colquitt & George, 2011). To achieve this overarching research objective, Essay I aims to bring synthesizing coherence (Locke & Golden-Biddle, 1997) into the heterogeneity of the literature on informal entrepreneurship. Thus, the research questions in Essay I are carefully designed with the specific sub-objectives to uncover: 1) the heterogeneity among individual informal entrepreneurs, 2) the reasons why they engage in informal entrepreneurial activities, and 3) the consequences of their activities at the individual, organizational and societal level. More explicitly, Essay I tackles the following research questions:

What are the different types of informal entrepreneurs and how do they vary across contexts? What are the main entrepreneurial activities they undertake? Why do they do so and with what consequences?

In summary, Essay I is designed “to connect disparate themes, such as the occurrence, the antecedents and the outcomes of informal entrepreneurship” (Salvi et al., 2022, p. 2). By answering the proposed research questions, this essay maps the field of informal entrepreneurship, takes stock from previous conversations and builds a novel conceptual framework for the field. This novel framework includes a new comprehensive typology of informal entrepreneurs and three dynamic pathways along which informal entrepreneurs move (Salvi et al., 2022). Beyond this, Essay I highlights interesting insights, gaps, and anomalies from previous research work on informal entrepreneurship (Nadkarni et al., 2018) and provides directions for future research and practice.

Essays II and III build on the novel theoretical framework proposed in Essay I to unpack the institutional complexity underneath informal entrepreneurship. More specifically, Essay II aims to open the “black box” of informal institutions (Bruton, Ahlstrom, & Li, 2010; Su, Zhai, & Karlsson, 2017) and to understand their role on informal entrepreneurial activities in fragile contexts (Ault & Spicer, 2022), where informal entrepreneurship is nearly universal (Autio & Fu, 2015). To reach this research aim, Essay II addresses the following research questions:

What role do informal institutions play for new venture creation and growth in fragile contexts?

To answer these research questions, an explorative multiple case study design is employed (Yin, 2017), consisting of five rural villages located in Mali, Sub-Saharan Africa, which is one of the most fragile countries in the world (Ault & Spicer, 2020; Marshall & Cole, 2016). We purposefully chose to conduct the study in a developing economy, where formal institutions are weakly enforced, and informal institutions have a great influence on new venture activities. Further details about the methodology adopted in this essay will be provided in section 2.3 below.

In contrast to Essay II, Essay III draws on the well-established link between the quality of formal institutions and informal entrepreneurship (e.g., Dau & Cuervo-Cazurra, 2014; Omri, 2020; Thai & Turkina, 2014) and on the evidence confirming that informal entrepreneurship is prevalent in developing countries where formal institutions are weak (Thapa Karki et al., 2020) and state fragility is high (Ault & Spicer, 2022). Even though developed countries are characterized by strong states, informal entrepreneurship is also a common economic feature (Autio & Fu, 2015), since a widespread hidden enterprise culture legitimizes it (Williams et al., 2017; Williams & Nadin, 2012a). Given that informal entrepreneurship occurs in both developing and developed economies, this essay surmises that weak formal institutional enforcement is positively related to informal entrepreneurship. Governments have the ability to implement and enforce certain policies and programs across multiple formal institutions (Marshall and Cole 2017); as a result, governments influence the types of ventures that actors create via institutional constraints. This essay therefore suggests that state fragility, understood as the cross-national variation in the government’s capability to enforce a range of state functions (Ault & Spicer,

2022), influences the prevalence of informal entrepreneurship across countries by shaping uncertainty in formal institutional enforcement within the institutional environment. As a result, Essay III questions:

How does state fragility affect the prevalence of informal entrepreneurship across countries?

Essay III also highlights that informal institutions may fill the voids left in highly fragile states and further explains the prevalence of informal entrepreneurship cross-culturally. Informal entrepreneurs do not follow the formal registration procedures with governments and avoid formal institutional rules (Webb et al., 2009), they are instead governed by informal institutional elements, especially cultural values (Cavotta & Dalpiaz, 2022). Accordingly, formal institutions interact with informal institutions, which represent the cultural values that determine what “should be right” (Feige, 1990), i.e. what is “legitimate” —beyond “legal”— in a certain society (Webb et al., 2009). Therefore, Essay III also questions:

How do cultural values shape the relationship between state fragility and the prevalence of informal entrepreneurship across countries?

To address these research questions, Essay III employs a quantitative approach and cross-country panel data, consisting of a total of 40 countries over 12 years. Further details about the methodology followed in Essay III will be provided in section 2.3 below.

2.2 THEORETICAL BACKGROUND

The overarching research objective of this dissertation is to challenge current assumptions on informal entrepreneurship and to generate novel and relevant theory to explain the phenomenon as well as its antecedents and outcomes. To achieve this overarching research objective and to answer the specific research questions reported above, this section delineates conceptual boundaries of informal entrepreneurship and introduces the main theoretical lenses informing the process of theorizing.

2.2.1 Informal Entrepreneurship: Delineating Conceptual Boundaries

Notwithstanding the various definitions of informal entrepreneurship in the academic literature (e.g., Bureau & Fendt, 2011; Dau & Cuervo-Cazurra, 2014; Webb et al., 2009; Williams et al., 2017; Williams & Nadin, 2010), this dissertation draws on the most recent and widely recognized definition by Webb et al. (2020), which refers to informal entrepreneurship as those “entrepreneurial activities that are illegal yet remain legitimate to large groups in a society” (p. 511). Such entrepreneurial activities are undertaken by individual entrepreneurs who identify and exploit entrepreneurial opportunities (Bygrave & Hofer, 1992; Ireland & Webb, 2007; Shane, 2003) in a socially accepted manner, while not complying with all of the legal requirements associated with the provision of goods and services in a given country (e.g., unregistered activities, off-the-book business transactions). Below, an overview of the main definitions of informal entrepreneurship adopted in the literature is provided. Such an overview is relevant to understand why the definition by Webb et al. (2020) is selected to delineate the boundaries of the phenomenon in this dissertation. More specifically, Table 3 provides an overview of the main definitions of informal entrepreneurship and qualitatively assesses their definitional breadth and accuracy. Definitional breadth is assessed on a scale from 1 to 5 (1=low definitional breadth, capturing low heterogeneity of the phenomenon; and 5=high definitional breadth, capturing the full heterogeneity of the phenomenon). Definitional accuracy is assessed on a scale from 1 to 5 (1=low definitional accuracy, differentiating the phenomenon from related phenomena to a minimum extent; and 5=high definitional accuracy, differentiating the phenomenon from related phenomena to a maximum extent).

Table 3. Definitions of Informal Entrepreneurship: Breadth & Accuracy Assessment

Authors &	Definition	Definitional Breadth	Definitional Accuracy
Williams, & Nadin, 2010	“involving somebody actively engaged in starting a business or is the owner/manager of a business that is less than 42 months old who participates in the paid production and sale of goods and services that are legitimate in all respects besides the fact that they are unregistered by, or hidden from the state for tax and/or benefit purposes” (p. 363)	●●	●●
Dau, & Cuervo-Cazurra, 2014	“the creation of new businesses that are not legally registered and are largely unregulated, but are legal in all other aspects” (pp. 670-671)	●●	●●●
Williams, Martinez-Perez, & Kedir, 2017	“an endeavour occurring outside of formal institutional prescriptions but within the norms, values, and beliefs of informal institutions” (p. 775)	●●●●	●●●
Webb, Khoury, & Hitt, 2020	“entrepreneurial activities that are illegal yet remain legitimate to large groups in a society” (p. 511)	●●●●●	●●●●●

Williams and Nadin (2010) have defined informal entrepreneurship as “involving somebody actively engaged in starting a business or who is the owner/manager of a business that is less than 42 months old who participates in the paid production and sale of goods and services that are legitimate in all respects besides the fact that they are unregistered by, or hidden from the state for tax and/or benefit purposes” (p. 363). This definition comprises four key elements: First, it assumes that informal entrepreneurship involves an agent indicated as somebody at the individual level, who acts as informal entrepreneur. Examples of informal entrepreneurs include women entrepreneurs selling products from home, street sellers in tourist locations, day labourers selling their services standing in pick-up locations, cross-border traders, founders of growth-oriented and international businesses fostering tax evasion or paying illegal envelop wages. Secondly, the definition emphasizes the process of starting a business, in which the informal entrepreneur is involved. This element is loosely coupled with the concepts of entrepreneurial opportunity discovery and exploitation, which are key in the general definition of entrepreneurship by Venkataraman (1997, p.120). Thirdly, the new business is involved in the paid production and sale of goods, meaning that the informal entrepreneurial activities are

remunerated (Kesteloot & Meert, 1999). Therefore, they differ from other types of unpaid activities such as domestic work, voluntary and community work (Williams & Nadin, 2012b). Fourthly, the informal entrepreneurial activities are legitimate despite being unlawful, meaning that they are socially accepted by both the proximate community and the general public. This excludes all types of criminal activities since these are unlawful and socially unacceptable (e.g. drug dealing). Despite often used in the literature, this definition of informal entrepreneurship proves relatively low breadth and accuracy for two reasons. First, Williams and Nadin (2010) refer to informal entrepreneurial activities as activities that are unregistered by, or hidden from the state for tax and/or benefit purposes. This only partially reflects the nature of informal entrepreneurship, which entail wider and more heterogeneous phenomena (relatively low definitional breadth). In fact, in some cases informal entrepreneurial activities may be unregistered or violate the official regulations for reasons other than for tax and benefits purposes. For example, in communist countries, private business proprietorships were prohibited to favor state owned businesses (Hisrich & Grachev, 1993; Lee & Hung, 2014). In these cases, informal entrepreneurship is the response to an unjust and prohibitive economic system, usually undertaken by part-time individual informal entrepreneurs, legally employed and paying taxes as members of government-controlled firms (Aidis & van Praag, 2007). In other cases, informal entrepreneurs do not register their businesses and act in the shadow of government authorities to avoid the pressure of corrupted state official or criminal organizations (Kistruck et al., 2015). They do not attempt to escape taxes deliberately, and their decision to remain informal is not dictated by an economic cost/benefit analysis but it is rather a matter of limiting the visibility of the business to avoid extortions from criminals (Sutter, Webb, Kistruck, & Bailey, 2013). Secondly, Williams and Nadin (2010) refer to the informal business as an organizational entity younger than 42 months old, reflecting the concept of “new business” adopted by the Global Entrepreneurship Monitor (GEM) (Bosma, Hill, Lonescu-Somers, Kelley, Guerrero, & Schott, 2021). This cut-off point, despite being useful in quantitative analysis, remains slightly arbitrary (relatively low definitional accuracy).

A more accurate definition is proposed by Dau and Cuervo-Cazurra (2014), who refer to informal entrepreneurship as “the creation of new businesses that are not legally registered and are largely unregulated, but are legal in all other aspects” (pp. 670-671). Despite the higher definitional accuracy, definitional breadth remains limited because

the definition assumes that all informal businesses “are not legally registered”, capturing only a portion of the heterogeneity of informal businesses, and neglecting those informal entrepreneurial activities that are registered and yet do not comply with other national mandates in a given context. In other words, the definition by Dau and Cuervo-Cazurra (2014) excludes all informal entrepreneurial activities that present a legal status, and yet are characterized by some degrees of informality along other dimensions (e.g., tax evasion, envelop wages, cash transactions, and so on).

In the attempt to propose a more general definition, Williams et al. (2017) describe informal entrepreneurship as “an endeavour occurring outside of formal institutional prescriptions but within the norms, values, and beliefs of informal institutions” (p. 775). This definition does not imply that the “endeavour” lacks formal registration, thus it presents higher definitional breadth and comprehends any type of endeavour that does not comply with formal institutions (e.g., registration, taxation, labor laws) while being aligned with the informal societal prescriptions dictating what is considered socially acceptable. Despite presenting higher definitional breadth, the definition proposed by Williams et al. (2017) presents low definitional accuracy due to the use of the general term “endeavour”, which may relate to informal entrepreneurial endeavours, but also other types of endeavours, such as informal employment, or informal corporate behaviors.

Thus, the definition by Webb et al. (2020), which refers to informal entrepreneurship as “entrepreneurial activities that are illegal, yet remain legitimate to large groups in a society” (p. 511) has the presently highest definitional breadth and accuracy. Therefore, it was selected to delineate the conceptual boundaries of the phenomenon in this dissertation. This definition is in line with the conceptualization by Webb et al. (2009) that situates informal entrepreneurial activities in the informal economy, characterized by underdeveloped capital markets and weak property rights (Godfrey, 2011; Webb et al., 2014).

2.2.2 Legitimacy & Sociological Institutionalism

During the coding process in Essay I, legitimacy emerged as key feature in informal entrepreneurship. We argue that “the most important actions undertaken by informal entrepreneurs revolve around legitimacy” (Salvi et al., 2022). This happens because informal entrepreneurial activities are not aligned with the legal mandates in a certain

setting (such as business registration, tax payment, labor laws, etc.), but are legitimate and considered socially accepted by relevant reference groups. Thus, legitimacy is a key resource for informal entrepreneurs who act outside formal institutional boundaries and yet within informal ones (Webb et al., 2009).

Legitimacy is defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574). Drawing on sociological institutionalism (Scott, 2014), Essay I distinguishes three types of legitimacy. First, regulative legitimacy refers to the alignment with the law. Informal entrepreneurs may decide to align their entrepreneurial activities with the law (e.g., registering their business) to avoid legal sanctions. Secondly, normative legitimacy relates to the perception of what is appropriate and socially desirable. As such, normative legitimacy is dependent on social expectations and is morally governed. Thirdly, cognitive legitimacy is shaped by culture and depends on taken-for-granted cultural conceptions and schemas (Scott, 2014).

Informal entrepreneurs are heterogeneous and their entrepreneurial activities may be situated in different positions along the continuum of informality (Godfrey, 2011). More specifically, informal entrepreneurial activities may range from fully informal to semi-formal depending on the levels of regulative legitimacy. Shifts in the levels of informality of the entrepreneurial activities are also highly dependent on the perception of normative and cognitive legitimacy. Thus, the concept of legitimacy and a sociological institutional lens help to understand what the different types of informal entrepreneurs are, how they vary across contexts, what entrepreneurial activities they undertake, why and with what consequences.

2.2.3 New Institutional Economics

An alternative lens to study informal entrepreneurship is employed in Essays II and III, where we draw on new institutional economics (North, 1990). New institutional economics scholars define institutions as the “rules of the game” governing societies, markets and human interactions, and they distinguish them between formal and informal institutions (North, 1990). Formal institutions represent laws and regulations (Feige, 1990) and determine what is perceived as “legal” in a certain setting (Webb et al., 2009). They can be extended, elaborated or modified by informal institutions

(North, 1990), which refer to “society’s norms, values, and beliefs and prescribe what is socially acceptable, or legitimate” (Webb et al., 2020, p.507).

Essay II is explorative in nature and employs a grounded theory approach (Glaser & Strauss, 1967) to understand the institutional heterogeneity leading to informal entrepreneurial activities in fragile contexts. A study is conducted in five rural villages in Mali, Sub-Saharan Africa, which is characterized by weak formal institutions. Previous literature uses the term “institutional voids” to describe contexts characterized by weak formal institutions (Chakrabarty, 2009; Pinkham & Peng, 2017). Such institutional voids are defined as the lack of “market-supporting and contract-enforcement institutions to efficiently facilitate exchanges between firms” (Pinkham & Peng, 2017, 2017, p. 1). Nevertheless, the concept of institutional voids does not take into account the presence of informal institutions (Bothello et al., 2019). According to Williamson (2000), informal institutions are “an important but underdeveloped part of the story” (p. 610). Following a similar line of argument, Bothello et al. (2019) highlight that “informal and cultural institutions are given only token recognition or derided as ‘barriers’ to good governance practices”. This implies that we are still far from a deep understanding of informal institutional complexity and its role on informal venture activities (Nason & Bothello, 2022; Webb et al., 2020), especially in fragile contexts, where such informal arrangements tend to be at the basis of any social and economic behavior, and may manifest through informal networks (Minbaeva et al., 2022). By means of an explorative approach, Essay II attempts to unpack the informal institutional complexity underneath informal entrepreneurship across five rural villages in Mali, a country characterized by a highest formal institutional fragility.

In contrast, Essay III is explanatory in nature and employs a quantitative, cross-country approach based on panel data analysis. This essay draws on new institutional economics to explain how state fragility, understood as the cross-national variation in the government’s capabilities to enforce a range of state functions (Ault & Spicer, 2022), influences the prevalence of informal entrepreneurship across countries by shaping uncertainty in formal institutional enforcement within the institutional environment. This essay further explains that informal institutional elements may fill the voids left in highly fragile states and further influence the prevalence of informal entrepreneurship across settings. These informal institutional elements, especially

cultural values (Cavotta & Dalpiaz, 2022) govern the realm in which informal entrepreneurs act, since they do not follow the formal registration procedures with governments and avoid formal institutional rules (Webb et al., 2009). Accordingly, informal institutions interact with formal institutions, determining what “should be right” in a certain society (Webb et al., 2009) and shaping the emergence of informal entrepreneurial activities.

2.3 RESEARCH METHODS

Following the guidelines by Bono and McNamara (2011), the research methods employed in this dissertation are accurately designed and driven by the targeted research questions. The research design of each essay is carefully shaped to ensure the highest research rigor, validity and methodological fit (Edmondson & McManus, 2007). In particular, Essay I employs an integrative review to bring synthesizing coherence (Locke & Golden-Biddle, 1997) across disciplines and their conversations regarding the phenomenon of informal entrepreneurship, its antecedents and outcomes. Essay II employs a qualitative, multiple case study design to explore how heterogeneous informal institutional landscapes shape informal entrepreneurial activities in rural Mali. Finally, Essay III employs a quantitative, cross-country study consisting of 40 countries across 12 years to explain how formal institutions, and more specifically state fragility, influence the emergence of informal entrepreneurship directly and through its interaction with different cultural dimensions. The following sub-chapters introduce the specific research designs, data sources, approaches to scientific reasoning and models employed in each essay.

2.3.1 Research Designs

Given the diversity in terms of research questions tackled by the three essays, three different research designs are employed, consisting of an integrative review, a qualitative multiple case study design and a quantitative, cross-country study (Table 227, p. 27). An overview of each type of research design and its methodological fit is provided below.

Integrative Review. Essay I employs an integrative review (Elsbach & Knippenberg, 2020; Patriotta, 2020; Post, Sarala, Gatrell, & Prescott, 2020; Torraco, 2005, 2016) to shed light on the heterogeneity of informal entrepreneurs around the globe, how they vary across contexts, which types of entrepreneurial activities they undertake, why, and with what consequences. A systematic and transparent analysis of the academic literature on informal entrepreneurship is conducted to provide a novel and comprehensive overview of the phenomenon, its antecedents and outcomes. The choice to conduct an integrative review fits the purpose of this essay, allowing disparate conversations within diverse disciplines to be bridged, organized and

synthesized (Bacq, Drover, & Kim, 2021), and channeling the progress of knowledge (Breslin & Gatrell, 2020). The integrative review in Essay I is conducted through a transparent procedure to ensure rigor and replicability (Tranfield, Denyer, & Smart, 2003). Furthermore, an inductive, bottom-up, analytical approach (Gioia, Corley, & Hamilton, 2013) is chosen to let the literature on informal entrepreneurship speak for itself. This way, new theory and a novel research agenda can emerge from the review (Post et al., 2020).

Qualitative, Multiple Case Study Design. To explore the informal institutional complexity of informal entrepreneurship in fragile contexts, Essay II employs a qualitative case study design (Eisenhardt, 1989; Eisenhardt, 2021; Yin, 2017) following the tenets of grounded theory (Glaser & Strauss, 1967). This research design is selected to allow the emergence of novel theory, characterized by high rigor and empirical validity (Eisenhardt, 2021). The multiple case study design includes 5 Malian Villages, namely Bananso, Dalakana, Djoliba, Kai, and Sirakoro. Each village represents a case, i.e. an empirical instance of the phenomenon under investigation (Yin, 2017). The main unit of analysis of each case is the relationship between the informal institutions in place and the new venture activities in the village. The five Malian villages have been selected moving from purposeful sampling to theoretical sampling against the background of the emerging findings (Charmaz, 2006; Coyne, 1997; Patton, 1990). In the early stages, three Malian villages were selected by purposeful sampling as being located in areas where formal institutions are weakly enforced and informal institutions are expected to play a major role in new venture activities. In later stages, two further villages were selected by theoretical sampling (Charmaz, 2006; Coyne, 1997; Patton, 1990), i.e. driven by interesting emerging patterns and theoretical dimensions emerging from the data analysis. Further insights relating the data sources employed in the multiple case study design are provided in the subsection below.

Quantitative, Cross-Country Study. Essay III employs a cross-country study and a database of 40 countries across 12 years (2006-2017) to test a new proposed theoretical model of informal entrepreneurship emergence. A random-effects OLS estimator is used to test the hypotheses in the analysis, following the

recommendations by Bell, Fairbrother, and Jones (2019), and a correction for heteroscedasticity is applied (Huber, 1967; White, 1980). In the robustness analysis, the fixed effects OLS estimator is used to confirm that the relationship between state fragility and informal entrepreneurship remains stable. The alternative measure of informal entrepreneurship as proposed by Laing, van Stel, and Storey (2021) is subsequently used as dependent variable in the analysis. Further analysis is provided after disentangling the overall state fragility index into its sub-components, including social fragility, political fragility and security fragility (Ault & Spicer, 2020). Finally, the moderating effects of cultural practices—as compared to cultural values—on the relationship between the overall state fragility and informal entrepreneurship are also tested.

2.3.2 Data Sources

Distinctive data sources have been used in each of the three research designs illustrated above. Both primary and secondary data have been collected and analyzed. The selection of specific data sources was made to answer the specific research questions tackled in each essay. In the paragraphs below, we introduce the main data sources used in each essay, including written documents, verbal data, visual data, and quantitative indicators,

Essay I. The main data sources employed in Essay I are written documents, i.e. academic journal articles on informal entrepreneurship published in English up to the end of 2020. Five databases were used to sample the articles to be analyzed within the integrative review, including Business Source Premier, Econlit, Scopus, SocIndex, and Thomson Reuters Web of Science. To obtain a comprehensive overview of the literature on IE, the following search string was employed: “informal” OR “underground” OR “shadow” OR “illegal” OR “off-the-books” OR “hidden” OR “unregistered” OR “undocumented” OR “unreported” AND “entrepreneur*” OR “enterpris*” OR “ventur*” OR “business*” OR “activit*” OR “firm*”. After the database search, three transparent screenings were run with the following objectives to: 1) exclude all duplicates and non-academic sources; 2) exclude all academic articles that did not focus on informal entrepreneurship; and 3) exclude all academic articles focusing on informal entrepreneurship, but not at the core. These three

screenings led to a final sample of 352 academic articles that were included in the integrative review and analyzed inductively.

Essay II. As mentioned above, Essay II employs a qualitative multiple case study design consisting of five cases. Each case consist of a rural village in Mali. During the first stage of data collection conducted in Spring 2019, three information-reach villages were selected following the principles of purposeful sampling, i.e. with the aim to “learn a great deal about issues of central importance to the purpose of the research” (Patton, 1990, p.170). During a second stage of data collection conducted in Fall 2019, two further villages were added following the principles of theoretical sampling, i.e. with the aim to further explore interesting theoretical insights emerging after the first rounds of data analysis (Charmaz, 2006; Coyne, 1997; Patton, 1990). During both rounds of data collections, empirical data was collected from multiple sources. First and foremost, we conducted open, semi-structured interviews with the founders of new ventures and villagers, including chiefs, elders, women’s leaders and youths. The interviews typically lasted between 20 and 120 minutes. All of them were recorded, translated from the local Bambara language and transcribed in English. In total, we spent 137 hours in the field, conducting 70 interviews, taking 810 pictures, and 308 pages of field notes. In addition, we collected secondary data from the five selected Malian villages, including 30 YouTube videos, 10 Facebook pages, 16 blog posts, and 7 webpages, informing us about institutions in place and the link towards new venture activities.

Essay III. To answer the research questions in this essay, a panel dataset of 40 countries over 12 years (2006-2017) was obtained by merging data from the GEM’s Adult Population Survey (APS), World Bank Group Enterprise Survey (WBGES), Polity IV, Global Leadership and Organizational Behavior Effectiveness (GLOBE), and World Development Indicators (WDIs). The dependent variable “informal entrepreneurship” captures the total number of informal or unregistered new ventures created in a country in one year as a percentage of the working age population. This measure has been largely validated and employed in previous studies (Acs, Desai, & Klapper, 2008; Dau & Cuervo-Cazurra, 2014; Moore et al., 2021). The independent variable adopted consists of the aggregated measure of overall state fragility proposed

by Ault and Spicer (2020a). The overall state fragility measure derived comprises the three dimensions of social, political, and security fragility. This measure represents an effective and validated tool for capturing state fragility as aggregated national indicator across domains in comparative international studies. The moderating variables were obtained from GLOBE cultural value measures of power distance, performance orientation, in-group collectivism, institutional collectivism, gender equality, human orientation, future orientation, assertiveness, and uncertainty avoidance. As control variables, Essay III includes a measure of formal entrepreneurship obtained from WBGES, as well as the following WDIs: population rate, unemployment rate, GDP growth, time to register a property, trade in services, and industry.

2.2.3 Scientific Reasoning

Scientific reasoning represents the process that allows researchers to elaborate new theory proceeding from premises to conclusion through argumentation (Mantere & Ketokivi, 2013). To build novel theory on informal entrepreneurship, two main approaches to scientific reasoning were employed in this dissertation, i.e. inductive (e.g., Eisenhardt, 1989, 2021; Gioia et al., 2013; Glaser & Strauss, 1967) and deductive reasoning (e.g., Hempel, 1965; Platt, 1964; Salmon, 1966).

Inductive reasoning. Essay I and II employ inductive reasoning. The arguments are built through a bottom-up approach, and the theoretical models emerge from the specific empirical instances that are grouped in categories, compared and ordered through grounded theory methodologies (Charmaz, 2006; Glaser & Strauss, 1967). The approach to inductive reasoning employed in Essay I reflects the recommendations by Tranfield et al. (2003) as well as Post et al. (2020), who indicate that inductive analytical approaches may be most useful in review articles to develop new theoretical frameworks and highlight promising directions for future research. Other literature reviews published in well-respected journals adopt very similar inductive reasoning approaches (e.g., Bruton, Sutter, & Lenz, 2021; Radu-Lefebvre, Lefebvre, Crosina, & Hytti, 2021). More precisely, the coding approach adopted in Essay I follows the guidelines by Gioia et al. (2013), who state that the authors have “to adhere faithfully” (Gioia et al., 2013, p. 20) to the data sources during the first

cycle of coding to capture their essence and key message. In the case of coding interview data, it is important that coders “adhere faithfully” to the key message expressed by the interviewers. Similarly, when coding the academic journal articles in academic reviews, coders have to make sure to “adhere faithfully” to the key message and essence of each journal article. To ensure this faithful adherence to the data during the analysis of the academic literature on informal entrepreneurship in Essay I, we organized our “1st-order codes into 2nd-order (theory-centric) themes” and further assembled the various “2nd-order themes into overarching theoretical dimensions” (Gioia et al., 2013, p. 26), called “aggregated categories”.

Inductive reasoning is also employed in Essay II, where an open and iterative approach was guided by emerging empirical insights (Glaser & Strauss, 1967), deriving from interview data, but also from visuals, written documents and videos. A two step procedure was followed and multiple tables were used to analyze the empirical data (Cloutier & Ravasi, 2021; Miles, Huberman, & Saldana, 2019). The first step consisted in an inductive within case analysis (Glaser & Strauss, 1967), whereas the second step consisted of a cross-case analysis and was led by the insights emerged by the previous within case analysis. This second step allowed inductive theory building from case studies thanks to the emergence of concrete patterns across cases (Miles et al., 2019).

Deductive reasoning. Essay III employs deductive reasoning (Hempel, 1965; Platt, 1964; Salmon, 1966) to explain the role of state fragility in informal entrepreneurship emergence and the moderating role of cultural values. In contrast to the approaches employed in Essay I and II, deductive reasoning allows theory elaboration by means of a top-down, theory testing approach (Hempel, 1965). Such theory testing approach implies the formulation of hypotheses starting from existing theory, and confirmation or disconfirmation of the formulated hypotheses (Mantere & Ketokivi, 2013). In Essay III, the hypotheses were built drawing from new institutional economics (North, 1990) and tested with panel data analysis using a database consisting of 40 countries over 12 years. The results provide substantial support to the hypotheses, contributing to institutional economics by showcasing how countries generate specific and complex formal and informal institutional configurations that affect informal entrepreneurial activity cross-culturally.

2.2.4 Process and Variance Models

The overarching aim of this dissertation is to build a novel perspective on the phenomenon, antecedents and outcomes of informal entrepreneurship, by challenging current assumptions and building novel theory. To reach such objective, it is important to reflect upon what theory is and how it can manifest (DiMaggio, 1995; Sutton & Staw, 1995; Weick, 1995a). A relevant theory sheds light on the nature of the phenomenon of interest, why it emerges, or which consequences it produces (Sætre & van de Ven, 2021). Theory can be perceived as “covering laws”, “enlightenment”, or “narrative” (DiMaggio, 1995, p.391). In the first case, we refer to theory as “covering laws”, i.e. the production of concrete measures to uncover relationships among constructs. Beyond this, theory may be perceived as “enlightenment” when it surprisingly unveils “a set of categories and domain assumptions aimed at clearing away conventional notions to make room for artful and exciting insights” (DiMaggio, 1995, p.391). Finally, theory may manifest as a “narrative” with its own characteristic motion and pace (Pollock & Bono, 2013). Instead of compartmentalizing theory in one of these three categories, novel and relevant theory may entail mixed elements and span from covering laws to enlightening to narrating (DiMaggio, 1995).

The process of theory elaboration is complex and multifaceted since it consists of an explanation of a concrete phenomenon through more abstract theoretical constructs and relationships (Fisher & Aguinis, 2017). Such a process may benefit from various approaches to theorizing, including engaging with data, diagrams, hypotheses and graphs (Weick, 1995a). Generally, during the process of theorizing, a phenomenon is explained by means of process or variance models (Langley, 1999; van de Ven, 2007). In process models, time ordering is fundamental, since entities participate in the events, may vary over time, and variations may be explained through immediate or distal causation (van de Ven, 2007). In contrast, variance models are based on fixed entities characterized by varying attributes, whose variation may be explained through immediate causation.

In this dissertation, Essay I leverages both a variance and a process model. A variance model is used to explain the heterogeneity in the universe of informal entrepreneurs. The variance model consists in a typology (Cornelissen, 2017), where the individual socio-economic status of the informal entrepreneur and level of informality of the entrepreneurial activities are used to explain the heterogeneity in the universe of

informal entrepreneurs. Beyond this, Essay I employs also a process model to build a dynamic perspective of informal entrepreneurship, following the guidelines by Cornelissen (2017). The emerging dynamic perspective unpacks the distinctive pathways in which distinctive types of informal entrepreneurs engage, including proactive formalizing, reactive formalizing and the informalizing pathways. The decision of developing both a variance and a process model in Essay I reflects our theorizing style, which we situated in-between the typological and narrative styles (Cornelissen, 2017), to produce novel and interesting insights on informal entrepreneurship through synthesizing coherence in the literature.

Instead, Essay II and III build variance models to explain why informal entrepreneurship emerges, focusing on relationships among constructs and phenomenon-based theorizing (Fisher, Mayer, & Morris, 2021). In Essay II, we draw on the principles of grounded theory and inductive reasoning (Glaser & Strauss, 1967) to build a variance model that unpacks distinctive constellations of informal institutions characterizing fragile contexts, beyond formal institutional arrangements (Bruton, Ahlstrom, & Li, 2010; Su et al., 2017). Thus, we propose a new theoretical framework showcasing how distinctive interplays of formal and informal institutions co-shape new venture activities differently across Malian villages. Overall, our variance model highlights that informal institutions and their interplays with formal institutions are highly heterogeneous across regions within the same country. Thus, they need to be carefully understood in theory and considered in practice to develop effective and locally inclusive cooperation approaches to fulfill the African promise without imposing far stretched western solutions or formalization measures.


In Essay III, we draw on a quantitative cross-country study and deductive reasoning to build a variance model providing evidence for a positive relationship between state fragility and informal entrepreneurship. This implies that increasing levels of formal institutional uncertainty produce benefits for individuals to identify and exploit informal entrepreneurial opportunities. Beyond this, our variance model reveals that distinctive cultural values act as moderators in this relationship, shaping what is perceived as “legitimate” beyond “legal”, thus fostering or constraining informal entrepreneurship emergence differently across countries.

3. THREE ESSAYS ON INFORMAL ENTREPRENEURSHIP

This dissertation consists of three essays contributing to the understanding of the phenomenon of informal entrepreneurship, its antecedents and outcomes. Essay I provides an overview of the informal entrepreneurship field through inductive analysis of 352 journal articles from diverse disciplines. It sheds light on the phenomenon of informal entrepreneurship proposing a novel and comprehensive typology of informal entrepreneurs around the globe. It builds a new dynamic perspective of informal entrepreneurship including its antecedents and outcomes. Drawing on this, Essay I also provides a forward-looking research agenda for entrepreneurship and management scholars. Essay II and III focus on the antecedents of informal entrepreneurship specifically, and aim at unpacking the institutional complexity leading to the emergence of the phenomenon. While Essay II draws on an explorative and qualitative case study conducted in rural Mali and employs a grounded theory approach, Essay III draws on an explanatory cross-country study, consisting of a total of 40 countries across 12 years.

The three essays were presented in international conferences, and have greatly benefitted from feedback by the international management and entrepreneurship communities. Essay I was published in the academic journal *Entrepreneurship Theory and Practice*. Essay II is currently under review at the *Academy of Management Journal*, while Essay III has been submitted to the *2023 Academy of Management Annual Meeting* and is currently in preparation to be submitted to the *Journal of International Business Studies*. Table 4 introduces the three essays on informal entrepreneurship included in this dissertation, providing an overview of the authors, and their status.

Table 4. Three Essays on Informal Entrepreneurship: An Overview

ESSAY	TITLE	AUTHORS	STATUS
I	Informal Entrepreneurship: An Integrative Review and Future Research Agenda	Esther Salvi, Frank-Martin Belz, Sophie Bacq	<p>Published in <i>Entrepreneurship Theory and Practice</i> under CC-BY Creative Common License (https://creativecommons.org/licenses/by/4.0/) Copyright © [2022] (Sage). DOI: [10.1177/10422587221115365]</p>  <p>Previous working draft presented at the 2021 Academy of Management Annual Meeting</p>
II	Institutional Abundance: How Informal and Formal Institutions Co-Shape New Venture Activity in Fragile Contexts	Esther Salvi, Frank-Martin Belz, Julia Binder	<p>Under review at <i>Academy of Management Journal</i> (First Round)</p> <p>Previous working drafts presented at</p> <ul style="list-style-type: none"> • 2020 Babson College Entrepreneurship Research Conference • 2021 Babson College Entrepreneurship Research Conference <p>Previous working draft accepted for presentation at</p> <ul style="list-style-type: none"> • 2023 Babson College Entrepreneurship Research Conference
III	It Is Not Just About the Law! A New Theoretical Framework of Informal Entrepreneurship Emergence	Esther Salvi, Daniela Gimenez-Jimenez, Diana Hechavarria	<p>Submitted to the 2023 Academy of Management Annual Meeting, in preparation to be submitted to the <i>Journal of International Business Studies</i></p> <p>Previous working drafts presented at</p> <ul style="list-style-type: none"> • 2021 Frühjahrstreffen der FGF-Arbeitskreise Social Entrepreneurship und Sustainable Entrepreneurship • 2022 Academy of Management Annual Meeting <p>Previous working draft accepted for presentation at</p> <ul style="list-style-type: none"> • 2023 Conference on Capitalism and Informality


3.1 Essay I - Informal Entrepreneurship: An Integrative Review and Future Research Agenda

ABSTRACT

Informal entrepreneurship (IE) has received increased recognition because of its theoretical distinctiveness and practical relevance. However, the burgeoning literature on IE is difficult to navigate, due to its rapid growth across different disciplines. Through an integrative review, we introduce a novel typology of informal entrepreneurs that captures their heterogeneity across various contexts. We point out a dynamic perspective of IE, consisting of three pathways—the *reactive formalizing*, the *proactive formalizing*, and the *informalizing pathways*—along which informal entrepreneurs move, acquiring or foregoing regulative legitimacy. Our review extends the theory on IE, outlines promising research avenues, and suggests relevant practical implications.

Key words: Informal entrepreneurship, informal entrepreneur, formalizing, informalizing, integrative review

Authors: Esther Salvi, Frank-Martin Belz, Sophie Bacq

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INTRODUCTION

Informal entrepreneurship (hereafter IE) is a globally widespread phenomenon (Autio & Fu, 2015; Dau & Cuervo-Cazurra, 2014; Omri, 2020; Thai & Turkina, 2014). It refers to those “entrepreneurial activities that are illegal yet remain legitimate to large groups in a society” (Webb et al., 2020, p. 511). Such entrepreneurial activities are undertaken by individual informal entrepreneurs who identify and exploit opportunities (Bygrave & Hofer, 1992; Ireland & Webb, 2007; Shane, 2003) in a socially accepted manner, while not complying with all of the legal requirements associated with the provision of goods and services in a given country (e.g., unregistered activities, off-the-book business transactions).

The latest Global Entrepreneurship Monitor (GEM) report indicates that IE is a highly prevalent and important phenomenon worldwide (Bosma et al., 2021). It represents about 60% of total entrepreneurial activities in developed and transition economies, and above 90% in developing economies (Autio & Fu, 2015). IE may lead to negative macro-level consequences, such as tax revenue loss and unfair competition toward formal firms (Webb et al., 2013). Nevertheless, it is regarded as a viable form of employment in developing and transition economies (Lee & Hung, 2014; Maloney, 2004), and as a source of innovation in more developed economies (Choi & Perez, 2007). Due to its global prevalence and high importance, IE has received increasing scholarly attention over the last two decades (Bruton et al., 2012; Darbi et al., 2018). Management and entrepreneurship scholars’ growing interest in IE is attested by the increasing number of publications on IE in leading journals (e.g., Godfrey, 2011; Siqueira et al., 2016; Thai & Turkina, 2014; Thapa Karki et al., 2020; Webb et al., 2009). Three recent literature reviews have started highlighting various aspects of IE, from bibliometric analysis (Santos & Ferreira, 2017), to links to broader management research (Darbi et al., 2018), to the value of formalization for women entrepreneurs in developing economies (Xheneti et al., 2019b).

However, the heterogeneity and multidisciplinary nature of the literature on IE makes it difficult to navigate, and IE research opportunities and gaps remain unclear (Godfrey, 2011; McGahan, 2012; Webb et al., 2013). To connect disparate themes, such as the occurrence (e.g., Khavul et al., 2009; Kistruck et al., 2015; Siqueira et al., 2016), the antecedents (e.g., Blake et al., 2015; Bruhn, 2013; Thai & Turkina, 2014),

and the outcomes of IE (e.g., Choi & Perez, 2007, Klein, 2017, Lee & Hung, 2014), we conduct an integrative review (Elsbach & van Knippenberg, 2020; Torraco, 2016). We aim to address the following research questions: *What are the different types of informal entrepreneurs and how do they vary across contexts? What are the main entrepreneurial activities they undertake? Why do they do so and with what consequences?*

To provide answers to these questions and to channel the progress of knowledge, we organize, synthesize, and critically analyze research on IE. Then, we cross-pollinate it with insights from various disciplines, such as management, economics, sociology, and political science, which represent the most widely adopted perspectives in this area (Bruton et al., 2012; Godfrey, 2011). Our theoretical contributions are threefold. First, we provide a novel typology highlighting the heterogeneity of informal entrepreneurs across economies. Second, we extend the theory on IE by introducing a new dynamic perspective that explains how informal entrepreneurs move along the continuum of informality to either increase or decrease regulative legitimacy for their entrepreneurial activities. In doing so, we bring synthesizing coherence to the IE literature by “reinterpreting existing work to show underlying consensus” (Locke & Golden-Biddle, 1997, p. 1034). Third, we draw on our novel typology and new dynamic perspective of IE to establish a forward-looking research agenda (Bacq et al., 2021; Breslin & Gatrell, 2020) for the field of IE. This research agenda leverages interesting insights, gaps, and anomalies from past work (Nadkarni et al., 2018; Shepherd & Wiklund, 2020) to outline promising avenues for research and practice.

INTEGRATIVE REVIEW

To conduct our integrative review (Elsbach & Knippenberg, 2020; Patriotta, 2020; Post et al., 2020; Torraco, 2005, 2016), we followed a transparent procedure, which consists of two main phases: data collection and data analysis. For the sake of rigor and replicability (Tranfield et al., 2003), we describe each phase in detail.

Data Collection

In the first phase, we searched for articles published on IE in five databases (Business Source Premier, Econlit, Scopus, SocIndex, and Thomson Reuters Web of Science). To capture the breadth and depth of IE research, we used the following search terms: ('informal' OR 'underground' OR 'shadow' OR 'illegal' OR 'off-the-books' OR 'hidden' OR 'unregistered' OR 'undocumented' OR 'unreported') and at least one entrepreneurship search term: ('entrepreneur*' OR 'enterpris*' OR 'ventur*' OR 'business*' OR 'activit*' OR 'firm*'). We focused on academic articles published in English up to the end of 2020, without including a start date. This search in the five databases yielded a total number of 6,096 articles. After the database search, we ran a first screening to exclude all duplicates and non-academic sources. This reduced the number of articles to 5,518.

To narrow down our selection further and to set the conceptual boundaries for our analysis, we drew on the definition of IE as those “entrepreneurial activities that are illegal yet remain legitimate to large groups in a society” (Webb et al., 2020, p. 511). Therefore, we ran a first title and abstract analysis to exclude all the academic articles that focused on activities that did not meet this definition, that is, non-entrepreneurial activities, legal entrepreneurial activities, and illegitimate entrepreneurial activities. This led to a total number of 1,155 academic articles.

Then, we analyzed the bodies of text more in-depth and removed all articles that, despite referring to IE in the title or in the abstract, did not focus on IE in the core of the manuscript but referred mainly to other activities, such as informal employment or illegal forms of behavior in large corporations. We also excluded all the articles referring to IE in the abstract but focusing mainly on the informal economy, which includes IE but is much broader, since it also embraces other activities. These include unpaid domestic work, unpaid community, voluntary work, and undeclared work (Williams & Nadin, 2012b). The content analysis yielded a final number of 352 peer-reviewed journal articles, which we included in our integrative review.

Data Analysis

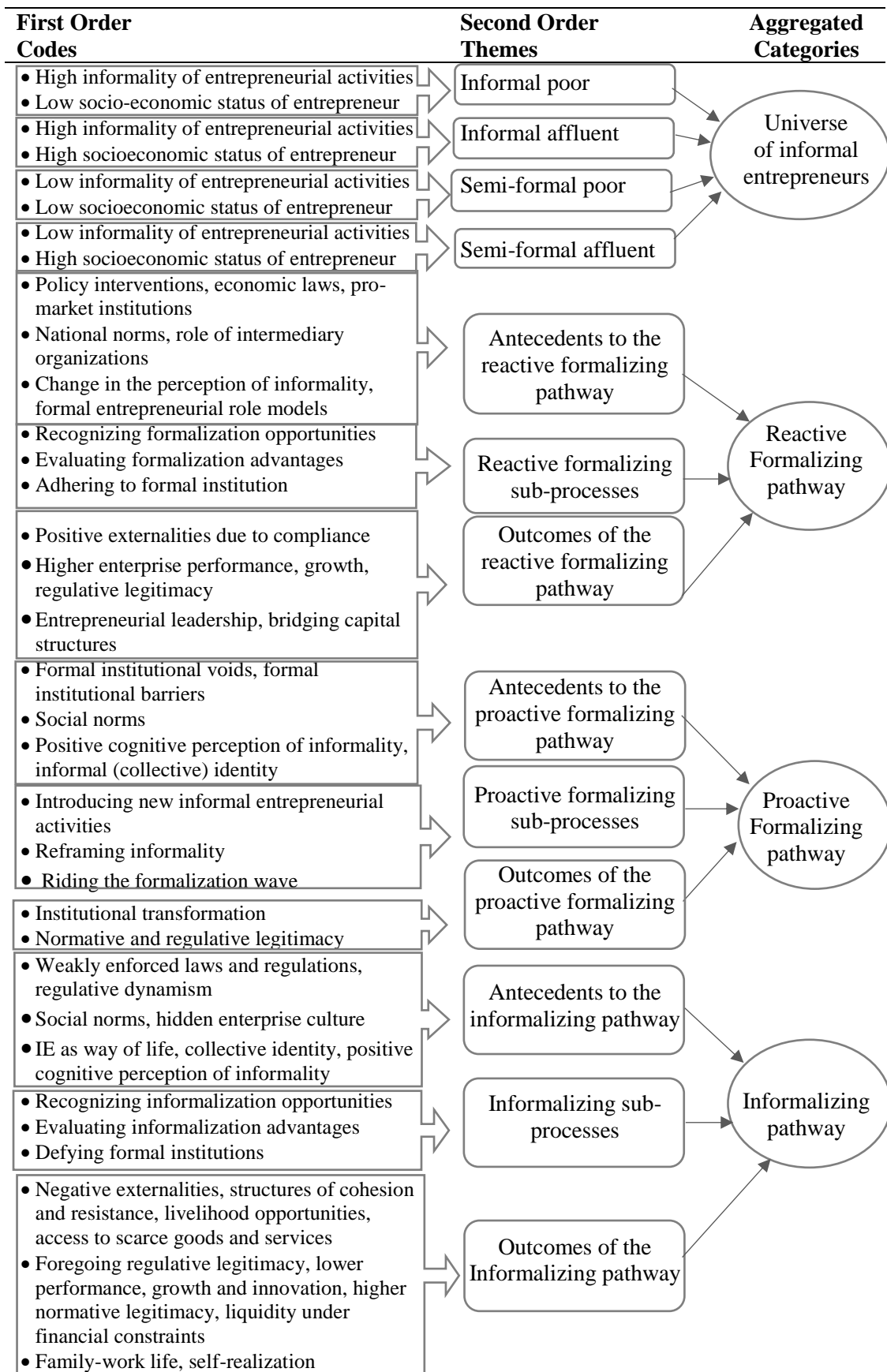
In the second phase, we analyzed the 352 articles inductively, following a bottom-up approach to allow the data to speak for itself (Strauss & Corbin, 1990) and to let novelties, anomalies, and gaps emerge (Breslin & Gatrell, 2020; Shepherd & Wiklund, 2020). The inductive coding approach we used to analyze the journal articles on IE is

analog to the grounded theory approach employed for the analysis of interview data in qualitative research (Gioia, Corley, & Hamilton, 2013). Specifically, our inductive approach follows the guidelines by Tranfield et al. (2003) and is similar to the one adopted in other review articles. These tend to be “inductive or grounded in approach, with theoretical frameworks and research agendas emerging from the papers examined as part of the review” (Post et al., 2020, p. 362).

The three authors formed the coding team. The first and the second author coded 20% of the articles independently for the identification of first order codes. In 90% of the cases, the independent coding process led to analogous results. In the remaining 10% of the cases, there were coding discrepancies, due to differing interpretations of the same text (Campbell, Osserman, & Pedersen, 2013). In these cases, both authors discussed and re-iterated the coding process until reaching 100% intercoder agreement (Campbell et al., 2013). This enabled the first author to identify the remaining first-order codes through a highly reliable and accurate coding procedure. In total, the coding process led to 150 first-order codes, which gradually developed into second-order themes (Gioia et al., 2013). Then, the entire coding team went through several rounds of iteration and discussion about the meaning of each second-order theme, how it emerged, and which first-order codes it entailed. This ensured that each article was assigned to the themes that better reflected its key contributions, aim, and scope (Breslin & Gatrell, 2020), while redundant themes were removed. This process led to a total of 13 second-order themes, which we further clustered into four aggregated categories (Gioia et al., 2013) (Figure 4).

The first category relates to the empirical phenomenon of IE and refers to the universe of informal entrepreneurs at the individual level, whom we grouped into four types: the informal poor, the informal affluent, the semi-formal poor, and the semi-formal affluent. The second and third categories relate to the reactive and proactive formalizing pathway, along which informal and semi-formal entrepreneurs move to acquire regulative legitimacy. The fourth category relates to the informalizing pathway, along which informal and semi-formal entrepreneurs move, foregoing regulative legitimacy. Before explaining each category in-depth, we map the field of IE by providing a descriptive overview of the articles included in our review.

Figure 4. Data Structure



MAPPING THE FIELD

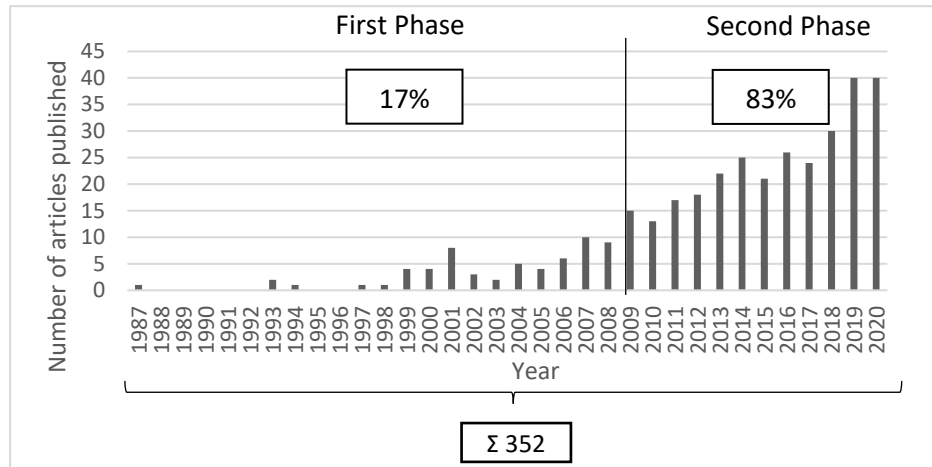
The first study relating IE was published in 1987 by Lesieur and Sheley in the journal “Social Problems” as a form of deviant economic behavior. The study refers to informal entrepreneurs running illegal appended businesses of line gambling in New York. These types of businesses were illegal and yet legitimate, that is, they were socially accepted. Formally banned by the government, a widespread subculture fostered them and continues to do so to date.

In the 1990s, a number of scholars started to describe other phenomena, which could be ascribed to IE (e.g., Hartog & Zorlu, 1999; Hisrich & Grachev, 1993; House et al., 1993; Tsang, 1994). As such, IE in communist states took the shape of any private business being banned by the centrally planned economic system, and yet being socially accepted by the population subjected to a climate of resource scarcity (Hisrich & Grachev, 1993; Tsang, 1994). In developing economies, IE was seen as a solution to high poverty and unemployment rates (Espinal & Grasmuck, 1997; House et al., 1993; Kesteloot & Meert, 1999). IE in developed economies tended to the so-called “under-class” (Hartog & Zorlu, 1999; Leonard, 1998).

Overall, we identify two phases related to the trend of academic publications on IE (Figure 5). The first phase goes from 1987 to 2008 and includes 61 articles (17% of the total sample). The second phase starts in 2009 with the publication of two seminal articles by Webb et al. (2009) and Godfrey (2011), which created a spike of scholarly interest for IE; it includes 291 articles (83% of the total sample) from 2009 to 2020. The first phase is characterized by more descriptive articles on IE. The second phase of publications on IE reflects the increasing dissemination of statistical data on informal entrepreneurial activities (Santos & Ferreira, 2017). Moreover, it witnesses the increasing recognition of IE as a relevant phenomenon that can be investigated from a multidisciplinary perspective (Darbi et al., 2018; Ketchen, Ireland, & Webb, 2014; McGahan, 2012). The 352 peer-reviewed academic articles on IE published until 2020 span the disciplines of entrepreneurship (44%), economics (18%), management (12%), development studies (9%), sociology (8%), geography (4%), political science (3%), and other disciplines (2%). Most articles on IE (36 out of 352, or 10%) are published in the *Journal of Developmental Entrepreneurship*. The other articles on IE are dispersed across a number of journals, including leading entrepreneurship journals like *Entrepreneurship Theory and Practice* (e.g., Siqueira et al., 2016; Webb et al., 2020; Welter et al., 2017; Williams et al., 2017) and the *Journal of Business Venturing*

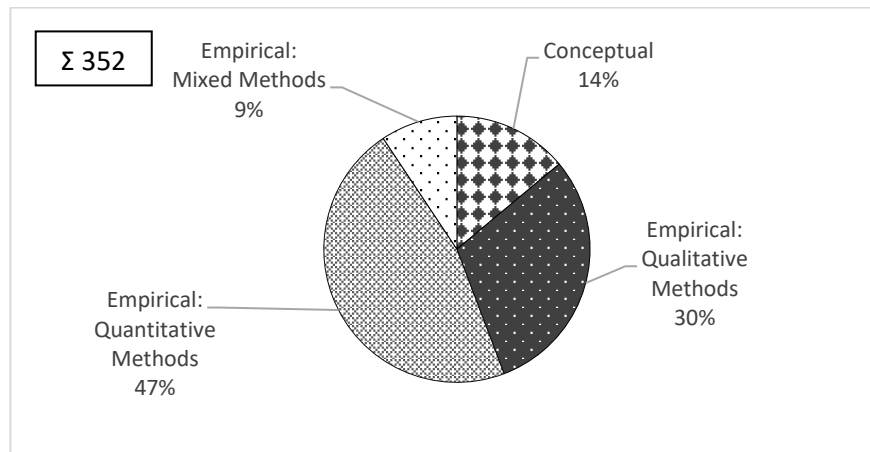
(e.g., Aidis & van Praag, 2007; Dau & Cuervo-Cazurra, 2014; Hisrich & Grachev, 1993; Kistruck et al., 2015; Sutter, Webb, Kistruck, Ketchen, & Ireland, 2017; Thai & Turkina, 2014).

Figure 5. Number of journal articles on IE, 1987 – 2020



Currently, the field of research on IE is at an intermediate stage and includes mainly empirical articles exploring relationships among constructs (Edmondson & McManus, 2007). Indeed, this review includes 304 empirical articles (86%) as compared to 48 conceptual articles (14%) (Figure 6). Most empirical articles employ quantitative methods and draw mostly on secondary data, which are made increasingly accessible by the World Bank, the Global Entrepreneurship Monitor, and the International Labor Organization. The majority of them (52%) focus on developing economies, which are characterized by the highest rates of IE (Acs et al., 2008; Autio & Fu, 2015; Dau & Cuervo-Cazurra, 2014). 20% focus on developed economies, where informality is common, especially at an early stage of the entrepreneurial process (Williams et al., 2017). Another 17% of the articles focus on transition economies, such as USSR, China, and East European economies (e.g., Aidis & van Praag, 2007; Lee & Hung, 2014). Finally, 11% of the articles draw cross-region comparisons to explain the antecedents and the outcomes of IE (e.g., Thai & Turkina, 2014; Williams & Kedir, 2018).

Figure 6. Conceptual and Empirical Articles on IE, 1987 – 2020



These insights indicate that IE has attracted increasing scholarly attention across the globe and different economies. Yet to reach a more mature stage, characterized by empirical articles testing relationships among established constructs (Edmondson & McManus, 2007), the field needs synthesizing coherence (Locke & Golden-Biddle, 1997). To fully comprehend the universe of informal entrepreneurs and how they vary across contexts, in the next section we shed light on those individuals who engage in “entrepreneurial activities that are illegal yet remain legitimate to large groups in a society” (Webb et al., 2020, p. 511).

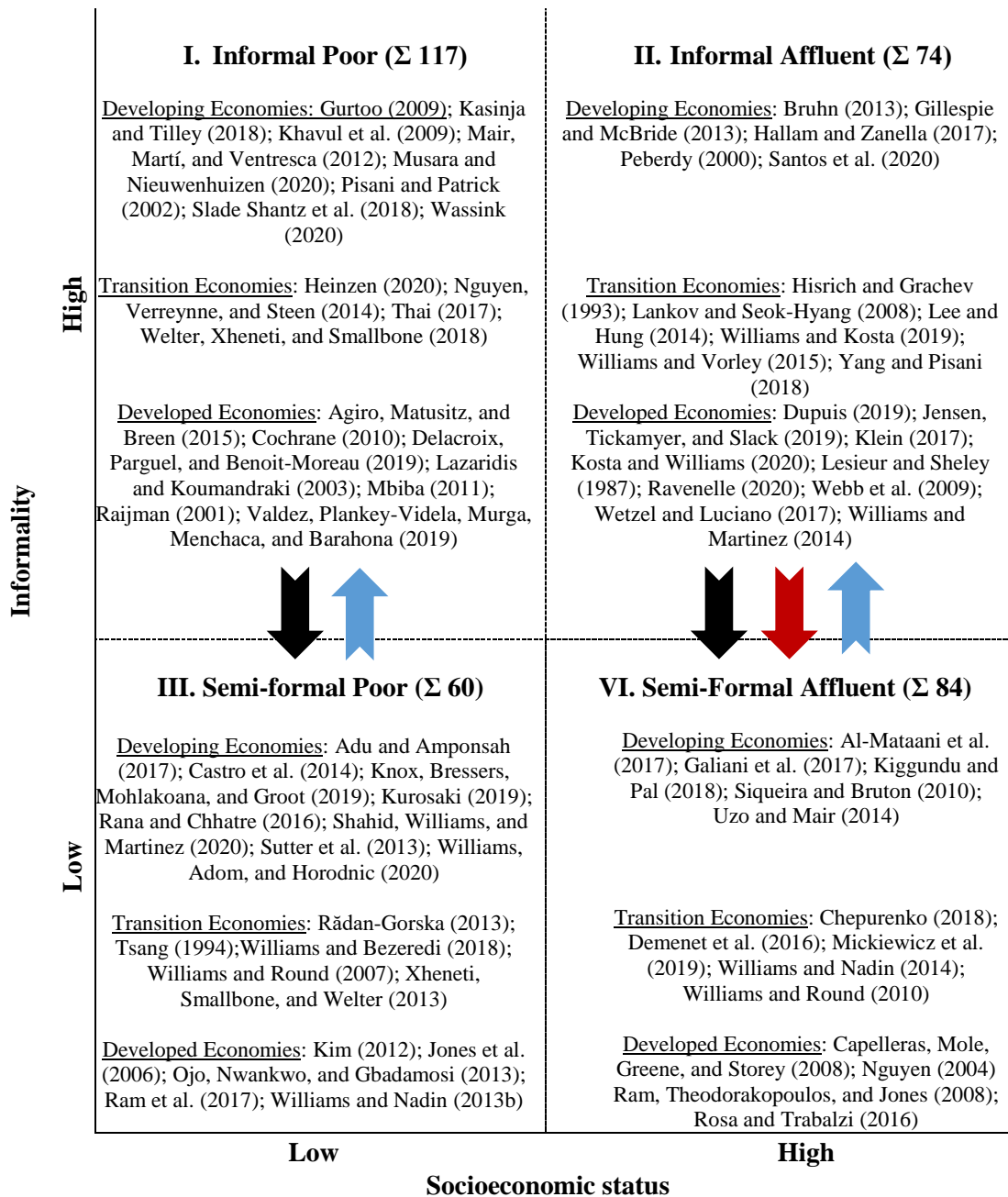
THE UNIVERSE OF INFORMAL ENTREPRENEURS: A TYPOLOGY

When one thinks of informal entrepreneurs, it is common to visualize small producers or street vendors in developing economies, following the cliché that informal entrepreneurs are poor and engage in low performing, labor-intensive, entrepreneurial activities hidden from governmental authorities. However, the articles included in our integrative review reveal a much more nuanced picture. Taken together, they portray a largely heterogeneous body of informal entrepreneurs, which we summarize into a novel, comprehensive typology, transcending the usual cliché. The 2x2 matrix in Figure 7 provides an overview of this heterogeneity, characterized along two dimensions: the levels of informality of entrepreneurial activities undertaken by a given informal entrepreneur, and the socioeconomic status of a given informal entrepreneur, defined as their social standing in society in terms of income, education, and occupation (Bradley & Corwyn, 2002; Reynolds, 1991). Notwithstanding the number of

dimensions used in previous studies to describe informal entrepreneurs (e.g., Carneiro-da-Cunha & Rossetto, 2015; Gibbs, Mahone, & Crump, 2014; Williams & Nadin, 2012a; Williams, Nadin, & Rodgers, 2012; Williams & Nadin, 2013a; Williams & Nadin, 2013b; Williams & Nadin, 2014), these two dimensions emerged from our inductive coding process as the two most important and comprehensive ones to characterize the heterogeneity of informal entrepreneurs across economies. We introduce them below, emphasizing their relevance.

Informality. This dimension refers to the extent to which informal entrepreneurs engage in illegal and yet legitimate entrepreneurial activities (Webb et al., 2020), while not complying with formal rules and regulations. Most of the academic literature on IE, published during the first phase up to 2008 (Figure 5), refers to informality as a dichotomy between formal and informal entrepreneurial activities, based on firm registration (e.g., Arimah, 2001; Coate et al., 2006; House et al., 1993; Sepulveda & Syrett, 2007; Hillmann, 1999). Godfrey (2011) was one of the first scholars to explore the complex, multifaceted nature of informality. He suggested going beyond firm registration to consider all laws and regulations skirted by informal entrepreneurs when engaging in informal entrepreneurial activities (e.g., firm registration, tax payment, environmental regulations, employment, and health and safety regulations). By arguing that informality is a multidimensional phenomenon, Godfrey (2011) changed the way we think and talk about IE and, relatedly, formal entrepreneurship. Building on his work, we do not refer to formal entrepreneurial activities exclusively as those that are registered and to informal entrepreneurial activities as those that are not. Beyond firm registration, fully formal entrepreneurial activities are expected to comply with all national, regional, and local laws and regulations (Godfrey, 2011). Therefore, in a given country, the actual number of fully formal entrepreneurial activities undertaken is much smaller than the number of legally registered entrepreneurial activities. This is due to the fact that many legally registered units fail to comply with laws and regulations, even in developed economies (Godfrey, 2011).

Figure 7. The Universe of Informal Entrepreneurs: Typology and Examples¹²



¹ The black and blue arrows indicate the reactive formalizing and the informalizing pathways, respectively, and were identified for entrepreneurs with both low and high socioeconomic status (left and right side of the 2x2 matrix in Figure 7). In contrast, the red arrow indicates the proactive formalizing pathway, which was identified only in the case of entrepreneurs with high socioeconomic status (right side of the 2x2 matrix in Figure 7).

² The number of articles referring to each type is reported in parenthesis. 17 articles could not be classified due to missing information.

Based on this line of argument, a number of empirical studies has started to investigate the shades of grey that span fully formal and fully informal entrepreneurial activities (e.g., Bruton et al., 2012; Castro et al., 2014; Darbi et al., 2018; Williams, Shahid, & Martinez, 2016). Our integrative review indicates four key dimensions related to the informality of entrepreneurial activities, including: firm registration (e.g., Nichter & Goldmark, 2009, Siqueira et al., 2016), tax payment (e.g., Mickiewicz et al., 2019; Vallanti & Gianfreda, 2020), employee registration (e.g., Benjamin & Nisim, 2015; Ram et al., 2007), and compliance with health, safety, and environmental regulations (e.g., Rădan-Gorska, 2013; Rosa & Trabalzi, 2016). While firm registration is a binary variable, the others are all ordinal variables (full/partial/no tax payment, full/partial/no employee registration, full/partial/no compliance with health, safety, and environmental regulations). Following Shahid, Williams, & Martinez (2020), we consider the level of informality of the entrepreneurial activities as “high” if they show full or partial informality in three or four dimensions (e.g., no firm registration, partial/no tax payments, partial/no employee registration). In turn, the level of informality is considered “low” if the activities show full or partial informality in only one or two dimensions (e.g., firm registration and full tax payment, but partial employee registration and no compliance with health, safety, and environmental regulations).

Socioeconomic status. The second dimension refers to the social standing of a given informal entrepreneur in terms of income, education, and occupation (Bradley & Corwyn, 2002; Reynolds, 1991). The coding and the analysis of our articles suggest that the socioeconomic status is an important variable to consider when studying informal entrepreneurial activities (e.g., Williams & Round, 2007; Williams & Round, 2010; Williams & Nadin, 2010; Castro et al., 2014; Williams et al., 2016). Our evidence shows that informal entrepreneurs are often polarized at both ends of the income spectrum, i.e., poor and affluent (Gibbs et al., 2014). For instance, Williams and Round (2010) find that the informal nature of the entrepreneurial activities varies, depending on the socioeconomic status of the entrepreneur. While poor entrepreneurs do not register their firm and mostly operate off the books as a survival tactic, affluent entrepreneurs usually register their firm but participate in some off-the-book transactions to evade taxes. Following past research (Manstead, 2018), we operationalize the socioeconomic status of the entrepreneurs in terms of income: if the income level is below the average in the respective country, the socioeconomic status

is “low;” if the income level is above the average income in the respective country, the socioeconomic status is “high.”

Four Types of Informal Entrepreneurs

Drawing on these two dimensions, we identify four different types of informal entrepreneurs, who are globally widespread. They include the informal poor, the informal affluent, the semi-formal poor, and the semi-formal affluent. Next, we characterize and illustrate each type by examples drawn from developing, transition, and developed economies.

Type I: “Informal Poor” is characterized by a high level of informality and low socioeconomic status (117 articles). Examples of this type include: rural poor entrepreneurs in Ghana who do not register their enterprises, do not pay taxes, and do not declare their employees (Slade Shantz et al., 2018); informal cross-border traders in Eastern Europe borderlands who engage in IE as a coping strategy to achieve economic “survival”, while also presenting full or partial informality across all informality dimensions (Welter et al., 2018); and French moms living below the poverty line and engaging in digital subsistence entrepreneurial activities on Facebook without complying with any formal rules or regulations (Delacroix et al., 2019).

Type II: “Informal Affluent” is characterized by a high level of informality and high socioeconomic status (74 articles). Examples of this type include: informal micro tea-stall entrepreneurs in Bangladesh having high income stability and yet engaging in fully informal entrepreneurial activities (Khan, Rowe, Quaddus, & Nuruzzaman, 2013); above average-income dealers from the largest electronics marketplace in the world producing “shan-zhai”³ mobile phones in China, despite the governmental prohibition against private businesses (Lee & Hung, 2014); and the American computer programmer Shawn Fanning, who established Napster as a fully informal, successful, growth-oriented, and innovative software-based business while attending college (Webb et al., 2009).

³ “Shan-zhai” derives from the Chinese words “mountain” (shan) and “fortress” (zhai). The term refers metaphorically to the gathering of anti-government rebels based in fortresses located in remote, mountainous areas. The informal mobile phone providers in China were called “shan-zhai” for two reasons: first, they were producing and selling illegal phones from rebel strongholds; namely, the informal economy; and second, similarly to the rebels, they have gathered together in large numbers to challenge the status quo (Lee & Hung, 2014).

Type III: “Semi-Formal Poor” is characterized by a low level of informality and low socioeconomic status (60 articles). Illustrative examples can be drawn from poor street sellers in Sub-Saharan Africa engaging in “semi-formal” entrepreneurial activities, i.e., paying for local business permits (equivalent to firm registration in this context), paying taxes, and partially complying with environmental regulations but not registering employees (Knox et al., 2019); Romanian touristic pension owners who hardly make a living through IE and apply for only a portion of the mandatory authorizations to run a guesthouse, such as firm registration, partial tax payment, and partial compliance with health and environmental regulations, while engaging family members in the entrepreneurial activities without proper contracts (Rădan-Gorska, 2013); and minority entrepreneurs from abject spaces in the UK registering their businesses but remaining informal along a minority of informality dimensions, such as hiring ethnic workers off the books without any insurance cover or formal labor rights (Ram et al., 2017).

Type IV: “Semi-Formal Affluent” is characterized by a low level of informality and high socioeconomic status (84 articles). Some examples relate to entrepreneurs of above average income level in the Nigerian movie context of Nollywood, who follow all of the formal rules and regulations, despite selectively defying the rules of the Nigerian Copyright Act (Uzo & Mair, 2014); Latvian founders of enterprises with average positive turnover, evading taxes, due to their low level of trust in the newly formed government and institutions following the end of the communist regime (Mickiewicz et al., 2019); and Italian Buffalo Mozzarella producers running profitable legally registered enterprises, paying taxes, and having a formal bureaucratic structure, but deliberately not respecting animal welfare and labor law as a strategy to increase their profit and escape harassment from criminal organizations (Rosa & Trabalzi, 2016).

This typology reveals that IE goes far beyond the usual cliché of poor individuals engaging in completely hidden, low-performing entrepreneurial activities and enables us to move toward a more nuanced understanding of the phenomenon. The four types are widespread across developing, transition, and developed economies, and they provide a comprehensive overview of the heterogeneity of IE from a static perspective. But beyond this, our analysis also reveals that the informal poor and informal affluent entrepreneurs’ levels of informality may change over time. We thus adopt a dynamic perspective to understand how informal entrepreneurs move along the continuum of

informality, why they do so, and with what consequences. This dynamic perspective proves crucial to unpacking the emergence, persistence, or disappearance of informality, as well as gradual movements along the continuum of informality. More specifically, informal entrepreneurs move along three distinctive pathways: the *reactive formalizing*, the *proactive formalizing*, and the *informalizing pathways* (respectively the black, red, and blue arrows in Figure 7). They do so while increasing or decreasing the regulative legitimacy—i.e., the alignment with the law—of their entrepreneurial activities (Scott, 2014). We elaborate further on these three pathways in the next sections.

FORMALIZING AND INFORMALIZING PATHWAYS: A TALE OF LEGITIMACY

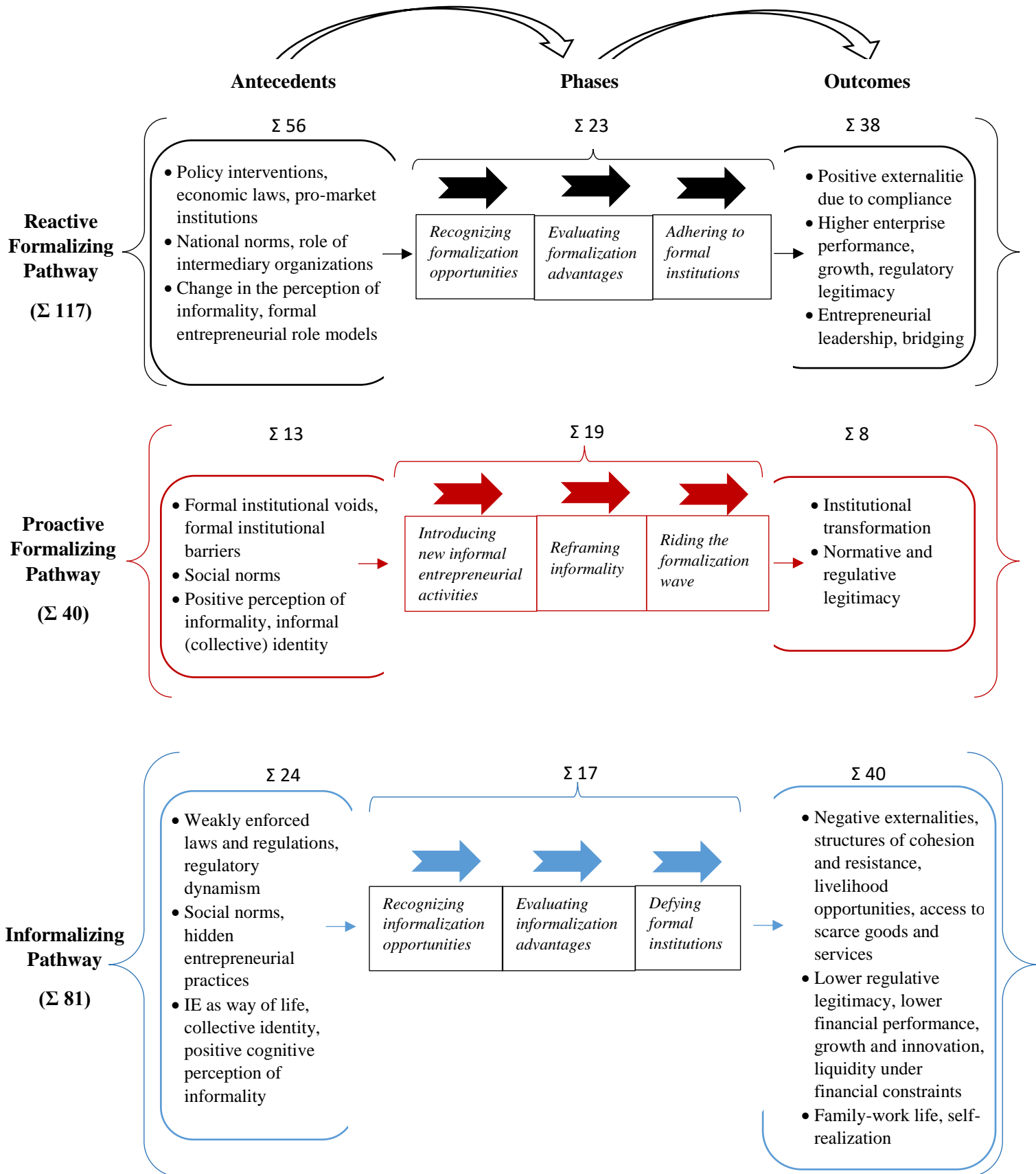
The most important actions undertaken by informal entrepreneurs revolve around legitimacy (Alvarez, Newman, Barney, & Plomaritis, 2021; Webb et al., 2009), which is defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, values, beliefs, and definitions” (Suchman, 1995: 574). Legitimacy is a key resource (Zimmerman & Zeitz, 2002), and is gained through the consensus of the collective, who judges what is appropriate in a specific social context (Fisher, Kuratko, Bloodgood, & Hornsby, 2017; Kackovic & Wijnberg, 2020; Überbacher, 2014). Acknowledging the different kinds of legitimacy (Bitektine & Haack, 2015; Scott, 2014; Zimmerman & Zeitz, 2002), we draw on Scott (2014) and distinguish among regulative, normative, and cognitive legitimacy. Regulative legitimacy (or legality) is gained through the alignment of an activity with the law. This alignment is instrumental to avoid sanctions applied by legal authorities. Normative legitimacy is morally governed by binding social expectations, which determine what is appropriate and desirable in a certain context (e.g., industry, sector, market). This generates a sense of social obligation to conform to societal norms and codes of behaviors. Finally, cognitive legitimacy is culturally supported by constitutive schema and taken-for-granted cultural conceptions (Scott, 2014), which can be interpreted as “collective identities” (Polletta & Jasper, 2001; Webb et al., 2009). Collective identities are “one particular form of culture” (Polletta & Jasper, 2001, p. 298) and refer to “the common bond tying individuals to a group” (Webb et al., 2009, p. 497). They provide frames perceived as established and inherently correct ways of doing things, and leading to

mimetic behaviors (DiMaggio & Powell, 1983) “because other types of behaviors are inconceivable” (Scott, 2014, p. 68) with what is learnt and taken for granted.

Moving along the continuum of informality implies making strategic or non-strategic decisions in terms of regulative legitimacy, while also balancing normative and cognitive legitimacy. In some cases, entrepreneurs make strategic decisions in terms of regulative legitimacy. For example, they may decide to comply with an increasing number of laws and regulations. This would be based on a strategic evaluation of the advantages that compliance might bring (Webb et al., 2009), for instance, in terms of access to formal forms of capital (Hommes, Khan, Gerber, Kipnis, & Hamm, 2014). In other cases, informal entrepreneurs may make non-strategic decisions in terms of regulative legitimacy. These decisions are the unintended consequence of other choices. For instance, entrepreneurs may informalize their activities as a result of their choice to act against unfair governmental systems that prohibit free market activities (Lee & Hung, 2014), or else as a result of their willingness to attract less attention from criminals (Sutter et al., 2013). They may also formalize their activities in an effort to fulfil social expectations (normative legitimacy) (Thapa Karki et al., 2020) or to adopt taken-for-granted behaviors informed by their collective identity (cognitive legitimacy) (Klein, 2017). Non-strategic decisions in terms of regulative legitimacy may also result from contextual contingency, e.g., an enterprise is required to formalize after being confiscated from criminal organizations (Cavotta & Dalpiaz, 2022).

Our inductive coding revealed that informal entrepreneurs make strategic or non-strategic decisions in terms of legitimacy along three distinctive pathways; namely, the *reactive formalizing*, the *proactive formalizing*, and the *informalizing pathways* (Figure 8). The *formalizing pathway* consists of the phases, or sequence of events, in which both poor and affluent entrepreneurs engage over time to decrease their level of informality, in an effort to acquire regulative legitimacy (black and red arrows in Figure 7 and Figure 8). We highlight two types of formalizing pathways: the *reactive formalizing pathway*, and the *proactive formalizing pathway*, depending on what triggers informal entrepreneurs to (try to) change their level of informality. By contrast, we define the *informalizing pathway* as the phases, or sequence of events, in which informal poor and affluent entrepreneurs engage over time to increase their level of informality, foregoing regulative legitimacy (blue arrows in Figure 7 and Figure 8).

Figure 8. A Dynamic Perspective of IE



In sum, the *reactive formalizing*, the *proactive formalizing*, and the *informalizing pathways* consist of distinctive phases (as sequences of events). Each phase is driven by different combinations of regulative, normative, and cognitive institutional factors (Scott, 2014).⁴ First, regulative institutional factors represent formal laws and regulations (Scott, 2014) that provide structure for formalization and informalization decisions, and create room for compliant and defiant entrepreneurial behaviors (Fredström, Peltonen, & Wincent, 2021). Second, normative institutional factors consist of social norms and codes of behavior, which generate social obligations (Scott, 2014). These social obligations may align or misalign with formal laws and regulations, thereby prompting entrepreneurs to align with or to resist them (e.g., Uzo & Mair, 2014). Third, cognitive institutional factors “stress the centrality ... of the shared conceptions, which constitute the nature of social reality and create the frames through which meaning is made” (Scott 2014, p. 67). In other words, cognitive institutional factors represent the taken-for-granted and culturally shared conceptions in a certain society, e.g., collective identities (Polletta & Jasper, 2001). For example, “a collective identity can create a cognitive awareness of why the venture in the informal economy exists” (Webb et al. 2009, p. 498).

As such, regulative, normative and cognitive institutional factors may drive entrepreneurs along the different pathways. In the next sections, we present the phases, antecedents, and outcomes of each pathway. In doing so, we highlight the main takeaways, research gaps, irregularities, and anomalies in the academic literature (Nadkarni et al., 2018), which we then discuss in the closing section.

REACTIVE FORMALIZING PATHWAY

The *reactive formalizing pathway* (black arrows in Figure 7 and Figure 8; 117 articles) has been studied widely (Benhassine et al., 2018; Kasinja & Tilley, 2018; Mukorera, 2019) and fostered by policymakers in their efforts to increase tax compliance and to decrease negative externalities of informality (Galiani et al., 2017; Williams, 2015).

⁴ While it might have been possible to draw on North’s distinction between formal and informal institutions, we chose to employ Scott’s categorization of regulative institutional factors (formal institutions according to North, 1990) versus normative and cognitive institutional factors (informal institutions according to North). This choice allows us to provide a more fine-grained distinction between normative and cognitive institutional factors, which are combined in North’s categorization of informal institutions.

Informal and semi-formal entrepreneurs undertake this pathway to acquire regulative legitimacy in reaction to existing institutional forces (Dau & Cuervo-Cazurra, 2014) and contextual contingencies (Cavotta & Dalpiaz, 2022).

Some scholars (23 articles) have started to examine the *reactive formalizing pathway* by highlighting the phases in which informal entrepreneurs engage when taking formalization decisions regarding registration of an enterprise with the government, partial or full tax compliance, and declaration of workers (Castro et al., 2014; Shahid et al., 2020; Thapa Karki et al., 2020). Below, we illustrate three reactive formalizing phases emerging from the literature: recognizing formalization opportunities, evaluating formalization advantages, and adhering to formal institutions.

Reactive Formalizing Phases

Recognizing formalization opportunities. Informal entrepreneurs may recognize different types of formalization opportunities, i.e., sets of external circumstances or subjective ideas (Davidsson, 2017), which relate to registering entrepreneurial activities (Mukorera, 2019; Williams & Shahid, 2016), paying taxes (Adu & Amponsah, 2017; Berdiev & Saunoris, 2018b), providing contracts for undocumented employees (Jones et al., 2006; Vallanti & Gianfreda, 2020), or complying with health, safety, and environmental standards (Rana & Chhatre, 2016; Schoneveld et al., 2019). Informal entrepreneurs recognize formalization opportunities once they have become more alert about formality requirements, e.g., when they are vigilant and watchful for information about sanctions affecting informal business operations (Babbitt, Brown, & Mazaheri, 2015; Floridi, Demena, & Wagner, 2020), or else about opportunities to access resources by formalizing their activities (Khan, 2018; Kurosaki, 2019). For example, informal entrepreneurs may recognize the opportunity to formalize once they become aware that the enforcement of business registration laws is more widespread than before (Nguyen et al., 2014), or once they realize that becoming legal may allow them to apply for different sources of capital, such as bank loans and government financing programs (Hommes et al., 2014).

Evaluating formalization advantages. Informal entrepreneurs evaluate formalization advantages by pondering economic formalization costs and benefits, and then considering the consequences in terms of social acceptability (Xheneti et al., 2019b). Castro et al. (2014) draw on rational choice theory to explain how informal

entrepreneurs in the Dominican Republic evaluate formalization advantages and consider the economic and social costs of formalizing. In their study, Thapa Karki et al. (2020) adopt a sensemaking perspective (Weick, 1995b; Weick, Sutcliffe, & Obstfeld, 2005) to explain how Nepalese informal women entrepreneurs evaluate formalization advantages, whereby the latter do this by pondering possible gains and losses in terms of cognitive legitimacy (congruence with their collective identity), normative legitimacy (incompatibility with socially prescribed norms, fit with family expectations), and regulative legitimacy (legal benefits from formalization).

Adhering to formal institutions. After evaluating the advantages of formalization, informal entrepreneurs adhere to formal institutions either selectively or consistently. On the one hand, informal entrepreneurs may take a number of strategic decisions regarding formalization, thereby selecting an acceptable level of regulative legitimacy (Castro et al., 2014). Thus, they may adhere to a carefully selected number of regulative frameworks. On the other hand, informal entrepreneurs may adhere to all of the relevant laws and regulations consistently, e.g., in order to reach sector specific standards (Schoneveld et al., 2019) or to attract funding (Knox et al., 2019).

Antecedents to the Reactive Formalizing Pathway

The *reactive formalizing pathway* is driven by regulative, normative, and cognitive institutional factors (Scott, 2014) (Figure 8; 56 articles).

Regulative institutional factors. Informal entrepreneurs are more likely to formalize reactively whenever the law is seen to be enforced promptly and clearly. This could consist of tailored policy interventions simplifying formalization requirements, or increasing awareness about taxation, business registration, labor, and property rights (Williams & Nadin, 2014). A major body of literature has focused on the effects of government policies that aim to transform IE into formal entrepreneurship through formalization measures (Sepulveda & Syrett, 2007; Sheriff & Muffatto, 2014). Examples of this process relate to informal entrepreneurs who recognize formalization opportunities as a consequence of business registration reforms in Mexico (Bruhn, 2013), or as a consequence of the transition from centrally planned to market-based economic measures in post-Soviet countries (Aidis & van Praag, 2007; Hisrich & Grachev, 1993). A country's level of economic development and GDP may also drive informal entrepreneurs to embark on the reactive formalizing pathway, since higher

liquidity will lead to better implemented and more effective economic laws and pro-market institutions (Dau & Cuervo-Cazurra, 2014; Ketchen et al., 2014).

Normative institutional factors. The normative environment needs to evolve and adapt in order to align with the regulative environment. This allows reactive formalization decisions to be socially accepted (e.g., Castro et al., 2014). Nevertheless, the evolution of norms and codes of behaviors, and their alignment with regulative institutions, is generally slow, which gives rise to the role of intermediary organizations in speeding up the reactive formalizing pathway (Evans, 2007; Gurtoo, 2009; Sutter et al., 2017). In particular, formal for-profit platforms may act as orchestrators (Kistruck & Shulist, 2021) and convert informal entrepreneurs into formal service providers, assisted by institutional scaffolding (Sutter et al., 2017). Similarly, NGOs may redefine market structures and local arrangements, creating more inclusive market solutions and formalization opportunities for the informal poor (Mair et al., 2012).

Cognitive institutional factors. The cultural dis-identification from informality may lead to reactive formalization decisions (Berdiev & Saunoris, 2018b; Mickiewicz et al., 2019). Whenever this happens (e.g., when tax morale increases), informal entrepreneurs become disentangled from their informal collective identities (Webb et al., 2009), and, as a result, they tend to pursue the reactive formalizing pathway. This may happen because of the actions of a formal entrepreneur acting as a role model (Musara & Nieuwenhuizen, 2020), or increased access to information regarding the benefits of paying taxes and complying with labor regulations (Williams & Nadin, 2012a).

Outcomes of the Reactive Formalizing Pathway

Below, we introduce the main conversations relating the outcomes of the reactive formalizing pathway (38 articles).

Societal-level outcomes. The reactive formalizing pathway is perceived as a strategic policymaking tool capable of producing positive externalities related to compliance (Webb et al., 2013; Williams, 2015). More specifically, this pathway may lead to neutralize the loss of tax revenues and thus increase the liquidity of governments, which is instrumental in developing infrastructure and providing social services (Galiani et al., 2017); to reduce the amount of informal labor engaged in by employees without

proper employment contracts, social provision, or insurance cover (Maloney, 2004); to reduce the number of informal entrepreneurs flouting environmental regulations, using harmful fuels, or adopting environmentally dangerous trash disposal practices (Imamoglu, 2018); and finally, to reduce the level of unfair competition between formal and informal enterprises (Kosta & Williams, 2020).

Organizational-level outcomes. The reactive formalizing pathway is crucial to achieving advantages in business enterprise performance (Demenet et al., 2016; Giombini, Teobaldelli, & Schneider, 2018; Williams & Kedir, 2020) and growth (Kim & Kang, 2009; Sahai, Sinha Ray, & Tapasvi, 2020; Sasidharan & Rajesh, 2014). For example, Aidis and van Praag (2007) employ a signaling lens (Spence, 1973) to explain how informal entrepreneurial experience, gained prior to the transition to a market-based economy in post-communist Lithuania, translates into greater business knowledge and business skills. This contributes to the superior performance of business ventures after formalization. In general, reactive formalizing signals the achievement of a higher level of regulative legitimacy, allowing a greater mobilization of resources, especially in economies characterized by a strong governmental trust (Assenova & Sorenson, 2017). Nevertheless, it would be too hasty to generalize about the performance advantages related to reactive formalizing, as each reality needs careful investigation and understanding. For example, reactive formalizing leads to greater performance advantages in medium and large enterprises than in micro and small enterprises (Demenet et al., 2016). Moreover, reactive formalizing, after operating informally for a period of time, leads to greater performance advantages than registering the entrepreneurial activities from the outset (Williams et al., 2017; Williams & Kosta, 2020). Finally, according to the way performance is operationalized, performance results may differ. For instance, reactive formalizing leads to greater sales and productivity, but to lower employment growth than remaining informal (Williams & Kedir, 2020).

Individual-level outcomes. Reactive formalizing may drive entrepreneurial leadership (Musara & Nieuwenhuizen, 2020) and enhance the utility of bridging social capital (Dolan & Rajak, 2016). Nevertheless, individual-level outcomes of this pathway remain underexplored, opening up research opportunities. We will elaborate on these in our future research agenda.

PROACTIVE FORMALIZING PATHWAY

In the *reactive formalizing pathway*, informal and semi-formal entrepreneurs undertake actions aiming at acquiring regulative legitimacy in reaction to pre-existing institutions (e.g., enforcement of business registration laws, changes in social norms, changes in terms of cultural conception of informality). By contrast, informal and semi-formal entrepreneurs pursuing a *proactive formalizing pathway* (red arrows in Figure 7 and Figure 8) play a more agentic role, as they aim to change pre-existing regulative institutions or develop new institutions. This pathway is represented in the literature comparatively less frequently (40 articles) and consists of the following phases (Figure 8; 19 articles): introducing new informal entrepreneurial activities, reframing informality, and riding the formalization wave. We describe each phase below.

Proactive Formalizing Phases

Introducing new informal entrepreneurial activities. Individuals introduce illegal, yet (normatively and cognitively) legitimate entrepreneurial activities whenever the overarching legal framework prohibits them from doing so legally (Webb et al., 2009), or else whenever they become aware of “grey institutional areas” (Heinzen, 2020; Zidonis, 2014). For example, a group of informal entrepreneurs in California inaugurated commercial trading in medical cannabis, which at the time was unlawful (Klein, 2017). Similarly, a group of vendors started producing and selling more affordable “shan-zhai” mobile phone alternatives, despite a governmental prohibition in China where the economy is centrally planned and only national champions were authorized to produce and sell mobile phones (Lee & Hung, 2014). In these examples, informal entrepreneurs act as pioneers and introduce new informal entrepreneurial activities, which have the potential to turn into new, informal markets.

Reframing informality. After introducing new, informal entrepreneurial activities, informal entrepreneurs may engage in the practice of reframing informality, as a way of building regulative legitimacy. This practice is a form of institutional work (Lawrence, Suddaby, & Leca, 2011), and can manifest aggressively through the formulation and diffusion of discourses against unjust laws (Klein, 2017); although it can also manifest through peaceful actions, such as the promotion of relevant slogans or the setting up of discussion forums (Lee & Hung, 2014). For example, the “shan-zhai” mobile phones providers in China engaged in discourses that reframe informality

and move away from the negative image relating to sales of illegal mobile phones toward the heroic image of “shan-zhai” mobile phones as iconic weapons to fight “the injustice of the government” (Lee & Hung, 2014). Similarly, Airbnb gained popularity in California and New York, despite the law prohibiting the short-term rental of private apartments, thanks to the articulation of discourses around the intrinsically good and convenient nature of the digital home-sharing platform as “a global travel community that offers magical end-to-end trips, including where you stay, what you do, and the people you meet.” (Ravenelle, 2020, p. 4)

Riding the formalization wave. Rather than adapting to restrictive laws and regulations, which prohibit the dissemination of their practices, informal entrepreneurs create momentum for their activities (Webb et al., 2009), e.g., by establishing increasing numbers of new marketplaces (Dupuis, 2019), creating associations to smooth government’s attitude toward the informal activities (Lee & Hung, 2014), or creating social movements designed to mobilize both resources and allies (Klein, 2017). In doing this, informal entrepreneurs exert pressure on regulative bodies, right up to the point of disruption. Thus, they achieve the objective of changing the nature of institutions, in order to favor their activities, which in time are no longer considered unlawful by the government. This is the case, for example, with the trade in medicinal cannabis in California, which became legal after continuous pressure from informal traders (Klein, 2017). Airbnb and Uber remain a gray area (Dupuis, 2019; Ravenelle, 2020), since legal frameworks for regulating these activities are difficult to build (e.g., insurance cover and standards for Airbnb hosts and Uber providers, who are not real employees).

Antecedents to the Proactive Formalizing Pathway

Just as the proactive formalizing pathway is discussed in the literature to a lesser extent, so are its antecedents (13 articles). We nevertheless summarize the extant knowledge below.

Regulative institutional factors. In contrast to the reactive formalizing pathway, in the proactive formalizing pathway, the regulative environment does not enable informal entrepreneurs to recognize formalization opportunities directly; instead, it prompts informal entrepreneurs to introduce new informal entrepreneurial activities as a way of overcoming formal institutional voids (Webb et al., 2020) or formal barriers (Xheneti

et al., 2013). Subsequently, informal entrepreneurs leverage these formal institutional voids and barriers to reframe informality positively. For instance, when Airbnb and Uber were introduced, the regulative environment represented a formal barrier because it did not recognize, and imposed high constraints on, such activities in the sharing economy that took place outside labor and tax law. In this case, informal entrepreneurs, spurred on by a regulative environment that was excessively restrictive, engaged in the institutional work of reframing informality, thereby creating momentum for their entrepreneurial activities (Battilana, Leca, & Boxenbaum, 2009).

Normative institutional factors. In the proactive formalizing pathway, background social norms provide fertile ground for informal entrepreneurs' institutional efforts (e.g., Nguyen, 2004; Smallbone & Welter, 2001). Drawing on such norms, informal entrepreneurs engage in their institutional work of reframing informality positively, expanding their activities, and riding the formalization wave. Social norms are essential because they grant increasing levels of social acceptance to newly introduced informal entrepreneurial activities (Stanger, 2008). Whenever social acceptance is high, the power of regulative bodies to sanction and ban the activities concerned diminishes drastically, up to the point where legalization and subsequent formalization are achieved.

Cognitive institutional factors. Informal entrepreneurs introduce new informal entrepreneurial activities because they perceive informality positively (Amésquita Cubillas, Morales, & Rees, 2018; Hallam & Zanella, 2017). This positive perception of informality can be either individual or collective, and causes both individuals and groups to build an informal (collective) identity (Klein, 2017; Webb et al., 2009). The informal (collective) identity represents the seedbed for the institutional work of reframing informality, in order to appeal to broader society and to regulative bodies in subsequent stages (Klein, 2017). For example, the informal collective identity of informal entrepreneurs in ethnic enclaves, who run unregistered entrepreneurial activities and employ undocumented workers (Hillmann, 1999; Ojo et al., 2013), may induce them to emphasize their positive scope or impact on society, in terms of job creation or poverty alleviation; leading to customer acquisition and even government support (Rothengatter, 2005). Another example is related to the informal collective identity of traders in medicinal cannabis, which is leveraged to increase their popularity until regulative institutions are disrupted (Klein, 2017).

Outcomes of the Proactive Formalizing Pathway

The outcomes of the proactive formalizing pathway are also investigated to a limited extent (8 articles).

Societal-level outcomes. The main outcome of the proactive formalizing pathway is institutional transformation. The conversation about the outcomes of IE along the formalizing pathway bridges the literature on institutional entrepreneurship (Battilana et al., 2009; Pacheco, York, Dean, & Sarasvathy, 2010; Su, Zhai, & Karlsson, 2017). In fact, informal entrepreneurs along this pathway act as institutional agents, who manipulate institutions purposefully (Maguire, Hardy, & Lawrence, 2004) and engage in institutional work “eroding regulatory authority” (Zeller, 2009, p. 135). Informal entrepreneurs have the potential to change laws and regulations in favor of new entrepreneurial activities emerging from the informal economy (Zeller, 2009). Moreover, by reframing informality, they build increasing societal approval, as witnessed by the case of Napster founder, Shawn Fanning, who acted as a “catalyst for the normative reconceptualization of copyright in society” (Green, 2002, p. 799). Similarly, the institutional work emphasizing the infrastructural benefits provided by the (formerly illegal) Pavlenko construction enterprise in Russia led to a wider acceptance and even tolerance by the government, despite the centralized economic system (Khlevniuk, 2019).

Organizational-level outcomes. Proactive formalizing leads to higher normative and regulative legitimacy for IE over time. In particular, informal entrepreneurs expand the social acceptance of their organizations in the normative environment (Choi & Perez, 2007; Lankov & Seok-Hyang, 2008; Lesieur & Sheley, 1987; Roth, 2014). Similarly, they actively acquire regulative legitimacy, which allows them to eventually legalize their organizations, increase the number of customers, and mobilize allies (Wetzel & Luciano, 2017).

Individual-level outcomes. The individual-level outcomes of this pathway are under-investigated. Nevertheless, there are promising avenues for future research in this domain. We highlight them in the future research agenda below.

INFORMALIZING PATHWAY

The *informalizing pathway* relates to the journey that individual entrepreneurs undertake once they increase the informality of their entrepreneurial activities, foregoing regulative legitimacy. Inherently hidden in nature, this pathway is more difficult to track and is, unsurprisingly, less acknowledged than the reactive formalizing pathway (81 articles). We identified three main phases in the informalizing pathway (Figure 8, 17 articles): recognizing informalization opportunities, evaluating informalization advantages, and defying formal institutions. These phases are similar to the phases of the reactive formalizing pathway. But, by contrast, entrepreneurs who pursue the informalizing pathway aim to achieve a higher (instead of lower) level of informality over time (Figure 8).

Informalizing Phases

Recognizing informalization opportunities. Informalization opportunities are sets of external circumstances or subjective ideas (Davidsson, 2017), which relate to deregistering entrepreneurial activities (Rosa & Trabalzi, 2016), evading taxes (Alm, Liu, & Zhang, 2019), hiring undocumented employees (Vallanti & Gianfreda, 2020), or skirting health, safety, and environmental standards (Rădan-Gorska, 2013). Entrepreneurs recognize informalization opportunities once they become alert to them (e.g., Cannatelli, Smith, & Sydow, 2019; Snyder, 2004). These entrepreneurs are vigilant and watchful for new opportunities, which could allow them to reduce their business costs (Vallanti & Gianfreda, 2020), avoid getting trapped in the complexity of the law (Rădan-Gorska, 2013), and avoid attracting attention from criminals (Rosa & Trabalzi, 2016). For instance, the presence of organized crime in Italy leads mozzarella producers to be vigilant and recognize informalization opportunities to escape criminal attention (Rosa & Trabalzi, 2016).

Evaluating informalization advantages. Informal entrepreneurs evaluate informalization advantages by pondering economic formalization costs and benefits, e.g., from a rational economic choice perspective (Kus, 2014; Williams & Gurtoo, 2012). Nevertheless, they also consider the consequences of informalizing in terms of the social acceptability of their activities and compatibility with their collective identity. For example, Thapa Karki et al. (2020) describe how Nepalese women entrepreneurs, besides making an economic cost-benefit analysis of informalizing,

consider informalization advantages in line with their gender identity, life courses, and family situations.

Defying formal institutions. After evaluating informalization advantages, informal entrepreneurs defy regulative institutions (Jensen et al., 2019; Kamath & Ramanathan, 2015; Uzo & Mair, 2014), i.e., they actively resist formal institutions instead of adhering to their requirements (Oliver, 1991). For instance, Uzo and Mair (2014) describe how informal entrepreneurs in the Nigerian movie context of Nollywood selectively defy the rules of the Nigerian Copyright Act. While respecting the rules for movie distribution, they tend to skirt intellectual property rules, which they regard as too strict and counter-productive. Instead of following the rules regarding IP ownership, these informal entrepreneurs establish alternative practices, such as avoiding the use of written scripts in favor of verbal agreements regarding the movie plot.

Antecedents to the Informalizing Pathway

In this section, we introduce the main regulative, normative, and cognitive institutional factors (Figure 8, 24 articles) underlying informalization decisions.

Regulative institutional factors. Entrepreneurs may decide to informalize because of weakly enforced laws and regulations (Webb et al., 2020) that prevail in rural regions (Williams, 2011), ethnic communities (Austin, Dávila, & Jones, 2017), or other types of marginalized communities (Adriaenssens & Hendrickx, 2011). Informal entrepreneurs may also recognize informalization opportunities as a consequence of regulative dynamism (Berdiev & Saunoris, 2019; Meagher, 2009) caused by political, economic, and social evolution or crises. For instance, after the civil war in Nigeria (Meagher, 2009), the Biafran ethnic minority was persecuted by the Nigerian government and Biafran entrepreneurs informalized in order to stay in the market.

Normative institutional factors. Entrepreneurs informalize when they feel supported by the social norms in favor of hidden entrepreneurial practices (Bame-Aldred, Cullen, Martin, & Parboteeah, 2013; Bukowski, Gadowska, & Polar, 2014), which value tax evasion positively and support employment options outside labor laws (Williams, 2010). Such hidden entrepreneurial practices prompt individual entrepreneurs to defy laws and regulations (Oliver, 1991), especially when hidden norms are the rule rather than the exception (Rosa & Trabalzi, 2016, p. 303). Thus, IE may be perceived as more

advantageous than adherence to national laws and regulations (Williams & Round, 2007). In some cases, hidden entrepreneurial practices are reinforced and justified by the presence of bribes, corruption, and harassment (Kistruck et al., 2015; Rădan-Gorska, 2013; Rosa & Trabalzi, 2016; Sutter et al., 2013). These create a positive perception of hidden entrepreneurial activities as the best and most desirable alternatives to escape extortions and crime.

Cognitive institutional factors. Being an informal entrepreneur is often seen as a way of life (Welter et al., 2018), and a way of being recognized as a member of an informal entrepreneurial group with a specific collective identity (Webb et al., 2009). This collective identity can create a positive perception of informality (Webb et al., 2009), leading to the recognition of informalization opportunities to transform one's own life (Gibbs et al., 2014). For instance, Snyder (2004) observes that informalizing can represent a strategy "to creatively avow a sense of self" (p. 236).

Outcomes of the Informalizing Pathway

Below, we describe the outcomes of the informalizing pathway (40 articles) at the societal, organizational, and individual levels.

Societal-level outcomes. By contrast with the formalizing pathways, most of the extant literature on IE emphasizes the negative outcomes of the informalizing pathway, such as negative externalities due to non-compliance, which are linked to economic underdevelopment (Massón-Guerra & Ortín-Ángel, 2019; Williams, 2013), unfair competition toward formal firms (Distinguin, Rugemintwari, & Tacneng, 2016; Moreno-Monroy & Cruz, 2016), and the perpetuation of gender inequalities (Ćorić, 2018; Xheneti et al., 2019b). However, informalizing may also lead to certain positive outcomes. For instance, after the war in Nigeria, informalizing was the only alternative for persecuted Biafran entrepreneurs to earn a livelihood (Meagher, 2009). Moreover, informalizing enabled Biafran entrepreneurs to build cohesive, resistance structures from the bottom-up (Meagher, 2009). Informalizing has also led to positive economic outcomes in communist economies when private businesses were unlawful but represented the only way of accessing scarce goods and services (Tsang, 1994).

Organizational-level outcomes. Informalizing implies the foregoing of regulative legitimacy over time (Lent, Anderson, Yunis, & Hashim, 2019). This pathway may

constrain financial performance (Brown et al., 2013; Engström & McKelvie, 2017), entrepreneurial growth (Krasniqi & Williams, 2020; Sonobe, Akoten, & Otsuka, 2011), and innovative capacity (Bu & Cuervo-Cazurra, 2020; Kabecha, 1999; Kurosaki, 2019; Ullah et al., 2019) in the long run. In fact, informal enterprises are generally smaller in size, less innovative, and characterized by lower productivity and higher capital intensity than formal enterprises (Amin & Islam, 2015; Nichter & Goldmark, 2009). Nevertheless, informalizing offers other benefits, such as higher normative legitimacy (Cannatelli et al., 2019), due to the adherence to socially supported hidden practices (Williams, 2010). Furthermore, evading taxes during the start-up phase may be a way of achieving higher liquidity under financial constraints, especially when governments are not regarded as trustworthy (Alm et al., 2019). Informalizing may also represent a strategic choice for overcoming limited access to credit, especially for women (Harriss-White, 2010; Xheneti et al., 2019b), immigrants (Ram et al., 2008; Tengeh & Nkem, 2017), and other marginalized societal groups (Atasü-Topcuoğlu, 2019; Leonard, 1998). For them, access to formal forms of credit may be very limited, while informalizing may give them access to alternative borrowing and repayment systems (Kamath & Ramanathan, 2015), as well as to informal credit associations (Tengeh & Nkem, 2017). Women in patriarchal societies tend to informalize their entrepreneurial activities, especially after marriage (Xheneti et al., 2019a). This happens because informalizing allows them to take better care of the household (Guma, 2015), as well as receive greater approval and financial support from their family members (Xheneti et al., 2019b).

Individual-level outcomes. Informalizing may have some positive outcomes at an individual level (Harriss-White, 2010; Swanson & Bruni-Bossio, 2019). It may enable informal entrepreneurs to create a better work-life balance and achieve some degree of financial autonomy (Espinal & Grasmuck, 1997). As such, informalizing may constitute an important self-realization opportunity for women (Delacroix et al., 2019; Mukherjee, 2016; Nmadu, 2011), despite gender-based roles and expectations (Xheneti et al., 2019b).

FUTURE RESEARCH AGENDA

Above, we have introduced a novel typology of informal entrepreneurs and have proposed a new dynamic perspective of IE. Building on this, we now draw a forward-looking research agenda for IE (Bacq et al., 2021). We provide guidance for scholars researching different types of informal entrepreneurs, the distinctive reactive formalizing, proactive formalizing, and informalizing pathways, as well as the antecedents and the outcomes of those pathways at societal, organizational, and individual levels.

Researching Different Types of Informal Entrepreneurs

Drawing on our novel, comprehensive typology of informal entrepreneurs (Figure 7), we call for future studies that amount to theoretical advances on IE and examine the personal traits, personal value orientations, and motivations of entrepreneurs belonging to each type posited. Such entrepreneurs might interact differently with their own in-groups (e.g., family and friends), as well as with societal groups (e.g., community members, authorities, and other stakeholders) when formalizing and informalizing in different contexts and cultures.

For example, it is widely known that informal entrepreneurs draw on their social networks to acquire resources and to make strategic formalization (e.g., Castro et al., 2014; Klein, 2017) and informalization-related decisions (e.g., Uzo & Mair, 2014). These social networks provide a range of human, social, physical, and financial resources (Jack & Anderson, 2002; Marti, Courpasson, & Dubard Barbosa, 2013; Welter et al., 2018). Nevertheless, they may also constrain entrepreneurial action, since they are accompanied by far-reaching obligations and expectations (Light & Dana, 2013). Thus, we encourage future research to investigate how different informal entrepreneurial types leverage their social networks to both formalize and informalize.

Researching the Antecedents of Formalizing and Informalizing

While we know a lot about how regulative institutional factors influence formalizing and informalizing pathways, we know less about the role of normative and cognitive institutional factors (Nason & Bothello, 2022). Given that the nature of IE is intrinsically bounded to norms, shared cultural understandings and collective identities (Achim et al., 2019; Cavotta & Dalpiaz, 2022; Mickiewicz et al., 2019; Slade Shantz

et al., 2018), it would be extremely important to shed light on how these dimensions influence the different pathways. For example, future research could build on founder identity research (Gruber & MacMillan, 2017; Powell & Baker, 2014) and endeavor to shed light on how individuals subjected to different normative and cognitive institutional factors build their informal identities and leverage them when engaging in the proactive formalizing pathway, to create institutional transformation. Moreover, it would be important to understand how the informal poor and the informal affluent draw on different cognitive and normative dimensions (Scott, 2014), and how they do this beyond laws and regulations (Fredström et al., 2021) when engaging in the reactive formalizing pathway. For example, social exchange theory (Cropanzano, Anthony, Daniels, & Hall, 2017; Mitchell, Cropanzano, & Quisenberry, 2012), which derives from anthropology and social psychology, could help produce useful insights in this domain. In particular, it might shed some light on how both informal, poor entrepreneurs, and affluent entrepreneurs engage in social exchange interactions, and are motivated by norms of reciprocity (Kerr & Coviello, 2020; Kong, Dirks, & Ferrin, 2014; Larson, 1992) and trust (Colquitt, LePine, Piccolo, Zapata, & Rich, 2012; Lioukas & Reuer, 2015; Pollack, Barr, & Hanson, 2017) when making reactive formalization decisions. Finally, exposure to criminal practices (Cavotta & Dalpiaz, 2022), which are both unlawful and socially unacceptable (Cannatelli et al., 2019), plays a decisive role in formalizing and informalizing pathways (Kistruck et al., 2015; Tonoyan, Strohmeier, Habib, & Perlitz, 2010). For instance, such practices may undermine the survival of formalizing firms (Cavotta & Dalpiaz, 2022). Therefore, future studies could look at the intersection between criminal and informal enterprise cultures in order to find out how informal entrepreneurs strategically assess the benefits of formalization and informalization and then either increase or decrease the level of informality they employ.

Researching the Outcomes of Formalizing and Informalizing at Societal Level

Most of the literature tends to portray the reactive formalizing pathway as good for society (Assenova & Sorenson, 2017; Svensson, 2019), in contrast to the informalizing pathway, which is viewed as negative for society (Meagher, 2014; Rosa & Trabalzi, 2016).

Nevertheless, in some cases the informalizing pathway may also lead to positive outcomes. For instance, defying unjust formal institutions through IE may be

considered to be part of the solution to certain economic and societal inequalities (Bruton et al., 2021; Xheneti et al., 2019b). Thus, we encourage future research to shed light on how reactive formalizing and informalizing pathways contribute to either exacerbating or remedying societies' most critical inequalities. This research direction may lead to important theoretical advances in knowledge at the intersection of entrepreneurship and inequality (Amis, Brickson, Haack, & Hernandez, 2021; Bapuji, Ertug, & Shaw, 2020).

Furthermore, we encourage future researchers to look at the dark side of the reactive formalizing pathway, as this could hinder the preservation of cultural heritage in traditional communities (Achim et al., 2019; Shinde, 2010). For instance, informal entrepreneurial activities may foster religious tourism, while preserving ancient cultural practices and rituals (Shinde, 2010). Thus, their formalization may lead to negative consequences in these terms. We encourage future researchers to explore how reactive formalizing may have adverse societal implications in some cases and hope that they might seek to foster more holistic formalizing policies and trends, especially in developing economies and in economies in transitions, where informal entrepreneurship is deeply rooted in traditional cultural practices (Achim et al., 2019; George, Kotha, Parikh, Alnuaimi, & Bahaj, 2016; Kozyreva & Ledyeva, 2014).

Finally, the outcomes of the proactive formalizing pathway at societal level are the most overlooked of all. The informal affluent is the only type of informal entrepreneurs that move along this path, and who act as institutional agents (Battilana et al., 2009) endeavoring to create institutional transformations (Khlevniuk, 2019; Zeller, 2009). We know little about how they create such transformations, and it remains unclear if the informal poor are also able to do so. Future researchers should investigate how institutional transformations are brought about by informal entrepreneurs in different contexts, as well as whether the informal poor, through collective actions, are able to bring similar transformations.

Researching the Outcomes of Formalizing and Informalizing at Organizational Level

Informal entrepreneurs who formalize proactively thereby acquire greater normative and regulative legitimacy for their entrepreneurial activities (Choi & Perez, 2007; Wetzel & Luciano, 2017). Similarly, the reactive formalizing pathway leads to organizational advantages in terms of regulative legitimacy, performance, innovation

capacity, and growth (Bu & Cuervo-Cazurra, 2020; Siqueira et al., 2016). Nevertheless, pursuing these two formalizing pathways is far from an obvious decision in those contexts characterized by high corruption, crime, and low levels of confidence in the government (Cavotta & Dalpiaz, 2022; Sutter et al., 2013). Future studies could focus specifically on how different boundary conditions lead to different formalization decisions, as well as what outcomes they have in terms of regulative legitimacy, efficiency, and productivity.

Furthermore, the informalizing pathway leads to organizational advantages in the short run (e.g., shelter from criminals, flexibility of hiring, and firing decisions) but disadvantages in terms of performance, innovativeness, and growth in the long run (Ullah et al., 2019). Future research could explore how entrepreneurs evaluate the main organizational outcomes and stakeholder expectations when pondering formalization versus informalization decisions. This may lead to important theoretical advances and recommendations for policymakers, including formalization in their agendas.

Researching the Outcomes of Formalizing and Informalizing at Individual Level

Despite being less investigated than the outcomes at societal and organizational levels, outcomes at an individual level, e.g., in terms of well-being, autonomy, and self-realization, are starting to attract attention in the literature. On the one hand, formalizing leads to acquisition of leadership skills (Musara & Nieuwenhuizen, 2020) and bridging capital (Dolan & Rajak, 2016). On the other hand, informalizing has relevant individual-level outcomes for women entrepreneurs, in terms of positive family-work life balance, autonomy, and independence (Delacroix et al., 2019; Espinal & Grasmuck, 1997; Xheneti et al., 2019b). Understanding how informalizing leads to self-realization and well-being (Shir & Ryff, 2021) may help shed light on the cognitive mechanisms underlying informalization decisions, especially for women, and to develop holistic formalization programs including important dimensions, such as women well-being, self-realization, and autonomy. Beyond this, future research could explore also the dark side of reactive formalization as well as informalization decisions at an individual level, such as in terms of human and social capital loss for the individual entrepreneur.

Moreover, future research could shed light on how individual entrepreneurs perceive themselves during and after engaging in the proactive formalizing pathway. For example, entrepreneurial identity and perception of self-realization may change over time for those informal entrepreneurs who bring about institutional transformations.

Thus, future research could draw on identity theories (Radu-Lefebvre et al., 2021) to understand the cognitive consequences of the proactive shift from an informal to a formal entrepreneurial identity.

IMPLICATIONS FOR THEORY AND PRACTICE

Theoretical Contributions

Our integrative review makes three main contributions to the literature on IE. First, we introduce a novel comprehensive typology that shows the prevalence of four different types of informal entrepreneurs, based on their levels of informality and socioeconomic status, namely, the informal poor, the informal affluent, the semi-formal poor, and the semi-formal affluent. As a result of our analysis, our typology shows that the four types are present in different economies around the globe. Therefore, the mainstream entrepreneurship literature, by tending to focus exclusively on formal entrepreneurship, risks neglecting a very important phenomenon. More specifically, the study of formal entrepreneurship implies a very high level of formality, although the different shades of informality characteristic of a large portion of entrepreneurial activities around the world should not be ignored. Thus, if we aim to conduct entrepreneurship research which truly embraces both diversity (Welter et al., 2017) and context (Baker & Welter, 2020), and which could also lead to greater advances in theory and practice (McGahan, 2012), we should pay more attention to the inherent heterogeneity of IE.

Second, moving from a static to a dynamic perspective of IE, we shed light on three unique pathways pursued by the various types of informal entrepreneurs in order to reach either higher or lower levels of informality, while at the same time acquiring or foregoing regulative legitimacy: the reactive formalizing, the proactive formalizing, and the informalizing pathways.

Third, we bring synthesizing coherence (Locke & Golden-Biddle, 1997) to the field of IE and devise a forward-looking research agenda for IE (Bacq et al., 2021), building on the insights gained from our novel typology and new dynamic perspective of IE. In our research agenda, we highlight interesting ways forward, which could add to current conversations around IE, and involve more general entrepreneurship and management perspectives.

We encourage future researchers to go further and extend the work carried out by Santos and Ferreira (2017) on the evolution of the field of IE and the associated

intellectual community, using citation and co-citation techniques (van Eck & Waltman, 2017). We also encourage future researchers to follow the evolution of IE and to conduct further reviews, as this should help the field mature. Such reviews could problematize current constructs and perspectives (Alvesson & Sandberg, 2020), thereby opening up further research trajectories. Next, we highlight implications of our current work for practitioners and policymakers alike.

Implications for Practitioners and Policymakers

Our integrative review entails important implications for practitioners and policymakers. In particular, by highlighting the prevalence of IE across different economies and shedding light on the diverse universe of informal entrepreneurs, we provide a useful framework for informal and semi-formal entrepreneurs around the globe; with the aim being to understand better the nature of their activities and the potential of formalizing for achieving higher performance, growth, and innovativeness. Moreover, this diverse picture entails three core messages for policymakers. First, standardized policies aiming at eradicating IE or converting it into formal entrepreneurship may be barely effective if they do not consider the differing nature of IE in terms of informality and socioeconomic status of the individual entrepreneurs engaging in IE across different economies. Only by understanding the origins of IE, which go beyond skirting laws and regulations and are rooted in cognitive and normative environments, can policymakers design effective formalization policies that fit distinctive informal entrepreneurial types across different economies.

Second, we highlight the fact that formalization policies may not always be inherently desirable. Nevertheless, it remains crucial for policymakers to address certain entrepreneurial types through specific formalization policies (e.g., informal and semi-formal affluent using harmful fuels as means of productions or the deliberate evasion of taxes to enhance business profits). In the case of other entrepreneurial types, such as the informal and semi-formal poor who run micro enterprises enabled by a powerful, hidden enterprise culture, formalization policies may be inadequate or even destructive. Such policies may drastically inhibit entrepreneurial activities, instead of converting them into more productive forms of enterprise. Therefore, we highlight the importance of allowing the informal and semi-formal poor to engage in IE as a way of creating positive outcomes for their societies, e.g., employment opportunities (Arimah, 2001; Kabecha, 1999; Otoo, Fulton, Ibro, & Lowenberg-Deboer, 2011) and cultural

preservation (Shinde, 2010). In these cases, instead of providing formalization policies with a strong emphasis on sanctions for non-compliant behaviors, an alternate and more effective approach might be to incentivize these entrepreneurs to grow their informal activities, which could then be formalized at a later stage, i.e., beyond a given financial threshold.

Finally, our study provides important insights about the processes of reactive and proactive formalizing, as well as informalizing. These insights may be useful for policymakers, governments (Cavotta & Dalpiaz, 2022), philanthropic organizations (Mair et al., 2012), and social businesses (Weber, Okraku, Mair, & Maurer, 2021), which are devoted to organizing informal entrepreneurs (e.g., the number of digital platforms working with waste pickers in developing countries). In fact, to achieve more effective results and social outcomes, they could first identify the pathways along which the targeted entrepreneurs evolve, as well as the main causes and strategic decisions they take to do so. This way, they could select the most effective time to intervene and start to organize them.

To conclude, we trust that, in addition to its theoretical contributions, our integrative review provides a valuable basis for practitioners and policymakers alike to orient themselves in the field of IE, in a concerted effort to generate positive outcomes for individuals, organizations, and the wider society.

3.2 Essay II - Institutional Abundance: How Informal and Formal Institutions Co- Shape New Venture Activity in Fragile Contexts

ABSTRACT

Extant research has referred to institutional voids as a core characteristic – and limitation – of fragile contexts. Yet, more recent studies have challenged this core assumption and have called for a reconceptualization of institutions in these settings. Through an explorative multiple case study design, we analyze how different institutions influence new venture activities across five Malian villages. Our study provides two important findings. First, by investigating informal institutions holistically, our analysis sheds light on three constellation types – *family-centered*, *community-radiant*, and *trade-radiant*, which produce distinctive outcomes with respect to the new ventures created across villages. Second, and even more interesting, we find that these informal institutions interact with formal institutions through either *informal substitution* or *institutional complementarity*, affecting the type of new ventures created as well as their growth prospects. Taken together, our results call for a mindset shift from thinking about fragile contexts in terms of institutional voids towards a mindset of institutional abundance. Our proposed framework reveals that informal institutions – in varying constellations – interact with formal institutions and co-shape new venture activities, providing important implications for our understanding of entrepreneurial phenomena in most economically underprivileged settings.

Key words: Informal institutions, formal institutions, new venture creation, new venture growth, fragile contexts

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INTRODUCTION

“The institutions of embeddedness [informal institutions] are an important but underdeveloped part of the story.”

- Williamson, 2000

Recent management literature has highlighted the urge of novel theorizing relating new venture mechanisms and processes in non-western contexts (Bruton, Zahra, van de Ven, & Hitt, 2022; George, Corbishley, Khayesi, Haas, & Tihanyi, 2016a; Kroesen, 2018; Nason & Bothello, 2022; Rivera-Santos, Holt, Littlewood, & Kolk, 2015; Webb et al., 2009). Such contexts are a cradle of entrepreneurial opportunities and experience high dynamism in an increasingly globalized world (Barkema, Chen, George, Luo, & Tsui, 2015). A case in point is Africa, the second largest continent in the world, which has experienced “rapidly emerging consumer markets, regional economic integration, investment in infrastructure, technological leap-frogging, and the opening up of new markets, especially in the service sector” (George et al., 2016a, p. 377).

Despite this economic growth, a number of non-western countries and regions are still subject to high fragility (Ault & Spicer, 2022). Fragile contexts are characterized by multi-dimensional poverty, scarce law effectiveness and reduced government legitimacy, which produce instability for citizens and new ventures (Ault & Spicer, 2014; Kolk & Lenfant, 2015). Despite this, recent literature has emphasized that fragile contexts are far from the notion of “institutional voids” and, instead, should be addressed with careful and punctual understanding of “which types of capabilities are weak, to which degree, and in what configuration” (Ault & Spicer, 2020, p. 996). While certain formal institutions, i.e., laws and regulations, tend to remain poorly enforced within fragile contexts, a number of vibrant forces act outside the formal institutional domain, shaping and providing legitimacy to new ventures (Dau & Cuervo-Cazurra, 2014; Deerfield & Elert, 2022; Dutt, Hawn, Vidal, Chatterji, McGahan, & Mitchell, 2016; Levie & Autio, 2011). Such forces may be referred to as informal institutions (Glynn & D’Aunno, 2022; Minbaeva et al., 2022), which are defined as “the socially shared rules, usually unwritten, that are created, communicated, and enforced outside officially sanctioned channels” (North, 1990: 3).

Prior literature has identified family (e.g., Bullough & Renko, 2017; Khavul et al., 2009), community (e.g., Baba, Sasaki, & Vaara, 2021; Bhatt, Qureshi, & Sutter, 2022;

Claus, Greenwood, & Mgoo, 2021), spirituality (e.g., Gümüşay, Smets, & Morris, 2020; Melé & Fontrodona, 2017; Smith, McMullen, & Cardon, 2021), and trade institutions⁵ (e.g., Castro et al., 2014; Geertz, 1978; Uzuegbunam & Uzuegbunam, 2018) as the most relevant reference institutions for new ventures and organizations operating in contexts where formal institutions are weakly enforced. Yet, the quickly growing body of research has mainly investigated these distinctive informal institutional forces and their role on new venture activities in a compartmentalized manner (Su et al., 2017).

Beyond this compartmentalization, scholars have urged the development of a comprehensive and holistic overview of informal institutions, their interdependencies among each other, and their interplay with formal institutions (Glynn & D'Aunno, 2022). Such a comprehensive overview holds the potential to advance our current understanding of how distinctive institutional forces co-shape various forms of new venturing and to discover entirely new drivers and outcomes of new venture activities in most economically underprivileged areas of the world (Peprah, Giachetti, Larsen, & Rajwani, 2022). In addition, it would allow the identification of complex latent institutional forces, which are the result of ancient wisdom, history, traditions, rituals, and unwritten codes of behavior (Dacin, Dacin, & Kent, 2019). Therefore, the aim of our study is to explore the role of informal institutions for new venture activities in a comprehensive manner and to understand how their interactions and interdependencies influence new venture creation and growth in contexts characterized by weak formal institutions. We address the following research question: *What role do informal institutions play for new venture creation and growth in fragile contexts?* To answer this research question, we employ an explorative case study design (Yin, 2017) of five villages in rural Mali, Sub-Saharan Africa, which ranks among the most fragile places in the world (Ault & Spicer, 2020; Marshall & Cole, 2016).

This study makes two important theoretical contributions. The first contribution relates to identifying distinctive constellations of informal institutions, including *family-centered*, *community-radiant*, and *trade-radiant* constellations, which emerge from our empirical analysis as the main institutional domains shaping new venture creation in fragile contexts. Our study answers the call to explore informal institutions in an

⁵ Trade institutions refer to informal institutions shaping economic behaviour, transactions and business practices in street stalls, “bazaars” or “souks.” Such types of marketplaces are diffused in a non-western context and are generally unregulated by any written laws or regulations, i.e., they fall outside formal market institutions. For a comprehensive overview of the bazaar economy and its main trade institutions, refer to Geertz (1978).

integrative and comprehensive way (Glynn & D'Aunno, 2022; Minbaeva et al., 2022; Su et al., 2017), thereby providing novel evidence-based knowledge on how different institutional constellations are shaping new venture activities in contexts of weak formal institutional enforcement (Nason & Bothello, 2022).

As second contribution, this study proposes a new theoretical framework of institutional abundance, which represents a contextualized institutional approach that acknowledges the relevance, legitimacy, and effectiveness of rich informal institutions, which act *alongside* and in *interaction* with formal institutions, thereby jointly guiding and shaping new venture activities in fragile contexts. The new framework may serve as an impetus to overcome the notion of “institutional voids” used in previous literature (e.g., Chakrabarty, 2009; Pinkham & Peng, 2017), to instead embrace the diversity and complexity of institutional forces characterizing fragile contexts. The proposed framework of institutional abundance thereby moves beyond a separation and contrasting of formal (e.g., Dau & Cuervo-Cazurra, 2014; Deerfield & Elert, 2022) versus informal institutions (e.g., Khavul et al., 2009; Slade Shantz et al., 2018) toward acknowledging their interplays, which have remained largely unaddressed in the literature (Minbaeva et al., 2022; Zoogah, Peng, & Woldu, 2015).

BACKGROUND

The Role of Informal Institutions for New Venture Activities

Formal institutions represent the laws and regulations establishing what is deemed “legal” in a certain society (Deerfield & Elert, 2022). They allow for optimal institutional arrangements, favoring rational choice and cost-benefit analysis (North, 1990). Their primacy has long remained undisputed (Minbaeva et al., 2022), especially in contexts where property rights and rule of law strongly regulate economic exchange (Bothello et al., 2019). In contrast, fragile contexts are generally characterized by weak enforcement of formal institutions, which have often been coined as “institutional voids” (Chakrabarty, 2009; Mair & Marti, 2009; Pinkham & Peng, 2017), i.e., lack of “contract-enforcement institutions to efficiently facilitate exchange between firms” (Pinkham & Peng, 2017, p. 1). Nevertheless, the concept of institutional voids has been criticized as “elitist” because it regards western contexts as superior to non-western contexts, and it does not take into account the vibrant informal institutions which are in place in the latter (Bothello et al., 2019; Mair et al., 2012). Thus, some management

scholars have started moving away from the term institutional voids and have employed alternative concepts, such as institutional swamps (Olthaar, Dolfsma, Luts, & Noseleit, 2017), governance gaps (Scherer & Palazzo, 2011), institutional entropy (Montgomery & Dacin, 2020), or institutional interfaces (Mair et al., 2012; Nason & Bothello, 2022) to capture the vibrant informal institutions permeating any type of society.

Informal institutions represent “society’s norms, values, and beliefs and prescribe what is socially acceptable, or legitimate” (Webb et al., 2020, p. 507). They may not be in line with formal market institutions or transaction cost minimization logics, and yet they are in line with moral and cultural prescriptions (Abid et al., 2022), are persistent (Minbaeva et al., 2022), and create positive societal outcomes, e.g., in terms of social health, and happiness (Bothello et al., 2019). According to Williamson (2000), informal institutions are “an important but underdeveloped part of the story” (p. 610). Following a similar line of arguments, Bothello et al. (2019) argue that “informal and cultural institutions are given only token recognition or derided as “‘barriers’ to good governance practices.” According to these and other scholars (e.g., Dieleman, Marleen, Markus, Stanislav, Rajwani, & White, 2022; Peng, Wang, Nishant, Shen, & Welbourne Eleazar, 2022; Pinkham & Peng, 2017), we are still far from a deep understanding of informal institutional complexity and its role in new venture activities, especially in fragile contexts, where such informal arrangements are at the heart of any social and economic behavior (Minbaeva et al., 2022). Previous studies have greatly advanced our understanding of informal institutions, yet have studied these in isolation, by putting a specific focus on family (Bullough & Renko, 2017; Khavul et al., 2009), community (Baba et al., 2021; Bhatt et al., 2022; Claus et al., 2021), spirituality (Gümüşay et al., 2020; Melé & Fontrodona, 2017; Smith et al., 2021), or trade institutions (Castro et al., 2014; Geertz, 1978; Uzuegbunam & Uzuegbunam, 2018).

Family institutions. Aldrich and Cliff (2003) recognized the “inextricably intertwined” nature of family and new venture activities. The authors introduced a new “family embeddedness perspective,” arguing that “transformations in the institution of the family have implications for the emergence of new business opportunities, opportunity recognition, business start-up decisions, and the resource mobilization process” (Aldrich & Cliff, 2003, p. 573). Drawing on this family embeddedness perspective, a burgeoning number of articles have since focused on how family institutions, e.g., family rules, marriage, and ancestry impact new venture activities (Bertrand & Schoar, 2006;

Bullough & Renko, 2017; Ertug, Kotha, & Hedström, 2020; Khavul et al., 2009), e.g., shaping the perception of danger and providing family protection in countries characterized by conflict, insecurity, and patriarchal structures (Bullough & Renko, 2017), or imposing family constraints in the context of economic informality (Khavul et al., 2009). Most recent literature has highlighted both the positive (e.g., Bullough & Renko, 2017; Massis, Frattini, Kotlar, Petruzzelli, & Wright, 2016; Shulist, Rivera-Santos, Kistruck, & Nguni, 2022), and negative (e.g., Khavul et al., 2009; Montiel Mendez & Soto Maciel, 2021; Xheneti et al., 2019a) influences of family institutions on new venture activities, and pointed toward a more holistic analysis of family institutions and their interactions with other institutional forces (e.g., Chavan, Chirico, Taksa, & Alam, 2022; Dana, Gurau, Light, & Muhammad, 2020; Ertug et al., 2020).

Community institutions. Bacq, Hertel, and Lumpkin (2022) developed a novel integrative and cross-disciplinary review and proposed a framework to explain the role of community at the nexus of new venture activities and societal impact. Their review reveals that community institutions such as community rules and structures may influence new venture activities and society differently according to the type of community taken into consideration, its contextual role, and passive versus agentic role (e.g., Hertel, Bacq, & Belz, 2019). This is in line with recent studies unraveling how community institutions in non-western settings may determine institutional change and progressive legitimation in aboriginal settlements (Baba et al., 2021) or in post-disaster settings (Farny, Kibler, & Down, 2019); how distinctive community institutions require different intervention strategies to build inclusive trade solutions in rural India, where caste system and social inequality are nearly universal (Bhatt et al., 2022); and how community institutions and the perception of community insiders versus outsiders influence the introduction and success of macrocredit⁶ initiatives in rural Tanzania (Claus et al., 2021).

Spiritual institutions. Smith et al. (2021) have recently argued for the importance of a “theological turn” in entrepreneurship literature to bring new “alternative explanations

⁶ Macrocredit initiatives differentiate themselves from microcredit in respect to the beneficiaries: In the more traditional case of microcredit, the beneficiaries are individuals receiving a loan, whereas in the case of macrocredit, entire local groups of villagers are granted a loan, e.g., to establish locally owned enterprises (Claus et al. 2021).

of important phenomena.” This becomes increasingly important if we consider that the majority of the world population relies on spiritual institutions such as religious mandates and moral precepts, adopting social and economic behaviors that align with what they consider spiritually correct (Essers & Benschop, 2009; Gümüşay et al., 2020). Specifically, Astrachan, Binz Astrachan, Campopiano, and Baù (2020) argue that “the inclusion of morally binding values such as religious—or in a broader sense, spiritual—values fundamentally alter organizational decision-making and ethical behavior.” Some authors highlight that spirituality may provide crucial human and moral resources in new venture activities (Ganzin, Islam, & Suddaby, 2020; Melé & Fontrodona, 2017), especially in developing countries (Neubert, Bradley, Ardianti, & Simiyu, 2017).

Trade institutions. Fragile countries are generally characterized by failures of formal market institutions (Dau & Cuervo-Cazurra, 2014). Nevertheless, informal trade institutions guide economic behavior among street sellers and permeate the so-called “bazaar” or “souk,” which is a form of marketplace especially diffused in Africa and Asia consisting in multiple stalls and informal businesses selling and bargaining their products outside formal institutional boundaries (Geertz, 1978). In the bazaar, trade institutions, such as negotiation rules and unwritten commercial standards, are transmitted locally and may reach a high level of sophistication and complexity (Uzuegbunam & Uzuegbunam, 2018). Some authors have highlighted that the diffusion of such trade institutions needs to be considered by international organizations when they make foreign location choices (Li, Hernandez, & Gwon, 2019). Even further, such informal trade institutions are intrinsically interdependent on the realm of family, community, and spirituality institutions in developing countries (Nason & Bothello, 2022; Shulist et al., 2022; Su et al., 2017).

As this short review shows, informal institutions provide rich and versatile frameworks to guide action and have been found to affect new venture activities in profound ways. Notwithstanding the great advancement of knowledge in recent years, we are still far from uncovering the “prevalence, complexity and power of informal institutions” (Bothello et al., 2019, p. 1509), especially when different types of informal institutions are in place. With our study, we aim at unpacking such informal institutional complexity considering family, community, spirituality, and trade institutions in a holistic rather than compartmentalized manner. In doing so, we also question westernized, formal

market institutions as the optimal and by default institutional arrangements for fragile contexts (Soto, 2003).

The Interplay between Informal and Formal Institutions

Previous literature stemming from different disciplines adopted three main approaches to explain the interplay between informal and formal institutions. First, economics and political science scholars tend to define informal and formal institutions as mutually exclusive and dualistic, arguing that what is not formal remains informal (Helmke & Levitsky, 2004; North, 1990). According to these scholars, informal institutions compensate for ineffective formal institutions (Minbaeva et al., 2022). For example, during the 1970s the government in rural Peru was extremely inefficient and accompanied by a lack of adequate police protection and ineffective courts. In this situation, self-defense system called “rondas campesinas” and informal courts were built by the local villagers to replace missing formal institutions (Helmke & Levitsky, 2004). Second, social anthropologists see informal and formal institutions in historic terms and as complementary. In line with this perspective, once informal institutions become established, they tend to turn into formal institutions (e.g., Soto, 1989). For example, informal norms favoring the “previously illegal” use and purchase of medical cannabis have exercised pressure on formal institutions, leading to legalization of the medical cannabis sector in California (Klein, 2017). Third, management scholars have proposed that informal and formal institutions may co-exist, being co-dependent instead of mutually exclusive (Minbaeva et al., 2022). This is why informal institutions tend to persist and are not completely eradicated by formal institutions even in more westernized societies (Barkema et al., 2015). For example, in contrast to the French colonial rules subjugating the population, informal institutions were regulating economic behavior in Mali and have persisted and co-existed with formal institutions after national independence, the establishment of a democracy, and political and administrative reforms (Schulz, 2012).

Acknowledging these different standpoints, we intentionally decided not to adhere to any of them a priori. Instead, we adopted an open inductive approach to investigate the heterogeneity of institutional environments across villages in Mali, well aware that such interplays between informal and formal institutions may differ from one province and region to the other even within the same country (Bothello et al., 2019), which we will elaborate in the following section.

RESEARCH SETTING

We designed this study to explore the influence of informal institutions on new venture activities and to develop indigenous theory based on the distinctiveness of the local context (Bruton et al., 2021). In alignment with our research purpose, we chose to conduct this research in a developing economy, where formal institutions are weakly enforced, and informal institutions are likely to exert great influence on new venture activities. While there are a number of developing economies around the world, we chose the Republic of Mali as an extreme setting for our investigation. Mali is one of the largest countries in Africa with a total population of approximately 22 million, and yet it is one of the least developed (UN DESA, 2022) and most fragile countries in the world (Ault & Spicer, 2020; Marshall & Cole, 2016)⁷. A former French colony, Mali gained independence in 1960. After a long period of one-party rule, the March Revolution in 1991 led to a multi-party state with democratic elections. However, since 2012 there have been a number of armed conflicts and terrorist attacks in the northern and central parts of Mali, undermining the power of the democratically elected national government, which is located in the capital city of Bamako. Despite a peacekeeping mission by the United Nations, the political situation has worsened since 2018, leading to a deteriorating state with diminishing power to enforce formal institutions in different regions of the country. While there are central and regional courts in Mali, local disputes are usually resolved by village chiefs and elders in the rural areas, where more than two thirds of the Malian population lives. Most economic and entrepreneurial activities in Mali are based on agriculture, including food and cotton. In addition, mining has become quite important, particularly for gold, which is mined in the southern part of Mali. In our study, we focus on five Malian villages where formal institutions are weakly enforced and informal institutions would be expected to play a great role for any kind of new venture activity.

⁷ Mali is reported to score among the top ten most fragile countries in the world (Ault & Spicer, 2020a)

METHODS

Case Study Design

Given the limits of existing knowledge relating to informal institutions and new venture activities in fragile contexts and given that the research topic we sought to address is highly nuanced, we pursued a qualitative approach. More specifically, we employed an explorative case study design (Eisenhardt, 1989; Yin, 2017), following the tenets of grounded theory (Glaser & Strauss, 1967). We selected five Malian villages, moving from purposeful sampling to theoretical sampling against the background of our emerging findings (Charmaz, 2006; Coyne, 1997; Patton, 1990).

Purposeful sampling. In the early stage of our research, we purposefully selected three Malian villages where formal institutions are weakly enforced and informal institutions are expected to play a major role in new venture activities. We sought to capture the nuances and different dimensions of informal institutions embedded and enacted in each village, as well as the variations between informal institutions and new venture activities. In contrast to studies using the concept of “institutional voids” we did not assume that institutional development within a country is homogeneous, which is far from reality, giving “a preference for analytical simplicity over empiric complexity” (Bothello et al., 2019, p. 1504). Instead, we made the assumption that informal and formal institutions could be rather heterogeneous across provinces and states. At the outset of our research, we assumed that the farther away the villages are from the influence of the central government, the less formal institutions are enforced, and the more informal institutions play a role for any kind of new venture activity. That is why we chose the villages of Bananso and Kai, which are in the southeastern part of Mali about 400 km away from the capital city, Bamako. Coming from the capital city, it takes a day trip with four-wheel vehicles over stony and bumpy roads to reach the villages, which are like “island networks” (Slade Shantz et al., 2018) characterized by tight internally connected social clusters with a number of informal institutions and few links to other villages or cities. To make a comparison and to create some heterogeneity in our sample, we also chose the village of Djoliba, which is close to the capital. We assumed that the closer a village is to the capital city, the more formal institutions are enforced in the village, and the less informal institutions matter for new venture

activities. The main unit of analysis of each case study is the relationship between informal institutions (embedded and enacted in the selected villages) and new venture activities (aggregated on the level of the selected villages).

Theoretical sampling. In the second stage of our research, we moved from purposeful sampling towards theoretical sampling (Charmaz, 2006; Coyne, 1997; Patton, 1990), driven by our emerging findings and theoretical insights. While we found different kinds of informal institutions such as family, community, spirituality, and trade to be important for new venture activities in the selected Malian villages, we realized that informal institutions alone are not sufficient to explain the variation we observed in terms of new venture type and growth. It emerged from our analysis that, in addition to informal institutional complexity, the interplay of informal and formal institutions promotes a better understanding of the observed variations. That is why we decided to conduct some follow-up interviews in Djoliba with a special focus on the interplay between informal and formal institutions. Moreover, we decided to add an additional two cases to further explore and better explain our emerging insights. Specifically, we theoretically selected the Malian village of Dalakana and Sirakoro. Similar to Djoliba, Dalakana is close to the capital. Therefore, we assumed that in Dalakana formal institutions are enforced and, at least to some extent, interact with informal institutions. In addition, we selected Sirakoro, which is in the western part of Mali and belongs to the region of Kayes, where migration has strong historical and cultural roots (Claes, Schmauder, & Molenaar, 2021). Since the turn of the century, successful returning migrants have been elected as municipality representatives (Lima, 2015), providing authority, knowledge and legitimacy to the regional government, which enforces formal institutions in the rural areas. In Table 5, we describe the five selected villages and data collected.

Data Collection

During two extensive field trips to Mali, we conducted open semi-structured interviews with the founders of the new ventures. To contextualize these interviews, we also conducted extensive interviews with villagers, including chiefs, elders, women's leaders, religious leaders and youths. In the first round of data collection, which took place for three weeks during March 2019, the first author went to the field together with

three research assistants and collected data through the support of local trained Malian translators, following the guidelines by Chiumento, Rahman, Machin, and Frith (2018). The first round of data collection focused on the influence of informal institutions on new venture activities in the purposefully selected villages Bananso, Djoliba and Kai. To get access to the interviewees, the first author had gatherings with the chief of each village. During these gatherings, the scope of the research project was explained and the chief provided relevant background information regarding the practices, traditions and main characteristic of each community. These gatherings were also fundamental for gaining trust from the chiefs and receiving their permission to stay in the villages and collect data. Following the suggestions by Riese (2019), the first author and the research assistants met the interviewees on site (at work or at home) and at times suitable for them (e.g., avoiding Friday as a day devoted to God and prayers for Muslims). The open, semi-structured interviews were conducted in Bambara, the local language spoken by most Malians, overcoming the language barrier through simultaneous translations by trained local translators. The interviews typically lasted between 20 and 120 minutes. They were recorded, transcribed and coded iteratively. In addition to the verbal data, visual data (e.g., photos of founders, employees, and apprentices during their daily activities) and written data (e.g., field notes, evidence for business registration, tax payment receipts) were collected and coded. In total, the team spent 104 hours in the selected villages, conducted 50 interviews, and took 366 pictures and 163 pages of field notes during the first round of data collection. In the second round of data collection during October 2019, we followed up the emerging findings, focusing on the effects of informal and formal institutions on new venture activities in rural Mali. First of all, a number of follow-up interviews were conducted in Djoliba to explore the interplay of informal and formal institutions in more depth. Furthermore, we selected the villages of Dalakana and Sirakoro under the assumption that also in those villages formal institutions are enforced to some extent by the central government.

During the second round of data collection, the team spent 33 hours in the villages, conducted 20 interviews, and took 444 pictures and 145 pages of field notes. In total, the team spent 137 hours in the field, conducting 70 interviews and taking 810 pictures, and 308 pages of field notes (Table 5). In addition to the primary data, we collected relevant secondary data from the five selected Malian villages, including 30 YouTube videos, 10 Facebook pages, 16 blog posts, and 7 webpages informing us about institutions in place and the link towards new venture activities.

Table 5. Case Description and Data Collected

Case	Villages	Data collected
1	Kai is a rural and isolated village of 3,617 habitants, with 45 new ventures. The village is 400 km from the capital city Bamako, in the Sikasso region. The closest municipality is Kadiolo. Kai is close to the border with Burkina Faso and not too far from Ivory Coast. The village is in a very remote area, difficult to reach, and subjected to conflicts among tribes. The main sectors are agriculture and farming.	<ul style="list-style-type: none"> • 7 interviews with founders of new ventures • 2 interviews with other villagers • 28 pages of field notes from field visits (12 h on site) • 120 pictures taken on site • 2 tax payments receipts, 2 registration receipts • 9 YouTube videos • 1 Facebook page
2	Bananso (also called “the Village of Gold”) is a rural village with approximately 10,000 habitants and 310 new ventures. It is located in the Sikasso region, and the main activities in the village are related to the extraction and commercialization of gold. Bananso is a strategic location: Entrepreneurs come from all over Mali and the neighboring countries to seek fortune in the gold mines nearby. The entrepreneurial ecosystem is built around the gold mining business. In this village, there is a strong tension between the “perdition path” (illusion of making easy money in the gold mine, seeking fortune putting oneself at risk, finding gold and squandering money without taking care of family and loved ones) and the “honest path” of running your own new venture and making money little by little.	<ul style="list-style-type: none"> • 5 interviews with founders of new ventures • 2 interviews with other villagers • 35 pages of field notes from field visits (12 h on site) • 54 pictures taken on site • 4 YouTube videos • 1 Facebook page • 2 additional webpages and 1 blog post
3	Djoliba is a rural village of 3,982 habitants and 120 new ventures. It is located in the Koulikoro region on the main road to the capital city Bamako. Djoliba is characterized by high traffic from and to Bamako, a lot of commercial exchange, and flourishing trade.	<ul style="list-style-type: none"> • 29 interviews with founders of new ventures • 14 interviews with other villagers • 134 pages of field notes from field visits (94 h on site) • 492 pictures taken on site • 6 YouTube videos • 1 Facebook page • 3 additional webpages and 9 blog posts
4	Dalakana is a rural isolated village of 2,500 habitants with 8 new ventures. Dalakana is situated about 40 km southwest of Bamako, in the Koulikoro region and is not well connected to the capital city. The main sectors are agriculture and farming.	<ul style="list-style-type: none"> • 5 interviews with founders of new ventures • 48 pages of field notes from field visits (11 h on site) • 69 pictures taken on site • 1 Facebook page and 1 blog post
5	Sirakoro is a rural village of 7,800 habitants with 58 new ventures. It is situated in the Fayes region, 190 km southwest of Bamako in a strategic location with a vibrant entrepreneurial ecosystem, near to border with Guinea. There is quite a lot of traffic through Sirakoro due to the transit to the inner part of Mali and the capital Bamako. The village also has a school, which hosts students from neighboring villages. Moreover, many cultural festivals and even the national celebration of Mali independence is celebrated in Sirakoro. Regional development is promising, and the government is thinking about building an airport near to Sirakoro, which has provoked protests from the villagers, especially from women. In 2022, the construction of a big thermal station started in Sirakoro.	<ul style="list-style-type: none"> • 6 interviews with founders of new ventures • 63 pages of field notes from field visits (8 h on site) • 75 pictures taken on site • 11 YouTube videos • 6 Facebook pages • 2 additional webpages and 6 blog posts

Data Analysis

Given the explorative nature of this study, we employed an open and iterative analytical approach guided by our emerging insights (Glaser & Strauss, 1967). In a first analytical step, we inductively analyzed the different types of informal institutions embedded and enacted in each village, as well as their influence on new venture activities through within- and cross-case analysis. In a second analytical step, we jointly analyzed informal and formal institutions to better understand if and if so, how they interact, co-exist and effect new venture activities. We followed a bottom-up approach to allow the data to speak for itself (Gioia et al., 2013). The first and the second author coded 10% of all interviews, written documents and visuals independently to produce first-order codes. Both authors discussed and re-iterated the coding process several times following the recommendations by MacPhail, Khoza, Abler, and Ranganathan (2016) to achieve greater accuracy in explaining which institutional forces are enacted across villages and with what consequences for new venture activities. The third author was involved to provide a neutral external perspective each time coding discrepancies occurred between the two coders. This circular coding process led to reaching 100% intercoder agreement (Campbell et al., 2013), enabling the first author to identify the remaining first-order codes through a rigorous, reliable, and accurate coding process. Then, the entire author team was involved in several rounds of iteration and discussion about 1) the emergence and selection of the most suitable second-order themes, and 2) the underlying meanings of each theme. This ensured that each second-order theme reflected meaningful and homogenous groups of first-order codes, while redundant themes were removed. The coding process led to a total of 325 first-order codes and 18 second-order-themes, which we further clustered into five aggregated categories (Gioia et al., 2013) (Table 6). The first aggregated category relates to the informal *institutions* that characterize each rural village and include family, community, spirituality and trade-radiant constellations. The second category consists in the *informal substitution* between formal and informal institutions and includes e.g. substitution between formal business registration and informal business identification practices. The third category relates to the *institutional complementarity* between formal and informal institutions and includes e.g. complementarity between formal business registration and informal business identification practices.

Table 6. Data Structure

First Order Codes	Second Order Themes	Aggregated Categories
<ul style="list-style-type: none"> • Family constitutes the basic unit of production • The main source of understanding... comes from my support to the family • At the time, my mindset was to come and bring my father to do his surgery, leave one machine in the village, and then go back to Saramacy to make money and build a new house for my father • I used to go to the farm so that I could convince my fathers and... when I used to come back from there in the afternoon, I used to start my tailor trade until late at night 	<ul style="list-style-type: none"> • Family institutions 	Informal institutions
<ul style="list-style-type: none"> • Where we are now, actually everyone knows that this brotherhood in the community is the most important thing in terms of priority • There is an extremely strong sense of community here... If there is an activity in the village that requires more workforce... the members of the farmers' association who will do the work • Cousinly is a type of socialization and connection between different ethnic groups in the community 	<ul style="list-style-type: none"> • Community institutions 	
<ul style="list-style-type: none"> • The soothsayer told me to do everything • The curse that the fathers did was illegal but it was their will. • The market is in the hands of God, sometimes it works, sometimes it doesn't • May God preserve us from failure 	<ul style="list-style-type: none"> • Spirituality institutions 	
<ul style="list-style-type: none"> • I could settle here, because this village is full of business opportunities, and has a flourishing trade culture • When you happen to cook and sell foods in front of a nightclub, you earn more money then selling it in another place • Here when you receive a customer, you have to take good care of him. No matter what the customer does... You must not have any disputes with him... No matter the annoying things he does, be joyful with him. Maybe, he will come with another person when he comes next time 	<ul style="list-style-type: none"> • Trade institutions 	
<ul style="list-style-type: none"> • It is not the same in Kai, we do not get those business registration numbers here • The business activities that small entrepreneurs do in the villages, they don't declare that • If you go to the chief of the village, he will refer you to him, the chief is aware of all businesses in the village • You can identify traders based on the types of ethnic groups in the village 	<ul style="list-style-type: none"> • Substitution between formal business registration and informal business identification practices 	Informal substitution
<ul style="list-style-type: none"> • What do you say? I don't know about tax • The tax agents do not come anymore because of the declaration that we made at the town hall. We told them that a mayor who does nothing in the city cannot force the taxes • We do not expect that the town hall comes here, we all make our best to improve our village, to support the poor and the elderly, to engage the youth 	<ul style="list-style-type: none"> • Substitution between formal business tax and informal tax-related practices 	
<ul style="list-style-type: none"> • There are always some very good texts on these matters. But in practice it's something else, the question of the environment... people don't even understand that here... people don't take safety measures either. • Every Saturday we gather for the cleaning of the hospital, the market • The healing is free unless the person wants to give a gift. We never ask for money for the care of generations. It is the tradition • The only instructions to respect in the village at certain times is to reduce the noise like music from the radio, television 	<ul style="list-style-type: none"> • Substitution between health, safety, and environmental regulations and informal practices 	

Essay II

<ul style="list-style-type: none"> • <i>When you say the law, everything is clear, but the application of the law is not the same thing. For example... the law says that child labor is forbidden... in practice people make children work, they train them</i> • <i>...there is a structure that deals with the declaration of employees. So you should leave the village to go there and declare your employees... Nobodies does it in the village</i> • <i>There is no contract. That is why they are not declared. We discuss, we agree: you work at my place, at the end of the day I will pay you the money</i> 	<ul style="list-style-type: none"> • Substitution between formal and informal trainings
<ul style="list-style-type: none"> • <i>This is what they said when I went to the bank. They told me that they can't lend money to people that are not financially strong</i> • <i>The tontine is a way to save money... for your business</i> • <i>We keep the money for the moment. If a member wants money, we provide a loan with interest. People came here and we promised to help them. To help them we give them the money they need, which we collected in the association, and we will add some interest that they need to pay back with the loan</i> 	<ul style="list-style-type: none"> • Substitution between formal and informal forms of access to financial resources
<ul style="list-style-type: none"> • <i>You want to register, you go to the API and... in 24 hours you can create your company and you pay the registration fee</i> • <i>Often it can happen that they (authorities) go to the chief of the village to know the number of shops and all that exists at the level of each village</i> • <i>Village elders (...) are considered experts in conventional legal law</i> • <i>There are some small entrepreneurs who are registered, who are known and who are obliged every year to declare their activity</i> 	<ul style="list-style-type: none"> • Complementarity of formal business registration and informal business identification practices
<ul style="list-style-type: none"> • <i>If you don't pay the taxes, the authorities will come and close your business</i> • <i>When you are a small farmer, you pay a flat rate...and that's it, you don't pay anything else</i> • <i>Now if you are a micro entrepreneur and you are at home in your house, the tax officers don't come in the inks of your house... It's only those who are on the main roads, who are visible who are requested to pay</i> 	<ul style="list-style-type: none"> • Complementarity between formal business tax and informal tax-related practices
<ul style="list-style-type: none"> • <i>I have heard of the hygiene department and another one that deals with food hygiene. I don't remember the name... f the hygiene officers come to me there is no problem, I always maintain this place clean</i> • <i>We have never had a product inspection...except one day when a man came to the cab and went to the other Solo trader to tell him to put the expired products in the cab</i> • <i>Hygiene maintenance is very important here. When we are done with the hair cut, we wash the cloth and always use a clean cloth when a new customer arrives</i> 	<ul style="list-style-type: none"> • Complementarity between health, safety, and environmental regulations and informal practices
<ul style="list-style-type: none"> • <i>The government is giving us some trainings through the cooperatives</i> • <i>There is the management training, there is also the "train the trainer"</i> • <i>There are several kinds of trainings. I manage this store that you see over there. I have learned all of this. The training that I got recently from MALI MADE, was because of this store</i> • <i>We are all working together, but they are not my employees and it's with the children that I work, to train them</i> • <i>We use to do an informal training... that's much easier... that is a good way to... learn professional skills</i> 	<ul style="list-style-type: none"> • Complementarity between formal and informal trainings
<ul style="list-style-type: none"> • <i>When we need to borrow money, the bank account of the association serves for that and we borrow money from the same bank (association bank account)</i> • <i>About the deadline, for example, if you work with the money and come the time it's not sufficient to pay back the loan, they can give you another deadline. But there are several types of deadline. It depends on the agreement (with the bank)</i> 	<ul style="list-style-type: none"> • Complementarity between formal and informal forms of access to financial resources

Institutional
complementarity

Essay II

<ul style="list-style-type: none"> • <i>There are not many new businesses in this place</i> • <i>You see, these are all the businesses that we have in the village, you can count them on one hand</i> 	<ul style="list-style-type: none"> • Relatively low level of new venture created 	<p>New venture creation⁸</p>
<ul style="list-style-type: none"> • <i>The business turnover here is very high, you will always see some new trade businesses established by the community</i> • <i>Everyday somebody comes to the village to extract gold, and starts a new trade</i> 	<ul style="list-style-type: none"> • Relatively high level of new venture created 	
<ul style="list-style-type: none"> • <i>If you are not registered you cannot grow. It is because the bank will never give you the money you need if you do not have a legal status. Then, it will be very hard to buy machinery, and expand your activity</i> • <i>We cannot grow because we are not stable in terms of place</i> • <i>You won't grow as fast as expected. Because the profit you are making on top of the initial budget is serving you as a living and the initial fund is protected, but you are not able to grow</i> • <i>If there is a small entrepreneur... if he is not registered and the state has to build a school in the village, he can't have the contract</i> • <i>They take it (the karite butter) on credit, and it is huge quantity they take. The rest takes a long time without being paid back. In this case, if you don't have any money, you can't do anything else than waiting for your customers to pay their debts. You have limited opportunity to grow</i> 	<ul style="list-style-type: none"> • Relatively low growth opportunities 	<p>New venture growth</p>
<ul style="list-style-type: none"> • <i>People who register do that to get a market and grow, to get funds from outside and funds from the State</i> • <i>My father was a registered welder, he had a 10 million CFA machine (about 17,000 USD) that he paid in installments to the bank</i> • <i>I now invest the knowledge I gained at school in this business, thanks to this knowledge I know how to make a growth plan for this business</i> • <i>About the changes... I can say, since we have started until now, we haven't faced any difficulties. We were starting a restaurant, when they (the researchers) left in Spring.... Now, the restaurant is set</i> 	<ul style="list-style-type: none"> • Relatively high growth opportunities 	

⁸ This second order theme is based on primary qualitative data as well as on reliable secondary data

The fourth category refers to *new venture creation*, including a relatively low level of new venture creation and a relatively high level of new venture creation. Finally, the fifth category relates to the *new venture growth* shaped by a certain institutional landscape and includes relatively low growth opportunities and relatively high growth opportunities. Below, we present the main categories and results emerging from the coding process as well as their constitutive elements, making use of multiple tables and displays (Cloutier & Ravasi, 2021; Miles et al., 2019).

CONSTELLATIONS OF INFORMAL INSTITUTIONS

From our inductive analysis emerges that different types of informal institutions are enacted distinctively across villages. This enactment of family, community, spiritual, and trade institutions allowed three distinct constellations of informal institutions to emerge from the analysis. In this section, we introduce their structures and how they lead to relevant consequences for new venture activities aggregated on the level of the selected villages. Table 7 displays the identified constellations – including family-centered, community-radiant, and trade radiant constellations – as well as their outcomes in terms of new venture creation. Each constellation of informal institutions consists of *dominant*, *subordinate*, and *ghost informal institutions*. We define *dominant informal institutions* as the primary types of non-written rules and practices enacted in a specific village and influencing all economic and social activities. *Subordinate informal institutions* refer to non-written rules and practices enacted in a specific village, interacting with dominant informal institutions and influencing only some economic and social activities. Finally, we define *ghost informal institutions* as non-written rules and practices enacted in a specific village, not interacting with dominant informal institutions and having very limited influence on economic and social activities.

Family-Centered Constellation

The villages of Kai, Dalakana, and Sirakoro present family-centered constellations (Table 7). In line with the general conception of family in Africa, family institutions are dominant and situated at the center of these constellations. Community, spirituality, and trade institution are either subordinate or ghost institutions that revolve around family institutions.

Table 7. Constellations of Informal Institutions Shaping New Venture Creation across Cases

Case	Dominant Informal Institutions	Subordinate Informal Institutions	Ghost Informal Institutions	Constellation	New venture creation
Kai	Family	Spirituality (enhancing family obligations) & community (not strong enough to overcome family constraints)	Trade	Family-centered	Relatively low (1.24%)
Dalakana	Family	Community (not strong enough to overcome family constraints)	Trade & Spirituality	Family-centered	Relatively low (0.32%)
Sirakoro	Family	Trade and Community (not strong enough to overcome family constraints)	Spirituality	Family-centered	Relatively low (0.74%)
Bananso	Community	Trade and Spirituality (enhancing community institutions)	Family	Community-radiant	Relatively high (3.10%)
Djoliba	Trade	Community (enhancing trade institutions)	Family & Spirituality	Trade-radiant	Relatively high (3.01%)

In villages characterized by family-centered constellations, families do not represent small nuclei, but are rather extended families, including both sides of parents, children, grandparents, aunts, uncles, and cousins. Families are generally so large that some villagers cannot quantify how many members belong to their family, as reported here:

“We are numerous. It’s 2 families. I cannot say the exact number of people in the family.
Let's say that we are 20 to 21 people in the family” – Tailor, Sirakoro

Such big families have their own rules and hierarchies. Usually, the elder male members make the most important decisions and may impose boundaries on other family members. Therefore, gaining their approval becomes crucial. For example, the founder of a tailor shop in Kai explains that the only way for him to engage in his tailor activity without going against the will of his “fathers” (referring to elder male family members) was to integrate his activity within the big family rules. To do so, his tailor activity had to provide some benefits to the family. Therefore, he started to produce clothing for family members on the occasion of large celebrations:

“The main source of understanding for my fathers regarding the tailoring job comes from my support to the family. First, in our culture, Tabaski is the “Islamic Feast of Sacrifice” and is celebrated in the village. For this occasion, twelve grandsons belonging to our family have always been coming. All twelve of them need new clothes for the feast and I am the one making dresses for the twelve grandsons.” – Tailor, Kai

These family institutions create pressure for the entrepreneurs and their new venture activities. They may also enhance women's obligations relating to their gender role, e.g., as mothers and caretakers of the children and household. Often women are not allowed to travel long distances to sell their products, cannot get a loan from the bank to purchase advanced machinery, or make any decision without consultation with their husbands, which clearly limits their entrepreneurial scope:

“We can't decide anything because we are married women and these decisions are not up to us.” - Shea butter producer 2, Kai

Such big family rules tend to be highly integrated in every dimension and daily life activity. Additionally, they interact and influence subordinate institutional dimensions, such as community institutions. For example, a shop owner in Dalakana reports that, besides engaging in his business activity, he also needs to engage in family activities such as agriculture and farming. This obligation stems from his family, but also from the community norms associated with his family ethnic group. In fact, his family belongs to the Peul ethnic group and, according to the Peul communitarian prescriptions, all family members have to harvest the family fields:

“There are some cows in the family. Our family belongs to the Peul ethnic group. My activity is the one in my field, but there is the family field, too. Do you understand? I have to take care of the family field, too, I cannot focus on my business exclusively.”
- Shop owner, Dalakana

Spirituality institutions may also play a role in family-centered constellations. Such institutions include the practice of faith in the course of life, adherence to ethical principles, and faith in God. While representing ghost institutions and being relatively independent in Dalakana, and Sirakoro, spirituality institutions are subordinate to family institutions in Kai. Just as an illustrative example, adherence to ethical principles is highly relevant and transmitted from the father to his children, generation after generation. This spiritual principle becomes one of the main drivers against engaging in unethical activities, especially in contexts where poverty and desperation are omnipresent:

“Apart from that, my father said that we can do any job we want except stealing and murdering.” - Tailor, Kai

Spirituality is highly intertwined with dominant family institutions in Kai and sometimes may be used by the family to direct the behavior of family members toward pre-established paths. For example, a tailor in Kai fought for years against his family

and was subjected to spiritual curses because his new venture was not accepted by his family:

“One day I went to the tailor shop, I took a dress and tried to draw the design with chalk but I could not draw. I didn’t even know what was happening. (...) So the soothsayer told me to do everything to go back to my family. Maybe my fortune had been affected. He suggested sacrificing a white guinea fowl and he added that there had been no solution for the work issue until I would have gone back to the family because the fathers (oldest male family members) didn’t agree to let me become a trainee tailor. The curse that the fathers did was illegal but it was their will. This is why I came back home, and they welcomed me back into the family.” - Tailor, Kai

It is extremely difficult to establish a new venture when dominant family institutions interact with subordinate spiritual institutions, as both institutions, individually and particularly in combination, pose important constraints to entrepreneurial activities. At the end, the tailor in the example managed to start his new venture, but only on the condition that he would provide clothes for his family members and balance his new venture with his involvement in the family fields. However, not all entrepreneurs are able to overcome these obstacles and in turn not many new ventures can emerge under such constraints.

Community-Radiant Constellation

In our analysis, we found the village of Bananso to be characterized by what we refer to as a community-radiant constellation. In such a constellation, dominant community institutions are at the core and provide the guiding principles for all new venture activities. In addition, community institutions radiate to subordinate informal institutions such as trade and spirituality institutions, infusing them with community principles. Interestingly and counterintuitively, family institutions have limited influence in this constellation (i.e., ghost institutions). This stands in stark contrast to the most common understanding and role of family in Africa, which is generally seen as the center of every social and economic activity (see family-centered constellation above). To better understand why family represents a ghost institution in the community-radiant constellation of Bananso, we have to take the geographical context into account. On the one hand, Bananso is known as “the village of gold” because it is located near a gold mine. This village is very distant from the capital city and has an extremely high concentration of entrepreneurial activities located near the mine. It is also characterized by a high rate of in-comers from outside the village. Such in-comers come to Bananso because they are attracted by the opportunity to extract gold from the

mine and resell it. They usually come to the village alone and cannot rely nor do they depend on their families. Moreover, many villagers belonging to Bananso tend to see family members moving away after they acquire some wealth thanks to the gold business. Thus, Bananso is a dynamic village that is constantly in flux, resulting in high family disaggregation, which explains the marginal role of ghost family institutions. For example, one restaurant owner reports:

“In 2003, I left my family and came to Bananso with my husband. We came for gold panning but without success. I have searched for gold in many sites but without success. We stayed in some places for an entire year, while in other places we stayed just a few months. At a certain point, I asked my husband to let us settle in Bamako with the children, because I suffered too much. We are on our own here, our family are too far away and we can never ask them for help. But at least we are settled.” -Shop owner, Bananso

Many entrepreneurs experience a separation from their family members in Bananso, once they decide to follow the so-called “perdition” path, looking for gold, abandoning their beloved ones and risking their lives for the pursuit of wealth. Given the high family disaggregation, community institutions are dominant and become a priority. Some of the villagers refer to the concept of “brotherhood” to explain non-kinship relationships with other community members:

“Well, where we are now, actually everyone knows that this brotherhood in the community is the most important thing in terms of priority.” – Shop owner, Bananso

Community “brotherhood” becomes the first form of support and solidarity. Dominant community institutions manifest through community support practices, hierarchical community practices, and practices of gratefulness and kindness toward other community members (Table 6). Moreover, they propagate and influence spirituality and trade institutions. For example, the villagers relate the spiritual practice of faith during life to the capability to remain calm, maintaining trust that life will flow, and all material and physical challenges in the community will be overcome, because life has a higher and transcendent purpose for all community members:

“I think life will be easy in the days to come. I make blessings for the community. Nobody wants hard times; we all want a better life. Let's make blessings for the community. God only knows how it will end, may God protect us and keep us from difficulties.” – Shop owner, Bananso

This unconditional faith is particularly important given the high poverty and uncertainty in the community. Individuals are motivated to align with the ethical principles prescribed by the Quran, which is one of the main Islamic books. Many villagers practice charity (“Zakat”) every time they earn some money through their business activities or after acquiring wealth. As reported by a lady restaurant owner in

Bananso, her father left her family and went looking for gold in the gold mine. One day he extracted a large quantity of gold. On that day, he practiced charity as prescribed by his ethical principles:

“My father was respecting the Islamic practice of Zakat, according to which, you have to share part of your earnings and food with the poor” -Restaurant owner, Bananso

Even further, God is seen as the one who provides opportunities and answers prayers. Referring to her nomadic life pursuing the gold business before settling down in Bananso, a young woman entrepreneur reported:

“On the way, I prayed asking God to help me to stay even 3 days in a village where there is a school and a hospital so that I can settle down with my children. I sat behind my husband's motorcycle, he said nothing. The rain beat us on the way. At one point my husband said: Awa you are right, there is a hospital and a school in this village, we are going to settle in this village, it was in 2003. God had just answered my prayer.” -Restaurant woman, Bananso

One interesting finding is that spirituality, as subordinate institution, matters not only in people's personal lives but also for founders of new ventures, who rely on spiritual practices to go through uncertain and adverse times and to overcome challenges in their roles as entrepreneurs. One entrepreneur reports:

“Thanks God I could establish this business and make enough money to grow my child. I lost my wife and I am alone here, but God never abandoned me and gave me the power to open this shop and face all the challenges I faced in this shop. God helped me overcome the problem with my suppliers and gave me this neighbor, who helps me with the business. I am thankful to God, very thankful, for supporting me and giving me this neighbor. This is why I pray every day.” -Shop owner, Bananso

Trade-Radiant Constellation

In our analysis we found the village of Djoliba to be characterized by a trade-radiant constellation, i.e., informal trade institutions are at the core of the village and serve as guiding principles for new venture activity. In addition, trade institutions radiate to subordinate community and spirituality institutions, infusing them with trade principles. As in the case of Bananso, we found family institutions to exert limited influence in Djoliba (i.e., ghost institutions). We identified three types of trade institutions, including resourcefulness practices, business diversification practices, and competition practice (Table 6). For example, a hairdresser in Djoliba reports how he counts the number of customers through the following resourcefulness practice:

“To know the number of people I cut the hair, I take the empty packs of blades and multiply them by 5. The result is the number of people I'm styling.” Hairdresser, Sirakoro

Since it would not be affordable to have a cash register in this context, the best way to keep track of the customers served and to maximize resources is to keep count of the blades.

Trade institutions are also reflected in competitive practices. In fragile contexts, entrepreneurship is often driven by necessity, which leads to a multitude of similar new ventures being created and in turn to fierce competition among entrepreneurs. As reported by a restaurant lady in Djoliba, who offers a unique environment to her customers through light and music, which is seen as a way to outperform competitors:

“Actually, there are a lot of people, who are doing commerce. Seeing that, it’s preferable to change your method and apply special things that other people are not applying. Previously, I wasn’t used to put music on in the restaurant, but since I got access to electricity, I started putting music on (to attract and keep costumers).” – Restaurant lady, Djoliba

We found Djoliba to be permeated by dominant trade institutions because it is situated onto the main street connecting the rural areas to the Malian capital city of Bamako and is characterized by heavy traffic. There are daily interactions with outsiders, and the main entrepreneurial activities are concentrated on the main street. Such vibrant exchange with village outsiders and the presence of dominant trade institutions tend to replace family institutions in Djoliba. Many family members tend to move to the capital or benefit from independence from other family members due to the open and dynamic culture. For example, a hairdresser in Djoliba hired his nephew to work with him, but one day his nephew disappeared. He decided to move away from Djoliba without providing any explanation. Such behavior is in stark contrast to the family institutions observed in the other cases:

“When my nephew left, he didn’t make me aware of it. He just told me, he was going to an errand and coming back, this was the way he left.” –Hairdresser, Djoliba

In addition, dominant trade institutions radiate and infuse community institutions, which support the establishment of community associations to support new venture activities, credit associations, traders, and women associations. In many of such associations, the “tontine” system is applied and its trade logic is widespread:

“Well, the tontine is a way to save money. It depends on which ‘tontine mother’ (the person who keep or manage the money) you trust. As a mother with children, you are not able to keep and save money, because you spend the entire money you earn paying cookies for the children during the day. This money is subtracted from the money you are supposed to save for your business.” – Restaurant owner, Djoliba

The tontine system is enforced by community members and is especially important for women to save money to invest in their new ventures. The system consists of periodically collecting money from a certain community group and redistributing it

among group members to allow them to invest in business, grow their activities, or overcome financial and health issues. Several associations pursue this practice to foster the development of the community and allow community members to invest in their entrepreneurial activities. Besides the tontine system, we found hierarchical community practices to help maintain order, ensure that all community members have access to equal trade opportunities, and solve business disputes. Our analysis revealed that the chief of the village is the most important figure in the community: He keeps records of the main new ventures in the village, makes the most important decisions, and coordinates the main activities in the village:

“For example, for any occasion the chief of village informs the women association. Then the association organizes an event like this current one.” – Women leader, Djoliba

Beyond his role in such important events and beyond keeping informal records of new ventures, the chief of the village is involved in entrepreneurial activities and decisions and disputes. For example, a restaurant owner in Djoliba reports that she had rented her place to another seller for a certain period of time and when she needed the place back for her activity the other seller did not want to leave. Thus, the chief of the village was called to solve the dispute:

“In this period, I was not used to sell foods in the afternoon due to the absence of electricity. (...) So I invited her to come sell in the day times at my place. When Djoliba had access to electricity, I told her I’ll start selling in the afternoon. I’ll put on the music and music attract customers. (...) she completely refused to leave when I asked her to leave. She went to convoke me to the advisers and we went to see the chief of the village. (...) We came in front of the chief of the village, each of us was there with a witness. The chief decided in my favor and I could have my place back.” – Restaurant owner, Djoliba

Constellations of Informal Institutions and New Venture Creation

The villages included in this study are characterized by distinctive and complex constellations of informal institutions, which influence new venture creation (Table 7). In villages characterized by family-centered constellations, the level of new venture creation is relatively low when compared with national rates of new ventures in similar contexts (Autio & Fu, 2015; Dau & Cuervo-Cazurra, 2014). More specifically, reliable secondary data sources reveal that each year 1.24%, 0.32%, and 0.74%⁹ of businesses are created per number of inhabitants in Kai, Dalakana and Sirakoro, respectively. These rates are significantly lower compared to the average rate of 3.98%

⁹ These rates have been provided by a social business active in rural Mali and confirmed by the chiefs of each village.

for new informal ventures established in African countries (Autio & Fu, 2015). Such low rates may be explained by the high family obligations permeating family-centered villages, such as the requirement to engage in family farming activities (Table 7). Our findings bring to light the constraining effects that dominant family institutions have on entrepreneurial opportunity identification and exploitation. The negative effect of family institutions on new venture creation may further be reinforced by spirituality institutions, according to which the head of the family is responsible to God for: 1) maintaining order and discipline within the family, and 2) making most important decisions, including approving the engagement in entrepreneurial activities. Our analysis unravels that these factors explain the comparatively low number of new ventures created in villages characterized by family-centered constellations.

In contrast, community- and trade-radiant constellations seem to encourage new venture creation and display relatively high levels of new venture creation compared with national rates of new ventures in similar contexts (Autio & Fu, 2015; Dau & Cuervo-Cazurra, 2014). More specifically, reliable secondary data sources reveal that each year 3.10%, and 3.01%¹⁰ of businesses are created per number of inhabitants in Bananso and Djoliba, respectively (Table 7). These rates are in line with the average rate of 3.98% for new informal ventures established in African countries (Autio & Fu, 2015). In the case of the community-radiant constellation in Bananso, we find the level of new venture creation to be comparatively high due to the support of community members who provide financial, physical, human, and social resources to the entrepreneurs, allowing them to overcome family obligations or to identify and exploit new opportunities that would otherwise be unattainable. This positive role of dominant community institutions in the community-radiant constellation is reinforced by supportive trade institutions, which allow the entrepreneurs to reach a higher number of stakeholders. For example:

“So, seeing him struggling is difficult for me. (...) Overall, if I had the means I would help him at least with the money to fund a business. But as I do not have enough money, I can help him through trade advice and assistance. This way he could open his business in the future.” –Villager, Bananso

The instance above exemplifies the dominant community institutions, which interact with subordinate trade institutions in Bananso. When an entrepreneur is struggling,

¹⁰ These rates have been provided by a social business active in rural Mali and confirmed by the chiefs of each village.

other villagers draw on community institutions and provide help through moral support, money, or business advice.

In the case of a trade-radiant constellation, we find the level of new venture creation of 3.10% to be comparatively high (Table 7) due to dominant trade institutions, such as resourcefulness practices, business diversification practices, and competition practices. Such practices enhance entrepreneurial opportunity identification and exploitation. Additionally, trade institutions radiate and interact with subordinate community institutions, enhancing new venture creation, as exemplified in this quote:

“My friends, they helped me with the business ideas; the owner of this house also helps me with ideas for the good functioning of my business. The reason why this business works is that we have such a supportive community. I know that if I have financial troubles I can borrow money from the women association, if I break a tool, I can borrow it from some other producers until I buy a new one. Also, the chief of the village ensures that we can maintain good relationships in Djoliba and solve disputes. I know I am not alone here, I am part of something bigger.” -Juices Producer, Djoliba

Our in-depth analysis allowed us to shed light on important differences related to the type and magnitude of informal institutions at play in each village, as well as their constraining or supporting effect on the intensity of new venture creation across villages. Yet, we also realized that informal institutions alone could not explain all the variances we observed across villages. By going back to our data and by conducting further interviews, we observed that informal institutions do not always act in isolation but interact with formal institutions in various ways.

INTERPLAY BETWEEN INFORMAL AND FORMAL INSTITUTIONS

There is a commonly held belief that fragile contexts are characterized by the absence of formal institutions to guide business activity. Despite this, our analysis reveals that Mali is characterized by burgeoning institutions regulating new venture activities in a very transparent and rigorous way. For example, the “Agence pour la Promotion des Investissements au Mali” (API-MALI) sets clear formal rules and procedures for registering a business in urban and rural areas in Mali. These rules involve submission of formal documents from the business founder to enter in the formal national register, payment of a fee, and approval from the court. Thus, formal institutions are not absent in Mali. Instead, it is more accurate to refer to a lack of formal institutional enforcement in rural villages. More specifically, we weren’t able to identify enforcement of formal institutions in Bananso, Kai, and Dalakana. In Table 8, we assigned a value of 0 to each formal institution relating to business activity that was

identified in Mali but not enforced in the villages. Yet, an interesting finding is that in the villages of Sirakoro and Djoliba formal institutions are indeed enforced. As displayed in Table 8, formal institutions range from low (value=1) to moderately levels of enforcement (value=2) in Sirakoro and Djoliba.

Table 8. Formal Institutional Enforcement across Cases¹¹

Formal Institutions	Cases				
	Kai	Dalakana	Sirakoro	Bananso	Djoliba
Business registration	0	0	1	0	1
Business tax	0	0	1	0	2
Health, safety, and environmental regulations	0	0	0	0	2
Formal trainings	0	0	1	0	1
Formal access to financial resources	0	0	1	0	2

In these villages, government authorities make annual inspections and require the most visible new ventures to register and pay business taxes. This is why the enforcement of registration remains low in both villages (value=1). In addition, business tax payment is enforced at a low level in Sirakoro (value=1), but is enforced to a moderate level in Djoliba (value=2). This moderate level of business tax law enforcement is due to a higher number of trader associations and cooperatives in Djoliba, which have more frequent contacts with authorities. Such frequent contacts lead to benefits for the associations that can leverage their social status and their connections to the authorities, e.g., to get formal access to credit from the bank. Simultaneously, such frequent contacts with authorities create pressure and pro-activeness from the members of the associations, which feel more motivated to collect business taxes among their members (e.g., due to lower tax rate and other advantages in case of collective tax collection and proactive payments).

Beyond formal institutional enforcement (Table 8), it emerged from our coding that informal and formal institutions do not exist in isolation. Instead, we find them to co-exist and interact either through informal substitution or through institutional complementarity (Table 9). Additionally, we observe that the type of interplay between informal and formal institutions influences the level of formality of the new ventures created across villages (Table 10).

¹¹ 0=no enforcement; 1=low enforcement; 2=moderate enforcement

Table 9. Institutional Interplays¹²

Informal Institutions	Formal Institutions	Cases				
		Kai	Dalakana	Sirakoro	Bananso	Djoliba
Informal business identification strategies	Business registration	Business registration is not enforced. It is substituted by the informal identification of businesses with distinctive families or ethnic groups (e.g., Foulani ethnic group running animal breeding businesses).	Business registration is not enforced. It is substituted by the informal identification of businesses with distinctive families. Bigger families tend to have bigger (usually agricultural) businesses.	Villagers tend to register their main entrepreneurial activity, but not their side entrepreneurial activities. Unregistered activities (e.g., agricultural activities) can be identified through informal knowledge about the village.	Business registration is not enforced. It is substituted by the informal identification of businesses with the founder's ethnic group.	Unregistered new ventures start operating only after having received the permission of the chief of the village, whose knowledge complements the formal registers.
Informal wealth redistribution systems, informal tax-related practices	Business tax	Tax collection is not enforced, nor are formal practices of infrastructure maintenance or welfare. Instead, practices of family collectivism and wealth distribution are enacted.	Since the taxes collected were not bringing any benefits in the village, there has been a protest against tax payment. Now, wealth distribution occurs informally within big families or community groups.	Formal tax payment practices enforced but complementary practices related to informal bargaining over the amount of tax, informal estimation of the tax level, informal proactive tax collection are diffused	Informal wealth redistribution systems (e.g., Zakat) substitute for lack of business tax collection and related formal wealth redistribution practices	Informal tax collection system allows new ventures to be prepared for the arrival of tax authorities and to be able pay taxes regularly when tax authorities come.
Health, safety, and environmental shared practices/code s of behaviors	Health, safety, and environmental regulations	No enforcement of any specific regulation, reliance on God to maintain health, safety and good environmental quality (Exemplary quote: "I pray to God for good health. I pray that my children live happily after me.")	No enforcement of any specific regulations, but informal substitutive practices are enacted (e.g., no product inspections nor formal HACCP, but practices such as returning expired products to suppliers)	No enforcement of any specific regulation, but informal substitutive practices are enacted (e.g., returning expired products, informal waste disposal practices)	No enforcement of any specific regulation, but informal cleaning practices, open fire cooking practices, and informal waste disposal practices are in place	The founders of new ventures know that health, safety, environmental authorities may check their activities. Therefore they enact informal procedure to make sure that the authorities will not sanction their activities.
Informal trainings	Formal trainings	Substitution of formal training with informal knowledge transfer from generation to generation	Substitution of formal training with informal knowledge transfer from generation to generation	Formal trainings can be complemented by informal trainings and informal knowledge transfer from friends and community members.	Substitution of formal training with informal trainings and apprentice programs	Founders can participate in formal trainings and get formal certificates. At the same time, they may offer informal trainings to their employees to transfer their knowledge.

¹² *Two types of institutional interplays are displayed: "informal substitution" (yellow), "institutional complementarity" (orange)

Informal credit systems	Formal access to financial resources	No formal credit access (e.g., bank loans) but access to informal financial support in the family.	No formal credit access (e.g., bank loans) but access to informal financial support in the family and community institutions (credits from family members and tontine systems).	Access to formal credit from the bank is complemented by the existence of informal tontine systems.	No formal credit access (e.g., bank loans) but access to informal financial support in the community institutions (tontine systems).	Formal access to credit from the bank is complemented by the existence of informal practices to allow informal credit sharing and repayment by cooperative members.
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Table 10. The Role of the Interplay between Informal and Formal Institutions on New Venture Type and Growth Opportunities

Case	Interplay	New Venture Type	New Venture Growth Opportunities
Kai	Informal substitution	Highly informal	Relatively low
Dalakana	Informal substitution	Highly informal	Relatively low
Sirakoro	Institutional complementarity	Semi-formal	Relatively high
Bananso	Informal substitution	Highly informal	Relatively low
Djoliba	Institutional complementarity	Semi-formal	Relatively high

Informal Substitution

We refer to informal substitution in cases when formal institutions are not enforced (value=0 in Table 8) and informal institutions replace them (Table 9). This situation characterizes most remote villages, which lack good connections to the main cities and government bodies, such as Kai, Dalakana and Bananso. In these villages informal institutions represent the main reference framework for doing business and provide legitimacy to new venture activities. For instance, in Kai business registration is not enforced and government authorities do not run any type of inspections on site. Instead, business registration is substituted by informal business identification strategies, such as identification of new ventures with distinctive families or ethnic groups (Table 9). Mali is characterized by more than 12 different ethnic groups, each of them speaking its own language and aligning with specific business activities. The chief of the village takes into account the different types of business activities in his village considering the number of families belonging to the different ethnic groups. For examples, families belonging to the Peul ethnic group, also known as Fulani, have a nomadic origin and engage mainly in farming and harvesting activities. Whereas families belonging to the Senufo ethnic group engage mainly in carpentry and handicrafts.

Another example relates to business tax payment, which is not enforced in the majority of the villages, and prevents the government from maintaining public infrastructure, funding public services, and implementing welfare programs. Nevertheless, the lack of business tax enforcement is substituted by informal practices of wealth redistribution and infrastructure maintenance led by big family or community members (Table 9). Similarly, labor law is not enforced, but is substituted by the formulation of informal contracts (Table 9). Such contracts may be very unsophisticated and consist of a tacit agreement among family members engaging in business activities in exchange for food or shelter. But they may also be more sophisticated and include explicit third-party recommendations, delineation of professional relationship, negotiation of benefits and salary, verbal agreement in the presence of witnesses, and so on. Further examples of informal substitution are provided in Table 9.

From the cross-case analysis it emerges that informal substitution tends to lead to highly informal new venture types (Table 10), i.e., new ventures being consistently

non-compliant with any type of formal institutions (e.g., registration, tax-payment, labor law, health, safety and environmental regulations). Such new ventures do not align with the law and present high level of informality. Despite the high informality, such new venture types are deemed legitimate, i.e., socially accepted and aligned with informal family, community and trade institutions. In most of the cases, there is no awareness of how to do business differently, and compliance is not enacted at the village level. For example, a woman running a highly informal restaurant in Bananso reports:

“No, I don't know anyone who pays the tax” –Restaurant owner, Bananso

New ventures paying taxes are absent in her village, and highly informal new venture types are the rule rather than the exception.

Institutional Complementarity

We refer to institutional complementarity in cases where formal institutions are enforced at a low or moderate level and informal institutions are adapted, modified, or used as additional reference frameworks for new venture activities. This situation characterizes more accessible and vibrant villages, such as Djoliba and Sirakoro. For example, in Djoliba business registration is enforced through annual visits from government authorities and complemented by the informal identification and verbal registration of informal new ventures at the village level (Table 9). Another example relates to business tax collection, which is enforced to a low level in Sirakoro and complemented by the presence of informal tax-related practices, such as bargaining over the amount of tax and informal estimation of the amount of tax by the tax authorities according to how many customers and advanced devices they detect in the new venture during their visit. Even further, informal pro-active tax collection practices are widespread and consist in forming informal tax groups collecting taxes for their members. Thus, the informal tax group travels a long-distance to pay a self-decided tax. This proactive tax payment is appreciated by the tax collectors since they will be able to skip the informal tax group during their inspection in the village and can focus on other new ventures. At the same time, this practice is advantageous for the members of the informal tax group because the self-decided tax they establish is lower than the individual tax that each of them would have to pay in case of inspection.

Similarly, safety and environmental regulations are moderately enforced in Djoliba, e.g., through health inspections or sanctions implemented by forest authorities. But precise and operative formal hygiene maintenance protocols or waste management procedures are not widespread. Thus, new ventures tend to formulate and implement their own informal procedures to maintain hygienic conditions and manage waste in order to avoid sanctions by authorities in case of inspections. Further examples of institutional complementarity are provided in Table 9.

Institutional complementarity tends to lead to semi-formal new ventures (Table 10), i.e., new ventures selectively not complying with some formal institutions (e.g., they may be registered but not pay taxes). Despite not complying consistently with all laws and regulations, semi-formal new ventures are generally registered and may pay taxes and conform to certain health or regulations standards. For instance, the founder of a semi-formal new venture in Sirakoro explains that, besides all business activities he conducts, his new venture is also involved in governmental projects related urban electrification:

“In 2018, I started the facilities and connections of people solar panels to their light bulb, fan... I can install a fan for 1000 FCFA (1.68 USD). My venture is paid by the government for completing this task.” –Shop, Sirakoro

In this example, the government could identify and assign such a task because the new venture appears in the national register. Besides the benefits of semi-formalization in terms of alignment with the law, semi-formal new ventures benefit also from legitimacy deriving from complementary informal practices. More specifically, informal hygiene maintenance practices are employed by semi-formal new ventures to complement formal regulations, ensure a safe environment, and avoid sanctions from authorities during inspections. A registered hairdresser in Djoliba describes:

“Hygiene maintenance is very important here. When we are done with the haircut, we wash the cloth and always use a clean cloth when a new customer arrives.”
– Hairdresser in Djoliba

The Effect of Institutional Interplays on New Venture Growth Opportunities

Highly informal new ventures located in villages where *informal substitution* prevails (Table 10) have lower access to formal business growth opportunities such as trainings, access to loans from banks, and formal networks despite leveraging substitutive informal practices. Therefore, they tend to grow to a limited extent and at a slow pace. In villages characterized by informal substitutions, the average number

of employees per new venture is below 2, and most of the new ventures report relatively limited growth, a constant yearly cash inflow (excluding the oscillations due to the rainy season), and stable relationships with customers and suppliers over time. One of the factors preventing business growth in conditions of informal substitution is the lack of formal business registration:

“If you are not registered you cannot grow. It is because the bank will never give you the money you need if you do not have a legal status. Then, it will be very hard to buy machinery, and expand your activity.” - Restaurant owner, Bananso

The lack of business registration limits access to financial resources, especially formal forms of credit. In some cases, new venture growth is further limited by informal traditions related to nomadism associated with specific ethnic groups. A shop owner in Dalakana reports:

“Well, we cannot grow because we are not stable in terms of place. We are distributed. So, wherever there are more customers we also are, so that one can earn his living.” – Shop owner, Dalakana

Beyond this, when informal substitution prevails, formal trainings are not widespread and are substituted by informal knowledge transfer from generation to generation, informal trainings and informal apprentice programs. This lack of access to formal trainings may hinder founders from identifying formal business growth opportunities and accessing efficient business growth strategies. For example, an informal shea butter producer in Kai reports:

“When I was a child, my wish was to be a shopkeeper. I am not a real trader yet. I trust in God will help me increase my production.” –Shea butter producer, Kai

The founder does not have any concrete growth plan and hopes that God could help her grow her new venture. She does not have access to any formal training or resources to learn how to develop her business further. She does not apply any strategies to acquire new customers and relies exclusively on the weekly trade to sell her products:

“I haven’t found any further customers. (...) On Mondays the whole village meets for the trade, I sell my products there.” –Shea butter producer, Kai

Therefore, her growth opportunities remain relatively limited. Similarly, a shop owner in Bananso struggles to generate profits from his business because he lacks basic accounting and business knowledge. He reports:

“In general, after starting a business, it should grow. But this growth is sometimes complicated. For instance, each week you should earn up to 2500 FCFA (4.2\$) on top of the 100000 FCFA (166\$ per week) that you spent for the supply of goods. This will be 102500 FCFA (171\$ per week) earned. But, if you spend 2000 FCFA(3.4\$) for food during the week, how much will remain? (...) So, you will then see that you are working over and over again with the same initial budget, without earning anything. Actually, thanks to your

business you didn't have to spend anything from the initial budget for basic things such as food. Therefore, you cannot say that the business is not worth, this is false. But you won't grow as fast as expected. Because the profit you are making on top of the initial budget is serving you as a living and the initial fund is protected, but you are not able to grow."

–Shop owner, Bananso.

In contrast to this, we find *institutional complementarity* to lead to higher access to new venture growth opportunities (Table 6). In villages characterized by *institutional complementarity*, the average number of employees per new venture is above 2, and most of the new ventures reported relatively high growth, an increasing yearly cash inflow, and constant acquisition of new customers and suppliers over time. Furthermore, new ventures can access formal growth opportunities, loans from banks, and formal networks, while simultaneously relying on informal practices. For example, a hairdresser reports:

"My father was a registered welder, he had a 10 millions CFA machine (about 17,000 USD) that he paid in installments to the bank." –Hairdresser, Sirakoro

Thanks to his business registration, his father could access a loan from the bank and grow his business. Similarly, a farmer in Djoliba, who also owns a registered restaurant and welding shop, reports that thanks to access to formal farming training he was able to acquire the knowledge to grow his main new venture activity and expand it:

"It has taken time before I could earn some advantages through my activities. Didn't I say that before starting the training, there were a lot of things that I was ignoring? (...) So, changes started since there (when I started the training). If you don't know something and you learn it from somebody, you are forced to go through some changes. In the past when I was practicing poultry farming, a time used to come when the chickens got caught by sickness and then all chickens used to die. So, I have followed the training and found a solution for that. Even if the chickens catch sicknesses, I know the medications and I buy the appropriate ones to treat them. So, these all are changes, which occurred thanks to my training." –Restaurant owner, Djoliba

In a similar case, the founder of an internet café highlights that his education helped him in growing his business:

"My studies help me grow this business. Because, there is a software (AutoCAD), which is used to make buildings plans. It is because of this software that I took the decision to invest money in a computer and that made me realized all of these things. Do you see?" –Internet Café' owner, Djoliba

Even further, a hairdresser in Sirakoro reports that the knowledge he acquired during school set the foundations of his knowledge, which helped him growing his business:

"I had left the mining sites to prepare for the DEF (grade 9 exam) that I obtained. Then I went to high school. I now invest the knowledge I gained at school in this business, thanks to this knowledge I know how to make a growth plan for this business." –Hairdresser, Sirakoro

Beyond this, many semi-formal new ventures in contexts of institutional complementarity can join formal associations and benefit from access to higher financial capital:

“When we need to borrow money, the bank account of the association serves for that and we borrow money from the same bank (from the association bank account).” -Farmer, Djoliba

These financial advantages are generally combined with advantages in terms of access to broader social, human, and physical capital, which enable relatively higher levels of new venture growth.

DISCUSSION

The motivation of this study was to explore how informal institutions influence new venture activities in fragile contexts, overcoming the dominance of western theorizing (Barkema et al., 2015; Zoogah et al., 2015). To address this important research aim, we employed a new institutional economic perspective to unpack informal institutional complexity and its role in shaping new venture activities. In contrast to past literature, which relies on the concept of “institutional voids” in developing countries (e.g., Pinkham & Peng, 2017; Deerfield & Elert, 2022), the key theoretical insight that emerges from our data is a concept of *institutional abundance*. This novel theorizing about institutional abundance brings together both informal as well as formal institutions to explain how distinctive institutional interplays jointly shape new venture creation and growth in fragile settings.

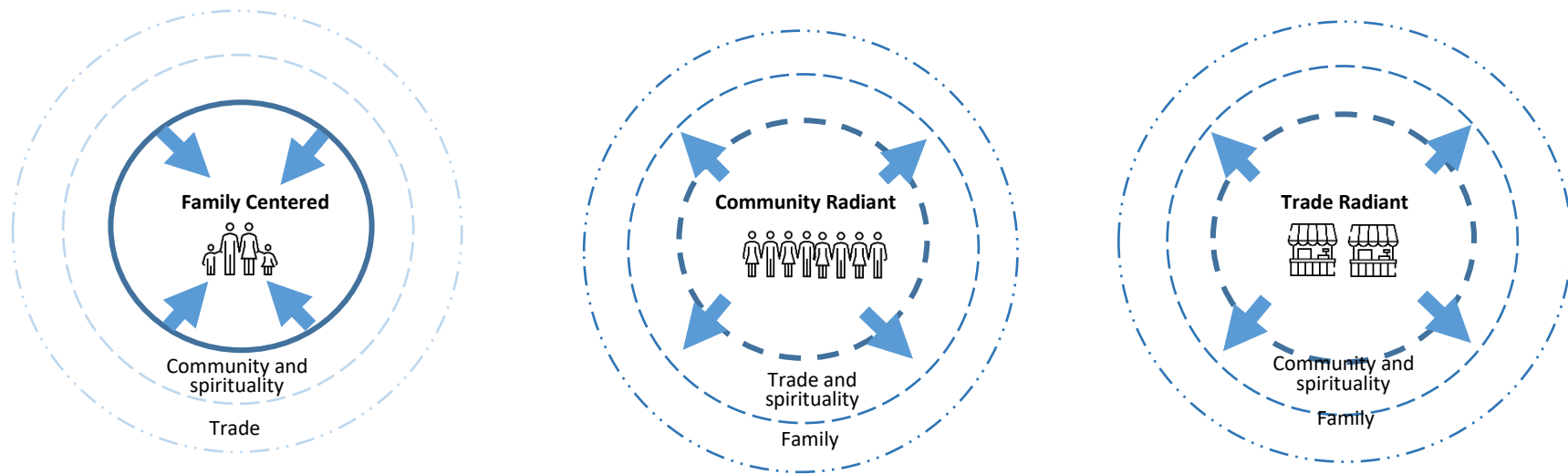
Unpacking Informal Institutional Complexity

To date, studies on institutions have stressed the relevance of unpacking informal institutional complexity embedded in fragile contexts (Bruton et al., 2010; Minbaeva et al., 2022; Su et al., 2017) and have called for alternative explanations to important research questions beyond the concept of “institutional voids” used in previous literature (e.g., Chakrabarty, 2009; Pinkham & Peng, 2017). From our empirical work in rural Mali it emerges that, when formal institutions are weakly enforced, informal institutions play a significant role and may be enacted through distinctive constellations – including *family-centered*, *community-radiant*, and *trade-radiant constellations*, which set the “rules of the game” and provide guiding frameworks for

both social and economic exchange. Such constellations consist of dominant, subordinate and ghost informal institutional elements (Figure 9). In case of family-centered constellations, informal family institutions are the central guiding framework, which we find to impose significant constraints on individuals willing to engage in new venture activities (Khavul et al., 2009). The influence of family institutions is so strong that they even infuse community and spirituality institutions, which in combination with the dominant family institutions further constrain the ability of individuals to create new ventures. In contrast, community-radiant and trade-radiant institutions are characterized by more dynamism, fluidity, and exchange between dominant and subordinate institutions (dashed inner line in Figure 9). Interestingly, we find that both, community and trade institutions, enable and support individuals who are engaging in new venture creation.

The three constellations reflect rather rigid informal institutional hierarchies, which are not homogeneous due to differences in political systems, historical developments, ethnic constitutions, and geographical position across the different Malian villages that we studied (Schulz, 2012). This has important implications for current conversations relating to institutional hierarchies (e.g., Bunderson, van der Vegt, Cantimur, & Rink, 2016; Magee & Galinsky, 2008; Slade Shantz, Kistruck, Pacheco, & Webb, 2020). While formal hierarchies imposed by formal authorities are well understood (Bunderson et al., 2016), an important contribution of our study relates to extending the conversation to informal hierarchies, which are embedded in cultural norms and practices of respect in a given community (Slade Shantz et al., 2020) and which may be captured through distinct constellations of informal institutions. This opens up important areas for future research, including, but not limited to, answering questions of how informal institutional elements, such as dominant, subordinate and ghost institutions, shape various societal and economic outcomes, including social inequalities (Amis et al., 2021; Bhatt et al., 2022; Bunderson et al., 2016), the degree of formalization of business decisions (Cavotta & Dalpiaz, 2022; Salvi et al., 2022), or organizational legitimacy (Abid et al., 2022; Fisher et al., 2017; Slade Shantz et al., 2020).

Figure 9. Constellations of Informal Institutions



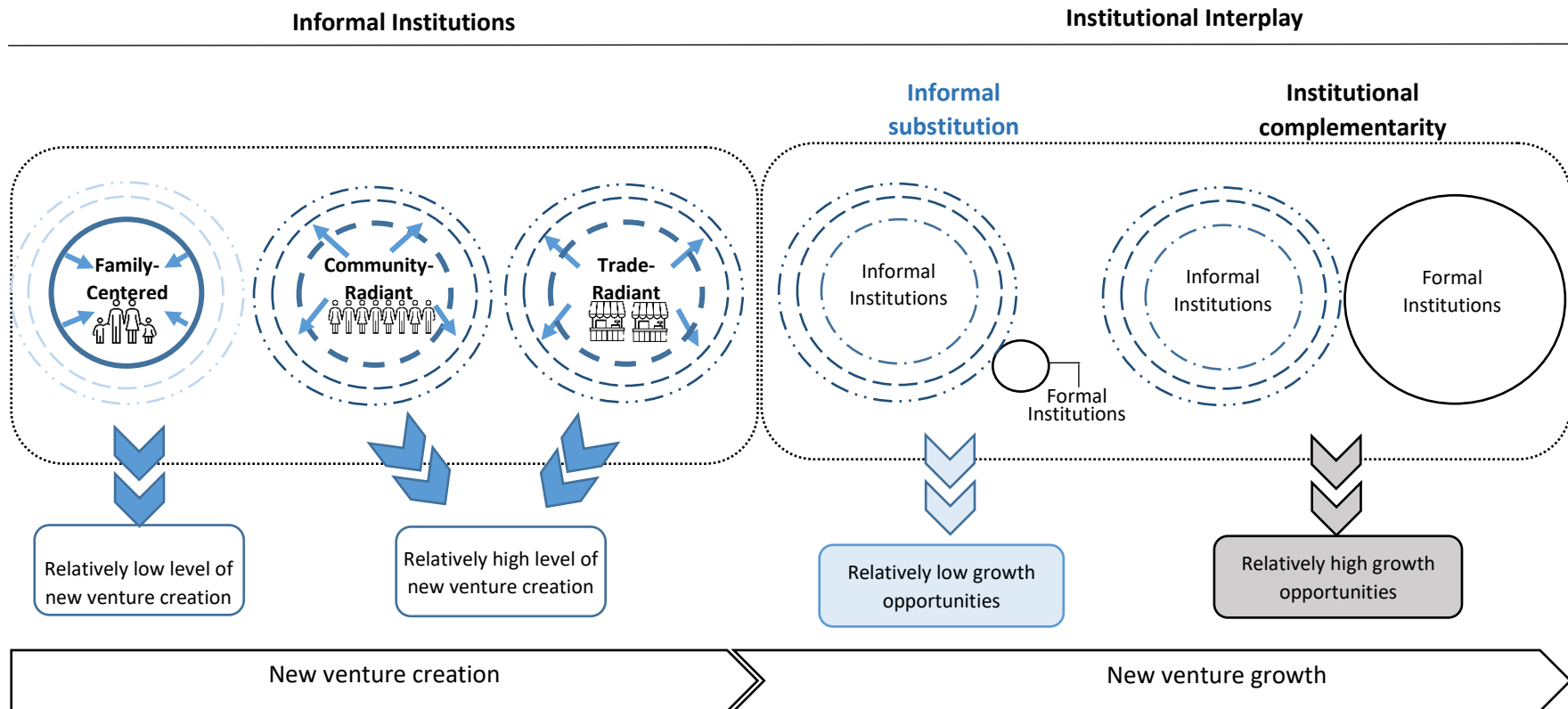
A Novel Theoretical Framework of Institutional Abundance

The second contribution of our study relates to reconceptualizing institutional voids into a new concept of *institutional abundance*. Our analysis shows that fragile contexts are not lacking institutions, but that they are in fact characterized by rich institutional environments, which we capture in our emerging theoretical framework (Figure 10). Our theorizing provides a systematization and analysis of informal institutional constellations as well as of the interplay between informal and formal institutions. We thus define institutional abundance as a contextualized institutional approach that acknowledges the relevance, legitimacy, and effectiveness of rich informal institutions, which act alongside, and in interaction, with formal institutions, thereby jointly guiding and shaping new venture activities in fragile contexts.

Beyond the binary understanding of informal and formal institutions as mutually exclusive, our framework of institutional abundance proposes a new approach to capture how formal and informal institutions co-shape new venture activities. In our study we were able to study different phases in the entrepreneurial process, which we broadly distinguished as new venture creation and new venture growth. In the new venture creation phase, informal institutions act as the main reference framework (Webb et al., 2009). Extending current knowledge about the role of family in new venture creation in developing countries (e.g., Khavul et al., 2009; Light & Dana, 2013; Shahriar, 2018), we propose that family-centered constellations result in high constraints imposed on entrepreneurial individuals, strictly limiting their possibilities to identify, develop, and exploit opportunities. In contrast, community-radiant and trade-radiant constellations are characterized by a more open nature and a dynamic interplay between dominant and subordinate institutions, which allow access to a broader array of resources (Bacq et al., 2022; Farny et al., 2019; Shulist et al., 2022), lead to higher levels of entrepreneurial opportunity identification (Webb et al., 2009), and foster new venture creation (Foy & Gruber, 2021).

In the new venture growth phase, the interplay between informal and formal institutions becomes of utmost importance, as differences in new venture growth opportunities are a direct result of their interactions. Supporting recent evidence by Minbaeva et al. (2022), our analysis reveals that informal and formal institutions are far from being mutually exclusive and tend to co-exist.

Figure 10. Framework of Institutional Abundance



Our context, rural Mali, is characterized by low to moderate enforcement of formal institutions, which influence how informal and formal institutions interact and shape new venture growth. From our empirical analysis, two forms of institutional interplay emerge: *informal substitution* and *institutional complementarity*. The former refers to situations where informal institutions replace the enforcement of formal institutions and was observed in three of our cases. *Informal substitution* leads to the creation of highly informal new ventures and relatively low levels of new venture growth, as informality limits the opportunities for new ventures to access formal development programs and access to credit, trainings and formal networks (Kistruck & Shulist, 2021; Mair et al., 2012; Sutter et al., 2017). It is important to highlight that the lack of enforcement of formal institutions does not present an institutional void in any of our cases, as formal institutions are indeed present in the form of written rules and regulations despite not being enforced in the villages. Thus, their informal counterparts become the main substitutive framework for new informal new ventures to grow (Bothello et al., 2019).

Conversely, *institutional complementarity*, refers to situations where both informal and formal institutions are enforced and tend to interact, extend each other, and function together in a coherent way. For example, highly enforced business tax payment regulations may complement satellite informal wealth redistribution systems, which present aligned objectives, i.e., the maintenance of wealth and social support structures in the society (Castro et al., 2014). Institutional complementarity thereby provides important growth opportunities for new ventures as these new ventures benefit from both legitimacy, i.e., social acceptance (Suchman, 1995), and legality, i.e., compliance with the law to a certain degree (Webb et al., 2009). In addition, institutional complementarity generates opportunities for new ventures to formalize along relevant formal dimensions (e.g., business registration and tax compliance) and to become semi-formal (Salvi et al., 2022). Semi-formal new venture types may reach a broader set of stakeholders (Darbi et al., 2018; Hommes et al., 2014), mobilize resources more efficiently (Castro et al., 2014; Knox et al., 2019), and grow more effectively (Williams et al., 2017).

While the two forms of institutional interplay emerging from our empirical investigation in rural Mali may likely hold true for other contexts characterized by weak formal institutional enforcement, they may not be representative in contexts where formal institutions are highly enforced and dominant. In such situations, other

types of institutional interplays may emerge depending on the intensity and modality of formal institutional enforcement (e.g., imposition versus inclusiveness) (Minbaeva et al., 2022), but also on the alignment of objectives between informal and formal institutions (Helmke & Levitsky, 2004). For example, when formal institutions are highly enforced but their objectives do not align with those of informal institutions, institutional competition may arise (Helmke & Levitsky, 2004). This is the case of colonial rules, which were imposed from the outside in Mali in the past (Schulz, 2012), leading to competition between informal and formal institutions, as well as forms of institutional resistance and rebellion. A further example of institutional competition relates to the case of the diffusion of criminal informal institutions followed by criminal organizations that oppose enforced governmental laws (Cannatelli et al., 2019; Cavotta & Dalpiaz, 2022; Sutter et al., 2013). Finally, when formal institutions are very highly enforced, informal institutions may evolve over time and may seek alignment, resulting in *de facto* formal dominance (Minbaeva et al., 2022; Salvi et al., 2022). Formal dominance is widespread in western and westernized capitalistic societies and is the outcome of lengthy formalization processes (Minbaeva et al., 2022). During such processes, informal institutions evolve over time, acquiring higher levels of legitimacy, and then convert to formal ones (Salvi et al., 2022). In case of formal dominance, we observe a prevalence of formal enterprises that are highly aligned with the law (Autio & Fu, 2015; Dau & Cuervo-Cazurra, 2014).

Main Research Limitations

In this section we report the three main research limitations of this study and the strategies employed to mitigate them. First, the choice of employing a qualitative case study design (Eisenhardt, 1989; Yin, 2017) fits the research aim of building new theory from new or under-investigated phenomena (Bansal, Smith, & Vaara, 2018). Nevertheless, one typical limitation of case-study designs is related to the limited number of cases (Eisenhardt, 1989), which may limit the generalizability of the results. To overcome this limitation, the five cases were selected through careful sampling strategies, including purposeful sampling in the first round and theoretical sampling in the second round of data collection (Charmaz, 2006; Coyne, 1997; Patton, 1990). These sampling strategies ensure that the selected cases are highly illustrative for the phenomenon under investigation (Patton, 1990), and allow replication in similar or different settings (Eisenhardt, 1989).

A second limitation relates to the multiple ways of interpreting qualitative data and the process of generating abstract theoretical constructs from qualitative empirical evidence (Eisenhardt, 2021). To enhance analytical rigor, a thorough coding process was established through coding reiterations, confrontations, and discussion of different interpretations of the same text (Campbell, Quincy, Osserman, & Pedersen, 2013; MacPhail et al., 2016). To enhance transparency, multiple tables were employed to analyze the data and to display the emerging patterns (Cloutier & Ravasi, 2021; Miles et al., 2019).

A third limitation relates to the linguistic and cultural barriers due to the research setting. We employed different strategies to minimize such barriers, such as becoming familiar with the setting and culture and following cross-language research practices to enhance rigor (Chiumento et al., 2018). To become familiar with the setting, we conducted expert interviews with different stakeholders, including microfinance institution representatives, social entrepreneurs active in the region, and chiefs of the villages. Furthermore, we delved deep into historical, political, and anthropological resources, such as books, articles and webpages. To overcome the language barrier, we followed the guidelines by Chiumento et al. (2018), which provide recommendations on how to enhance rigor in cross-language qualitative research. Given that most of the interviews were collected in Bambara, which is the most common language spoken in rural Mali, we triangulated the translations conducted in field by local and trained Malian interpreters, with second translations conducted by second translators starting from the audio-recordings, and with our field notes. This allowed us to compare translations, avoid misinterpretation, overcome translation discrepancies, and enhance reliability of the verbal data.

Implications for Management Literature

Considering that “the mechanics of context can be quite subtle, and small changes in context often matter greatly” (Johns, 2006, p. 398), the proposed framework of institutional abundance represents a new way of thinking that unveils how “small changes” in terms of distinct constellations of informal institutions and institutional interplays “matter greatly” for business activities in most fragile contexts. This framework has important implications for management literature, and in particular for conversations adopting legitimacy (Fisher et al., 2017; Rutherford & Buller, 2007;

Suchman, 1995), sensemaking (Weick, 1995b; Weick et al., 2005), and agency perspectives (Battilana et al., 2009; Bridwell-Mitchell, 2016).

First, this study unpacks the informal institutions that grant legitimacy (Suchman, 1995) to informal and semi-formal new ventures. Distinct constellations of family, community, spirituality and trade institutions determine unique frameworks of norms, values, and beliefs that new ventures have to follow to be considered socially acceptable in their respective contexts (Webb et al., 2009). While dominant family institutions in family-centered constellations may grant legitimacy only upon the fulfilment of heavy family obligations (Bertrand & Schoar, 2006), community-radiant and trade-radiant constellations may enact legitimacy through alternative mechanisms, and processes. New ventures may adapt to or modify each type of constellation through organizational mechanisms and achieve higher levels of legitimacy (Fisher et al., 2017; Oliver, 1991), e.g., producing institutionally expected outcomes to perpetrate social and economic inequalities (Bapuji et al., 2020), or creating institutionally disruptive outcomes to help overcome such inequalities (Amis et al., 2021). For managers, an awareness and sensitivity of these different informal institutions is highly relevant when aiming to do business in fragile contexts. Understanding the type of local constellations and regional institutional differences, may allow them to act as orchestrators (Kistruck & Shulist, 2021), effectively directing their efforts toward organizational solutions aiming to tackle complex, multidimensional, and intertwined societal challenges (Mair, Wolf, & Seelos, 2016).

Second, our study opens interesting research avenues for the investigation of how new ventures make sense of the surrounding informal institutions, of different forms of institutional interplays between informal and formal institutions over time (Weick et al., 2005), and with distinct outcomes in terms of decision-making, strategic choices, and organizational defiance (Oliver, 1991). For example, spiritual institutions may lead to future-oriented sensemaking (Ganzin et al., 2020), whereas family institutions may lead to the perpetuation of informality as a way of balancing work-family life (Thapa Karki et al., 2020). Community institutions may produce a sense of “commitment and trust towards coethnic members” (Slade Shantz et al., 2020, p. 176) and defiance toward legal prescriptions (Uzo & Mair, 2014). Finally, trade institutions may allow organizations to gather commercial information, to construct meaning from local exchange, and subsequently to employ the internalized meaning as reference for future organizational decisions (Weick et al., 2005). The process of sensemaking

implies managing conflicting logics and taking positions in case of distinctive ethical dilemmas which require different responses in each type of informal institutional constellation (Ness & Connelly, 2017). Seen in this light, our study opens new research avenues related to the process of sensemaking under distinctive constellations of informal institutions and institutional interplays across contexts.

Third, our findings raise interesting new research questions related to how businesses may actively change (Battilana et al., 2009) and affect the informal institutional constellations as well as the distinct institutional interplays in their settings, intentionally or unintentionally, e.g., through framing, aggregating, and bridging (Lee & Hung, 2014). We hope that our framework of institutional abundance may stimulate new relevant research that illuminates how business actors in fragile contexts may engage in different agentic processes, leveraging their communities (Bridwell-Mitchell, 2016) to co-create distinct societal and economic outcomes.

Implications for Entrepreneurship Literature

Our study provides important implications for entrepreneurship literature in general (Castro et al., 2014; Khavul et al., 2009) and for informal entrepreneurship literature in particular (Salvi et al., 2022; Webb et al., 2020). Despite the fact that fragile contexts are characterized by a prevalence of informal and semi-formal new ventures (Ault & Spicer, 2022; Autio & Fu, 2015), a comprehensive understanding of the institutional complexity leading to such types of new ventures has been missing to date (Salvi et al., 2022). Our framework of institutional abundance addresses this knowledge gap by unraveling how *informal substitution* leads to relatively highly informal new venture types and relatively low new venture growth. This is due to the high level of social acceptance of informal new ventures which are aligned with informal cultural frameworks (Kistruck et al., 2015; Webb et al., 2009) despite their high growth constraints (Slade Shantz et al., 2018). Conversely, situations of *institutional complementarity* result in the creation of semi-formal new ventures (Salvi et al., 2022; Williams et al., 2016) and enable relatively higher new venture growth (Williams et al., 2017). The framework of institutional abundance highlights that, far from “institutional voids,” different villages in the same country may display very different types of informal and formal institutions (Zoogah et al., 2015), emphasizing the importance of distinctive contextual nuances in shaping entrepreneurial phenomena (Welter, 2011; Welter & Baker, 2021; Welter, Baker, & Wirsching, 2019). We hope

that future studies aiming at exploring institutional abundance will adopt indigenous theorizing (Bruton et al., 2021) and mindful analysis to further explore how different types of institutional heterogeneity may distinctively shape new venture activities within the same country (Bothello et al., 2019), and how different types of institutional heterogeneity emerge and lead to distinctive evolutionary pathways of new venture activities from a process perspective (Griffin, 2007). Thus, in-depth qualitative case studies (Eisenhardt, 1989; Yin, 2017), archival research methods (Ventresca & Mohr, 2017), and ethnographic methods (Agar, 1986) may represent possible methods of investigation to conduct careful analysis of the different institutional nuances across apparently similar or geographically close regions. Such methods may be preferably compared to cross-country studies using homogeneous institutional indicators to assess the institutional dimensions of entire countries. Beyond studying institutions at the national level and treating a single country as a homogeneous institutional environment (e.g., Ault & Spicer, 2022; Deerfield & Elert, 2022; Thai & Turkina, 2014), the heterogeneity of institutional environments across provinces and regions in the same country should be carefully studied and could help answer important research questions in fragile contexts (Bothello et al., 2019).

Practical Implications

This study holds important implications for (aspiring) entrepreneurs in fragile contexts as it highlights the conditions under which new venture creation and growth are particularly flourishing. Furthermore, we believe that political decision makers can benefit from the insights gained in this research, as we are able to disentangle how prevalent informal institutions may overrule and substitute formal institutions. To increase the effectiveness and adoption rate of new policies, rules, and regulations, political decision makers need to align them with the most relevant family, community, spirituality and trade institutions, which is particularly challenging considering the heterogeneity of these institutions even within the same country.

Additionally, this research highlights that before any kind of co-operation, intervention or development program for new ventures in fragile contexts is designed, it is crucial to understand the local practices and traditions, how they impact creation and growth of different new venture types, including informal and semi-formal new venture types. This has important implications for the establishment of inclusive and efficient measures and programs.

CONCLUSION

Drawing on our empirical findings, we have proposed a new way of looking at fragile contexts as institutionally rich and heterogeneous, conceptualizing three distinct – *family-centered*, *community-radiant* and *trade-radiant* – constellations. Beyond this, we have built a new theoretical framework of *institutional abundance* to explain how informal and formal institutions co-shape new venture creation and growth across villages. Furthermore, this study provides actionable insights for individual (aspiring) entrepreneurs, policymakers, social ventures and non-governmental organizations shaping programs and interacting daily with new ventures in fragile contexts.

3.3 Essay III - It Is Not Just About the Law! A New Theoretical Framework of Informal Entrepreneurship Emergence

ABSTRACT

Given the transition toward increasingly formalized, market-driven, capitalistic economies, recent management and international business literatures have witnessed great theoretical advances relating the role of formal institutions shaping various forms of new ventures. New institutional frameworks account for a multiplicity of formal institutions, such as the role of governance quality, state fragility, intellectual property rights, and premarket reforms. Nevertheless, formal institutions do not act alone, and their interaction with informal institutions becomes critical to understand how informal new ventures emerge, especially in fragile countries. Through the analysis of 40 countries across 12 years, we build a new theoretical framework to explain how distinct institutional interactions between formal and informal institutions lead to informal entrepreneurship across countries. Based on these findings, we point to more culturally aware theory and policy approaches.

Key words: Informal entrepreneurship, formal institutions, informal institutions, fragility, culture

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INTRODUCTION

“Empirical research associated with the institution-based view has overly focused on formal institutions and paid inadequate attention to informal institutions.”

- Peng et al. (2022)

Since the industrial revolution, economic markets have transitioned toward an increasingly formalized, institutionally-driven, capitalistic structure (Jackson & Deeg, 2019; Klein, Holmes, Foss, Terjesen, & Pepe, 2022; Witt & Jackson, 2016). Given this transition, entrepreneurial activity has increasingly been shaped and governed by formal institutions. That is, the formal rules, written laws and regulations enforced by government authorities and legal bodies (North, 1990). Accordingly, a number of studies have examined how formal institutions influence the nuanced mechanisms and processes shaping entrepreneurial activity across countries. For instance, recent conversations across management, entrepreneurship, and international business domains have investigated the effects of quality of governance (e.g., Dau & Cuervo-Cazurra, 2014; Thai & Turkina, 2014; Omri, 2020), state fragility measures (e.g., Ault & Spicer, 2022), and intellectual property rights (e.g., Blake et al., 2015) on entrepreneurial activity. Taken together, research on formal institutions and entrepreneurship has produced numerous insights on the nature of entrepreneurship in increasingly institutionally-driven market economies. What is troubling, however, is that “formal institutions have attracted disproportionately more attention” than informal institutions in international business and management literatures (Peng et al., 2022). This is somewhat surprising, given that informal institutions are a pervasive feature of social and economic life globally. This oversight may be in part to the elusive nature of informal institutions, which are informal rules that are socially constructed, implicit, slow to change, and culturally transmitted (North, 1990). Indeed, a paradigm shift is needed (e.g., Peng et al, 2022) within the entrepreneurship literature to simultaneously prioritize formal and informal institutional elements in research. Only by incorporating both formal and informal institutional elements will scholars be able to produce a holistic understanding of the relationship between institutional environments (Glynn & D'Aunno, 2022; Seligson & McCants, 2021; Su et al., 2017; Williamson, 2000) and entrepreneurial activity. Building on these insights, we draw on new institutionalism to investigate how formal and informal institutions affect the

emergence of one particular kind of entrepreneurial activity, *informal entrepreneurship*.

Informal entrepreneurship represents startup or early-stage new venture economic activity that is “illegal yet legitimate” (Webb et al., 2009). Informal entrepreneurial activity is illegal in the sense that it's not registered with the government, does not pay taxes, and acts outside labor laws (Williams et al., 2016), and legitimate in the sense that it is transacting in the market “off the books.” While informal entrepreneurial activity certainly pre-dates what we understand today as formal entrepreneurial activity, in the academic world, we've overlooked the study of informal entrepreneurship in favor of formal entrepreneurship (i.e., entrepreneurial activity carried out by legally recognized and bureaucratically administered firms). Only recently is informal entrepreneurship research garnering the same attention that formal entrepreneurship research has enjoyed and establishing its own research agenda (Salvi, Belz, & Bacq, 2022). We join the conversation in this burgeoning research stream by examining how actors pursue their interests by making choices within institutional constraints. In other words, we examine how formal and informal institutional elements affect the prevalence of informal entrepreneurship cross-culturally.

Research finds a well-established link between the quality of formal institutions and informal entrepreneurship (e.g., Dau & Cuervo-Cazurra, 2014; Omri, 2020; Thai & Turkina, 2014). The most salient of findings are linked to state fragility, that is, formal institutional conditions where the state is not capable to implement and enforce basic rules and policies. Evidence confirms that informal entrepreneurship is prevalent in developing countries where formal institutions are weak (Thapa Karki et al., 2020) and state fragility is high (Ault & Spicer, 2022). Despite developed countries being characterized by strong states (i.e., low state fragility), informal entrepreneurship is also a common economic feature (Autio & Fu, 2015), as a widespread hidden enterprise culture legitimizes it (Williams et al., 2017; Williams & Nadin, 2012a). Given that informal entrepreneurship occurs in both developing and developed economies, we surmise that weak formal institutional enforcement is positively related to informal entrepreneurship. Governments have the ability to implement and enforce certain policies and programs across multiple formal institutions (Marshall and Cole 2017), as a result, governments influence the types of ventures that actors create via institutional constraints. Thus, we suggest that state fragility, understood as the cross-national variation in the government's capability to enforce a range of state functions

(Ault & Spicer, 2022), influences the prevalence of informal entrepreneurship across countries by shaping uncertainty in formal institutional enforcement within the institutional environment. As a result, we question: *How does state fragility affect the prevalence of informal entrepreneurship across countries?*

We also theorize that informal institutional elements may fill the voids left in highly fragile states and further explains the prevalence of informal entrepreneurship cross-culturally. Informal entrepreneurs do not follow the formal registration procedures with governments and avoid formal institutional rules (Webb et al., 2009), they instead are governed by informal institutional elements, especially cultural values (Cavotta & Dalpiaz, 2022). Accordingly, formal institutions interact with informal institutions, which represent the cultural values determining what “should be right” (Feige, 1990), i.e. what is “legitimate” —beyond “legal”— in a certain society (Webb et al., 2009). Thus, different informal institutions may strengthen or weaken the overall effect of the total state on the prevalence of informal entrepreneurship (Nason & Bothello, 2022), hereby explaining why countries with similar formal institutional environments, such as Nigeria and Kazakhstan or Australia and Sweden, exhibit different levels of informal entrepreneurship. Therefore, we also question: *How do cultural values shape the relationship between state fragility and the prevalence of informal entrepreneurship across countries?*

To answer these questions, we combine survey data for 40 countries across 12 years (2006-2017) obtained from the GEM’s Adult Population Survey (APS), the World Bank Group Enterprise Survey (WBGES), the Polity IV Project, the Global Leadership and Organizational Behavior Effectiveness (GLOBE) study, and World Bank Indicators (WDI). We employ a random-effects OLS panel estimator on the resulting dataset. The empirical results provide evidence for a positive relationship between overall state fragility and informal entrepreneurship. This implies that high state fragility as indicator of low formal institutional enforcement positively relates to the emergence of informal new ventures (Dau & Cuervo-Cazurra, 2014; Omri, 2020; Thai & Turkina, 2014). Due to the weak capabilities of the government to implement and enforce policies and programs in high fragile states (Marshall & Cole, 2016), individuals do not perceive any advance to formalize their ventures, leading to the emergence of informal entrepreneurship. Beyond this, our findings prove that state fragility interacts with underneath cultural values, such as power distance, performance orientation, institutional collectivism, future orientation, and uncertainty

avoidance, weakening or strengthening the relationship between state fragility and informal entrepreneurship. These findings provide evidence that the higher the state fragility, cultural aspects as informal institutions fill the void of the state.

Our study offers two theoretical contributions. First, our study reveals that to fully capture the institutional complexity (Webb et al., 2020) that explains informal entrepreneurship, we need to acknowledge the interactions and interdependencies between formal and informal institutional elements. Specifically, our study highlights that different levels of state fragility may produce different interactions with informal institutional elements, leading to distinct legitimizing mechanisms for informal entrepreneurship. Second, we argue for the need to reconceptualize “institutional void” to better describe formal institutional conditions (e.g., Bothello et al., 2019). Through our theorizing, we highlight that situations of complete “void” are very unlikely to occur in reality. Therefore, new conceptualizations, which are more mindful of the role of informal institutions in fragile settings are crucial to describe the richness and abundance of alternative institutional forces legitimizing new venture activities, beyond formal ones (Dieleman, Marleen, Markus, Stanislav et al., 2022; Nason & Bothello, 2022; Peng et al., 2022; Pinkham & Peng, 2017). This study entails also important practical implications for practitioners, including policymakers, who could draw on this study to better contextualize their formalization policies, making them more holistic and culturally aware.

THEORY AND HYPOTHESES

Informal Entrepreneurship and New Institutionalism

Informal entrepreneurship represents the most common form of entrepreneurial activity in developed countries, reaching 90 percent of total entrepreneurial activity in developing countries (Autio & Fu, 2015). Such activity operates outside formal institutional elements (Webb et al., 2009) (i.e. written laws and regulations) that govern human action (North, 1990). Informal new ventures are not registered with any governmental authorities (Nichter & Goldmark, 2009), do not comply with tax (Mickiewicz et al., 2019), nor labor (Benjamin & Nisim, 2015) rules. Nevertheless, they are instead governed by informal institutional elements, such as cultural values determining what “should be right” in a certain society (Feige, 1990).

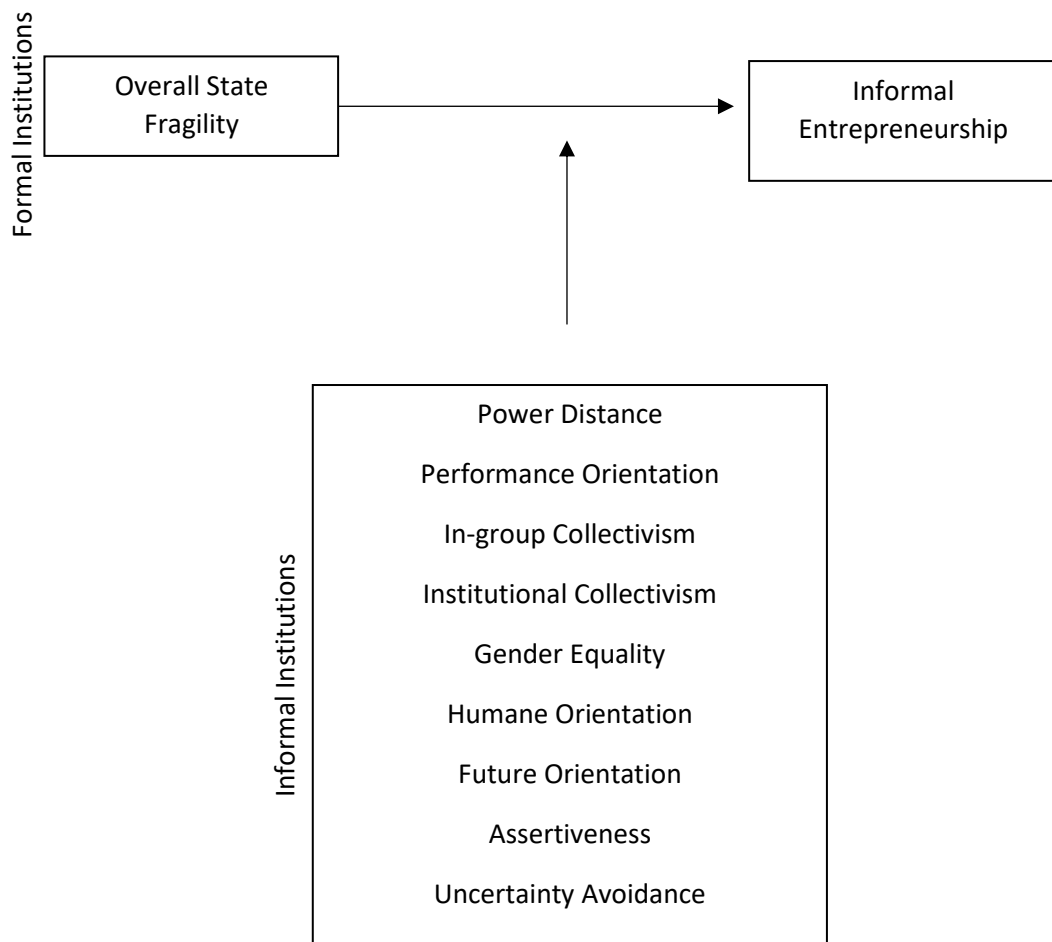
To shed light on the emergence of informal new ventures, we draw on new institutionalism, which defines institutions as the “rules of the game” governing societies, markets and human interaction as both formal and informal (North, 1990). Formal institutional elements consist of laws and regulations (Feige, 1990) and determine what is perceived as “legal” or aligned with the rule of law (Webb et al., 2009). Conversely, informal institutional elements (North, 1990) refer to “society’s norms, values, and beliefs and prescribe what is socially acceptable, or legitimate” (Webb et al., 2020, p.507). New institutionalism argues that states constrain the pursuit of interests among individual actors through formal and informal institutional elements and their enforcement mechanisms, such that the costs of acquiring and processing information are less debilitating, and the opportunities for malfeasance are reduced (Ingram & Clay, 2000).

If institutions are constraints, it is not sufficient for rules to exist; they must also be enforced. Variation in the enforcement of institutional rules across states create different incentive structures for actors to pursue their interests. For example, state fragility, which is associated to weak enforcement of formal institutions along social, political and security dimensions (Ault & Spicer, 2020; Marshall & Cole, 2016), produces high benefits for informal new venture emergence since it allows informal entrepreneurs to “bypass or avoid rules” (Dau & Cuervo-Cazurra, 2014, p. 672). Some studies highlight that informal entrepreneurship may be driven by “formal institutional voids” (Heilbrunn, 2019; Webb et al., 2020), i.e. the failure of “government’s political, economic, and legal/regulatory institutions... to provide the basic systems of governance, property rights protection, infrastructures, and/or rule of law” (Webb et al., 2020, p. 504). Nevertheless, the term “institutional voids” does not reflect the reality of most fragile countries, where formal institutions are present but formal institutional enforcement may be weak along distinctive dimensions (Ault & Spicer, 2020). Therefore, beyond the concept of “institutional voids”, we consider how the overall state fragility of distinctive countries influence the emergence of informal new ventures independently as well as in interaction with informal institutions.

New institutionalism argues that the interplay between formal and informal institutions influences economic activities (e.g., North, 1990). Drawing on this insight, we propose a new theoretical framework to explain the prevalence of informal entrepreneurship across countries (Figure 11). Our paper proceeds as follows; we first introduce a comprehensive multidimensional construct of state fragility to explain how weak

enforcement of formal institutions, in terms of social, economic, political and security fragility, leads to informal entrepreneurship. Second, we hypothesize the distinctive ways that cultural values (i.e., informal institutional elements) interact with state fragility to create different incentive structures for informal entrepreneurs. Third, we present our analysis and conclude with a discussion of the implications of work.

Figure 11. A New Theoretical Framework of Informal Entrepreneurship Emergence accounting for both Formal and Informal Institutions



Formal Institutions: A Comprehensive Multidimensional State Fragility Construct

We draw on recent work on state fragility in the fields of international development (Grävingholt, Ziaja, & Kreibaum, 2015; Marshall & Cole, 2016) and international business (Amorós, Ciravegna, Mandakovic, & Stenholm, 2017; Ault & Spicer, 2014; Ault & Spicer, 2022). Even though the state fragility literature helps overcome the notion of “institutional void” used in previous studies (e.g., Khanna & Palepu, 2010, Pinkham & Peng, 2017) and defined as contexts lacking “market-supporting and contract-enforcement institutions to efficiently facilitate exchange between firms”

(Pinkham & Peng, 2017, p.1), little work has used state fragility to investigate the emergence of informal entrepreneurship (Ault & Spicer, 2022).

This state fragility literature proposes an alternative perspective for cross-national research, highlighting that national governments are far from lacking formal institutions, and yet may present weak and fragmented institutional enforcement (Marshall & Cole, 2016). In particular, the government possesses distinctive capability to enforce rules and regulations across multiple dimensions, leading to various outcomes on new venture activities (Amorós et al., 2017; Ault & Spicer, 2014). These governmental capabilities shape distinctive configurations according to how weak (or strong) are various state functions in terms of effectiveness and legitimacy along the social, economic, political and security dimension (Ault & Spicer, 2020). Social fragility refers to reduced capability of state functions associated to basic human needs such as education and healthcare. Political fragility relates to the difficulty of the state to allow the establishment and maintenance of “an effective, independent, and responsive system of governance” (Ault & Spicer, 2020, p. 985) and is often associated to measures of rule of law, and control of corruption (Kaufmann, Kraay, & Mastruzzi, 2007). Finally, security fragility refers to the reduced state capability of avoiding violence, e.g. through policing, and border security.

In this study, we argue that the overall state fragility in a country influences the emergence of informal entrepreneurship, given the fact that social, economic, political and security fragility legitimize resource and customer acquisition outside formal institutional domains (Ault & Spicer, 2022), fostering the emergence of informal new ventures. Thus, when the overall state fragility increases, there will be a positive perception of informal entrepreneurial opportunities (Webb et al., 2009). Furthermore, sanctions related to non-compliant entrepreneurial activities are low (Castro et al., 2014). Thus, informal entrepreneurship tends to be high. Whereas, when overall state fragility decreases, also the costs associated to informal entrepreneurship, in terms of legality and sanctions, increase. Thus, informal entrepreneurship tends to be low. We thus hypothesize:

Hypothesis 1: There is a positive relationship between overall state fragility and informal entrepreneurship, such that when the overall government capability of enforcing of formal institutions decreases, the prevalence of informal entrepreneurship increases.

The Moderating Role of Cultural Aspects as Informal Institutions

Formal institutions do not act in a vacuum (Helmke & Levitsky, 2004), instead they interact with the underlying informal institutions, which help legitimate informal entrepreneurship (Salvi et al., 2022). Legitimacy is defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, values, beliefs, and definitions” (Suchman, 1995, p.574). In particular, cultural values determine the perception of what is legitimate—or what should be right—in a certain society (Stephan, 2020), beyond the national legal mandates. Cultural values are measures of culture as it “should be” (House, Hanges, Dorfman, Javidan & Gupta, 2004) and are particularly suited to study informal entrepreneurship, because informal new ventures emerge from the tension between what is legal and what is considered legitimate, i.e. what “should be right” in the society where the entrepreneur is embedded.¹³

In the following paragraphs, we examine the interplay between state fragility, taken as comprehensive multidimensional construct, and informal institutions, considering their effects on the emergence of informal new ventures. More specifically, we hypothesize that the relationship between state fragility and informal entrepreneurship is dependent on cultural values. To build our hypotheses, we draw on the GLOBE cultural values (Table 11): institutional collectivism, in-group collectivism, uncertainty avoidance, assertiveness, future orientation, performance orientation, power distance, humane orientation, and gender egalitarianism (House et al., 2004).¹⁴ A limited number of studies in entrepreneurship have applied the GLOBE dimensions to analyze informal entrepreneurial activity. One notable exception, Thai and Turkina (2014), finds that socially-supportive culture (a second-order factor that is characterized by a high positive loading of humane orientation and a high negative loading of assertiveness) has a strong impact on informal entrepreneurship, while

¹³ Such cultural values are recognized as more effective than cultural practices to explain the emergence of entrepreneurial activities Stephan (2020); Stephan and Pathak (2016). Instead, cultural practices are measures of culture “as is” House et al. (2004) and are employed to understand later stages of the entrepreneurial process Stephan (2020), such as growth aspirations Autio, Pathak, and Wennberg (2013). Based on this, in our work we draw on cultural values as “should-be”—instead of “as is”— as measures to capture what is important and desirable in the society beyond the prescriptions of formal laws and regulations, leading to the emergence of informal entrepreneurship.

¹⁴ Notwithstanding Hofstede’s (2001) cultural values; post-materialism vs. materialist values proposed by Inglehart (1997), and Schwartz’s values (2006), we decided to use GLOBE cultural values House et al. (2004) as recommended by previous studies (e.g., Stephan and Pathak (2016); Schmutzler, Andonova, and Diaz-Serrano (2019)) indicating them as highly reliable and best suited to study entrepreneurship.

performance-based culture (a second-order factor that is characterized by high positive loadings on future orientation, performance orientation, and uncertainty avoidance, and high negative loadings on in-group collectivism and power distance) has a strong impact on formal entrepreneurship. Stemming from the need to gain a more nuanced understanding of how cultural values help legitimate informal entrepreneurship as an informal institution, we examine the effect of each of the specific GLOBE dimensions of cultural values because of its theoretical foundations in management scholarship, and their practical relevance for new institutionalism.

Power Distance. Power distance captures whether people in a society expect power to be distributed equally among its members (House et al., 2004). Societies high in power distance view power as a mechanism to provide social order. High power distance societies are typified by social classes that differentiate groups and individuals and restrict upward social mobility. Additionally, resources are available to only a few, and information is localized and hoarded (House et al., 2004). Conversely, countries characterized by low power distance have a large middle class where upward social mobility is common, resources are available to almost all, and information is widely shared. In societies with low power distance, power is linked to corruption and coercion.

Most agree that power distance has a negative impact on formal entrepreneurship (e.g., Autio et al., 2013; Lee & Peterson, 2000; Shane, 1993) because the higher the inequality in the relationships between individuals, the less likely they are to be characterized as independent thinkers and are not stimulated to create businesses. Indeed, high power distance countries view an individual's attempt at becoming self-employed as an attempt to challenge the status quo. Moreover, the degree of power distance in a society can influence how power is concentrated, which may affect one's ability to challenge power structures through informal entrepreneurship. Therefore, informal entrepreneurship is less likely to be pursued by individuals if power distance is high because informal entrepreneurship is often portrayed as a challenge to power and hierarchy.

However, if state fragility is high (i.e., formal institutions are not strongly enforced), individuals may be more likely to challenge power structures (Shane, 1992) through informal entrepreneurship if power distance is low. Under these circumstances information and resources are widely shared, which facilitates social upward (Javidan,

House, Dorfman, Hanges, & Luque, 2006), informal entrepreneurship is incentivized because the access to resources is abundant among actors. This legitimizes informal entrepreneurship because of the enforcement of power structures and institutions is very costly. Thus, individuals will engage in informal entrepreneurship to a high extent, since through informal entrepreneurship it is possible to circumvent, or even defy (Uzo & Mair, 2014), weakly enforced laws and regulations. Conversely, when power distance is high and state fragility is high, informal entrepreneurship is less incentivized because law enforcement is not only costly, but the costs associated to power differences and status privileges, that is, corruption and coercion, also increase the costs associated with informal entrepreneurship (Damaraju, Barney, & Dess, 2021). We hypothesize:

Hypothesis 2: Power distance weakens the relationship between overall state fragility and informal entrepreneurship, meaning that when power distance increases, the relationship between overall state fragility and of informal entrepreneurship will be weaker.

Performance Orientation. Performance orientation captures the degree to which society encourages high achievement, innovation and rewards excellence (Steers, Sanchez-Runde, & Nardon, 2010). Societies high on performance orientation tend to display values prioritizing competitiveness and success (Hofstede, 1980). Moreover, individuals contextualized in this kind of society usually initiate proactive strategies to exploit opportunities that interrelate with the external environment. Therefore, it should be no surprise that there is a positive relationship between formal entrepreneurship and performance orientation (Autio et al., 2013; Zhao, Li, & Rauch, 2012). Accordingly, high performance orientation values should positively incentivize informal entrepreneurship because it reinforces taking action, and the belief that anybody can be successful if they try hard (Javidan, 2004).

In countries characterized by high-performance orientation and high state fragility, actors are incentivized to exploit opportunities found in the external environment. Thus informal entrepreneurship will be legitimated if the state is incapable to implement and enforce laws, policies, and programs. As a result, actors embedded in performance-oriented societies may pursue their interests via informal entrepreneurship when the law does not provide a clear framework to do so formally. Conversely, societies characterized by low-performance orientation and high state fragility will disincentivize informal entrepreneurship since the need to perform at the highest level is not a salient cultural value, and national governance is weak and costly to enforce (Thai & Turkina, 2014). Thus, the moderating effect of performance

orientation on the relationship between state fragility and informal entrepreneurship will be lower. We hypothesize:

Hypothesis 3: Performance orientation strengthens the relationship between overall state fragility and informal entrepreneurship, such that when performance orientation increases, the relationship between overall state fragility and informal entrepreneurship will be stronger.

In-Group Collectivism. The degree to which people express pride, loyalty, and cohesiveness in their families (or organizations) and how much they depend on their families and/or organizations reflects the cultural values of in-group collectivism (House & Javidan, 2004). Individuals in societies prioritizing in-group collectivism are characterized by giving high importance to relationships and emotional dependence of their in-group (Kitayama, Markus, Matsumoto, & Norasakkunkit, 1997). Generally, in-groups are exclusive groups of people with a shared interest or identity (e.g., families, friends, organizations).

In general, societies characterized by in-group collectivism tend to be less entrepreneurial (Hayton, George, & Zahra, 2002; Mitchell, Smith, Seawright, & Morse, 2000; Mornah & MacDermott, 2016) because venturing signals that the individual places his or her interests over that of the group. Indeed, research finds in-group collectivism is negatively associated with the likelihood of individual-level formal entrepreneurship (Pathak & Muralidharan, 2016).

However, the role of the family is fundamental to entrepreneurs in general, who experience a strong bond to their home (Brinkerink & Rondi, 2020). Such bonds to family and other close in-groups (e.g., friends) should provide a buffering effect on informal entrepreneurship (Khavul et al., 2009) because the cultural values of in-group collectivism incentivize resource mobilization that greatly aids informal entrepreneurship (Aldrich & Cliff, 2003) when there is no formal business support from government authorities and other formal entities (Chepurensko, 2018). Consequently, in-group collectivistic values may help confer legitimacy to informal entrepreneurs (Khavul et al., 2009). In countries with high fragility and high in-group collectivism, informal entrepreneurs perceive that they can rely on their close in-groups to set up informal entrepreneurship despite the weak formal institutional enforcement. On the other hand, when state fragility is high and in-group collectivism is low, individuals have lower access to resources and rely less on the support of family

and friends. Therefore, they are disincentivized to pursue their interests under weak formal institutional enforcement. We thus hypothesize:

Hypothesis 4: In-group collectivism strengthens the relationship between overall state fragility and informal entrepreneurship, such that when in-group collectivism increases, the relationship between overall state fragility and informal entrepreneurship will be stronger.

Institutional Collectivism. Values that promote loyalty and cohesion at the societal level through generalized trust towards peers are linked to institutional collectivism (House et al., 2004; Parboteeah, Addae, & Cullen, 2012). Countries that exhibit high levels of institutional collectivism encourage and reward the collective distribution of resources and collective action; whereas societies low on institutional collectivism practice individualistic, independent, and self-reliant behavior (Javidan et al., 2006). People in cultures marked by high levels of institutional collectivism practice placing the objectives of the collective ahead of their own individual goals. In highly institutionally collectivist societies, individuals are perceived as interdependent, interconnected and generally subjected to the same fate (Tiessen, 1997). Thus, they cooperate and support each other (Triandis, 1993). Whereas, in societies exhibiting low institutional collectivistic values, individuals show more individualistic, independent, and self-reliant behaviors (Javidan et al., 2006).

Research demonstrates that institutional collectivism is detrimental to entering in formal entrepreneurship (Autio et al., 2013; Wennberg, Pathak, & Autio, 2013). Research finds a negative relationship between institutional collectivism and formal entrepreneurship because, in collectivist societies, there are few opportunities for individuals to develop the skills and abilities necessary to create new companies. Hence, entrepreneurship is disincentivized because it is an activity of enterprising individuals who are rewarded individually.

However, institutional collectivism may provide a buffering effect on informal entrepreneurship if state fragility is high. Under these circumstances, the costs of skirting weakly enforced laws and regulations may be perceived as low, and loyalty and cohesion in the collective are positively valued (high institutional collectivism). Thus, individuals may rely on the collective to help secure resources to pursue their interests via informal entrepreneurship, despite the weak regulatory enforcement and institutional uncertainty (Castro et al., 2014). In other words, when institutional

collectivism and state fragility are high, informal entrepreneurs will feel supported by members of society, which helps provide legitimacy (Suchman, 1995) to informal entrepreneurship. Conversely, when institutional collectivism is low and state fragility is high, informal entrepreneurship will be disincentivized because people are individualistic in nature and will not have extended social support to deal with the costly nature of weakly entrenched and uncertainly enforced formal institutions. We thus hypothesize:

Hypothesis 5: Institutional collectivism strengthens the relationship between overall state fragility and informal entrepreneurship, meaning that when institutional collectivism increases, the relationship between overall state fragility and informal entrepreneurship will be stronger.

Gender Egalitarianism. Gender egalitarianism is “the degree to which a collective minimizes gender inequality” (House et al., 2004, p. 359). Hofstede (1983) argues that one of the most significant societal differences is the prescribed roles for men and women. Women in high gender egalitarianism societies generally adopt non-traditional gender roles, experience less occupational sex segregation, and have a more significant decision-making role in community affairs. Conversely, women in low gender egalitarian societies typically embrace the prescribed division of labor between women and men; thus, women hold fewer positions of authority, experience more occupational sex segregation, and have minimal decision-making roles in community affairs (House et al., 2004).

Scholars note that a society’s gender role system fuels the cultural belief that women and men have different roles (Marlow, Carter, & Butler, 2003); thus, women are expected to conform to gender stereotypical roles of caregivers, and men are expected to conform to gender stereotypical roles of breadwinners (Connell & Messerschmidt, 2005; Wood & Eagly, 2002). Research further highlights that career decisions are shaped by what society deems desirable and appropriate for one’s sex (role stereotypes) (Achtenhagen & Welter, 2003). For instance, findings indicate that women and men tend to have jobs that fit gender-stereotypical attributes (Eagly & Wood, 2012). Reinforcing this gendered view, entrepreneurship is characterized as a masculine phenomenon, and entrepreneurs are often described as aggressive, bold, calculative risk-takers (Ahl, 2004; Marlow, 2002). Thus, prior research links low gender egalitarianism with a gender gap in formal entrepreneurship (Cheraghi, Aadsbøll

Wickstrøm, & Klyver, 2019) and also finds high gender egalitarianism has a positive effect on formal entrepreneurship (Mornah & MacDermott, 2016). As a result, when gender egalitarianism is high, men and women may be equally incentivized to pursue their interests via informal entrepreneurship.

However, high gender egalitarianism may have an attenuating effect on informal entrepreneurship in the context of high state fragility. This occurs because when gender egalitarianism is high, society is less restrictive with regard to women's and men's attainment of particular statuses throughout life. Therefore, if state fragility is high, individuals will be disincentivized to engage in informal entrepreneurship in favor of traditional labor force activity for both sexes (Thébaud, 2015). Conversely, when gender egalitarianism is low and state fragility is high, the prevalence of informal entrepreneurship increases. This occurs because men, who are more likely than women to be entrepreneurs globally (Reynolds, 2022) will be incentivized to pursue their interests. Under the circumstance of the face of weakly entrenched institutions, while women in society support men in more traditional gender roles to reduce the higher costs associated with institutional uncertainty (McGowan, Redeker, Cooper, & Greenan, 2012). We thus hypothesize:

Hypothesis 6: Gender egalitarianism weakens the relationship between overall state fragility and informal entrepreneurship, such that when gender egalitarianism increases, the relationship between overall state fragility informal entrepreneurship will be weaker.

Humane Orientation. Humane orientation measures the degree that society values compassion towards others. Humane oriented values represent the extent to which individuals should be rewarded for being fair, altruistic, generous, caring, and kind to others (House et al., 2004). Societies high in humane orientation empower people to act and to take “ownership of process and outcome” (Church, Burke, & van Eynde, 1994).

In addition to fostering benevolence, humane orientation facilitates a climate of support, which can positively affect entry into informal entrepreneurship within society. When humane oriented values are high, individuals leverage reciprocal help, humility, and caring values to engage in informal entrepreneurship to circumvent weak regulative systems. When humane orientated values are widespread, individuals reward altruistic behaviors (Javidan et al., 2006), and informal entrepreneurship is

supported by society (Stephan & Uhlaner, 2010). Therefore, informal entrepreneurship in the context of high state fragility will be well received by the community, suppliers, and customers, in this way filling the voids of the state. Conversely, when humane orientation is low and state fragility high, low levels of altruistic and caring values, do not provide the necessary informal frameworks for individuals to support each other's in the pursuit of informal entrepreneurship (Thapa Karki et al., 2020). We hypothesize:

Hypothesis 7: Humane Orientation strengthens the relationship between overall state fragility and informal entrepreneurship, such that when humane orientation increases, the relationship between overall state fragility and informal entrepreneurship will be stronger.

Future Orientation. Future orientation is the "degree to which a collective encourages and rewards future-oriented behaviors such as planning and delaying gratification" (House et al., 2004, p. 282). A culture valuing future-orientation believes that the future can be controlled or influenced by present decisions, and therefore enact creative thinking and ideation. Societies characterized by high future orientation tend to save now for the future, work for long-term success, and believe material success and spiritual fulfillment are integrated (House et al., 2004). People within societies that exhibit high future orientation have a strong capability to imagine future contingencies, formulate future goal states, seek to achieve higher goals, and to develop strategies for meeting their future aspirations (Shane & Venkataraman, 2000). Conversely, societies that score low on future orientation are characterized by a disposition that prefers gratification as soon as possible. Therefore, people who practice low future orientation spend now rather than save for the future, and view material success and spiritual fulfillment as independent of each other (and often requiring trade-offs).

Although scholars have traditionally linked future orientation with entrepreneurship (Lévesque & Stephan, 2020), research results have been inconclusive. Some find a negative relationship between future orientation and entrepreneurship (Mornah & MacDermott, 2016), while others find no relationship (Autio et al., 2013; Wennberg et al., 2013), and still others find a positive relationship with growth-oriented entrepreneurship (Zhao et al., 2012). Given these considerations, we surmise a positive link between informal entrepreneurship and future orientation.

Accordingly, future orientation may provide a buffering effect on informal entrepreneurship when state fragility is high. When future orientation is high it

incentivizes actors to pursue their interests by goal-setting, planning, and making investments to take advantage of weakly enforced formal institutions. Thus, it becomes acceptable to skirt laws and regulations to design effective plans and invest in future informal new venture activities, leading to higher levels of informal entrepreneurship. Conversely, when future orientation is low and state fragility is high, there is an attenuating effect on informal entrepreneurship. Under these circumstances, individuals are disincentivized to goal-set, plan, and invest in opportunities to take advantage of weakly enforced formal institutions. We hypothesize:

Hypothesis 8: Future Orientation strengthens the relationship between overall state fragility and informal entrepreneurship, such that when future orientation increases, the relationship between overall state fragility and informal entrepreneurship will be stronger.

Assertiveness. Assertiveness captures the degree to which people are self-confident, decisive, and forceful in their relationships with others (House et al., 2004; Herrera, Duncan, Green, Ree, & Skaggs, 2011). Cultures that reflect high levels of assertiveness value being strong-willed, ambitious, and confident. Pursuing formal entrepreneurship may require the founder to be an assertive risk taker that can handle adversity. Indeed, research finds a positive relationship between high assertiveness and formal entrepreneurship (Castillo-Palacio, Batista-Canino, & Zúñiga Collazos, 2017; Ozgen, 2012). Thus, highly assertive societies may increase the likelihood of informal entrepreneurship by legitimating its practice.

Assertiveness values are exhibit in societies where individuals tend to be assertive, confrontational, and aggressive in their relationship with others (House et al., 2004). When assertiveness values are high, there will be higher confrontational behaviors toward the weaknesses of the law (Mickiewicz et al., 2019), defiance (Uzo & Mair, 2014) and the prevalence of informal entrepreneurship increases in the case of high state fragility. Whereas, when assertiveness values are low, there will be less confrontational and aggressive behaviors (Javidan et al., 2006). In countries characterized by low assertiveness values, individuals tend to accept the ineffectiveness in the formulation and implementation of the law more passively. Thus, they engage in IE to a lesser extent. We hypothesize:

Hypothesis 9: Assertiveness strengthens the relationship between overall state fragility and informal entrepreneurship, such that when assertiveness increases, the relationship between overall state fragility and informal entrepreneurship will be stronger.

Uncertainty Avoidance. Uncertainty avoidance is “the extent to which a society, organization, or group relies on social norms, rules, and procedures to alleviate the unpredictability of future events” (House et al., 2004, p. 30). Overall, uncertainty avoidance pertains to a society’s intolerance for ambiguity (Hofstede, 2001). Societies in which uncertainty and ambiguity are avoided will tend to rely on formal interactions with others, emphasizing formalized policies and procedures, among other actions to discourage such ambiguity. Further, in these societies, individuals are resistant to change, tend to embrace order and take moderate calculated risks (House et al., 2004). Conversely, low uncertainty avoidance societies are characterized by the use of informality in interactions with others; individuals are less orderly and keep fewer records, among other characteristic behaviors (Javidan et al., 2006).

In societies characterized by high uncertainty avoidance, individuals want structure, procedures, and rules to minimize ambiguity in their daily lives. Individuals in uncertainty avoidant cultures tend to establish elaborate procedures to control unpredictable events because they want to mitigate any adverse impacts from such events and make them interpretable and predictable (Javidan et al., 2006). Moreover, most countries with high uncertainty avoidance practices are technologically developed nations (Luque & Javidan, 2004). In contrast, countries low in uncertainty avoidance, tend to practice simple processes, decreasing the amount of formalization; they are also opportunistic and enjoy risk-taking (Javidan et al., 2006).

Thus, uncertainty avoidance reflects how members of a culture can cope with unstructured situations. Entrepreneurial activity is associated with uncertainty and risk, as individuals are pursuing novel opportunities (McMullen & Shepherd, 2006). In societies with strong uncertainty avoidant practices, the perception of opportunistic entrepreneurs pursuing risky, innovative ventures, tends to be devalued (Dickson & Weaver, 2008). Thus, practicing entrepreneurship is a step into the unknown, away from the orderliness and structure found in traditional employment (Autio et al., 2013). In countries characterized by high uncertainty avoidance, individuals believe that unpredictability and risks should be avoided, thus they value positively formal

structured interactions with others (Javidan et al., 2006). When the overall state fragility increases, the formal reference-framework becomes fuzzy due to the weak enforcement of laws and regulations. In this situation, uncertainty avoidance values incentivize individuals to avoid unpredictability and ambiguity through reliance on social norms, rules and procedures to minimize risks (Javidan et al., 2006). These social norms tend to favor informal entrepreneurship when formal institutions are weak. As a result, informal entrepreneurship increases. This happens because informal new ventures are supported by social norms and procedures (Webb et al., 2009) and because informal entrepreneurs face less risks than traditional entrepreneurs when formal institutional enforcement mechanisms are missing or excessively complex. On the other hand, when uncertainty avoidance is low, individuals will be less affected by the ambiguity and uncertainty of weak regulatory frameworks. We hypothesize:

Hypothesis 10: Uncertainty avoidance strengthens the relationship between overall state fragility and informal entrepreneurship, such that when uncertainty avoidance increases, the relationship between overall state fragility informal entrepreneurship will be stronger.

METHODS

We analyzed survey data for 40 countries across 12 years (2006-2017) obtained by merging data from the GEM's Adult Population Survey (APS), World Bank Group Enterprise Survey (WBGES), Polity IV, Global Leadership and Organizational Behavior Effectiveness (GLOBE), and World Bank Indicators (WDI). We obtained our data sample in three main steps. First, to capture our informal entrepreneurship (IE), we drew on an initial database including data from GEM APS Global National Level Data (Bosma et al., 2021) as well as World Bank Group Enterprise Survey (WBGES) data. The initial database included 114 countries across 16 years (from 2002 to 2017) for a total of 822 observations. Second, we merged our initial sample with a balanced panel data obtained from Polity IV to include the state fragility measures (Marshall & Cole, 2016). Then, we added cross-section data from the GLOBE Project (House & Javidan, 2004) containing culture related information across 58 countries to obtain our moderating cultural values variables.

Table 11. Overview of Countries, IE, State Fragility and Cultural Values

Country	IE	State Fragility	PD	PO	IGC	ISC	GE	HO	FO	ASS	UA
Nigeria	6.74	1.20	-0.02	1.14	-0.54	0.66	-0.74	2.45	1.40	-0.90	-0.01
Zambia	5.11	0.74	-0.89	1.05	0.32	0.06	-0.59	0.33	1.08	0.89	-1.55
Philippines	3.51	0.40	0.06	1.30	1.51	0.15	0.00	-0.31	1.13	2.06	-1.40
Colombia	3.02	0.21	-2.14	1.69	1.72	1.40	0.93	0.62	0.56	-0.58	0.52
Kazakhstan	1.28	-0.02	1.46	-1.79	-0.64	-1.42	0.38	0.66	-0.94	0.05	-0.58
Turkey	1.60	-0.12	-0.95	-1.84	0.30	1.15	-0.16	0.27	0.90	-1.78	0.37
Guatemala	2.75	-0.18	-1.15	0.71	1.40	1.10	-0.11	-0.71	1.09	-0.26	-0.65
Indonesia	3.73	-0.18	-0.05	-0.69	0.02	0.99	-1.49	-1.10	0.60	1.40	-0.30
Israel	0.82	-0.19	0.06	-0.62	0.26	-0.93	0.29	0.66	-0.48	-0.08	-0.20
South Africa	0.57	-0.20	1.42	-1.23	-0.63	-0.78	-0.32	-0.32	-0.04	-0.09	-0.66
Georgia	0.46	-0.41	0.44	-0.82	-0.01	-1.86	-1.84	0.59	0.24	0.84	0.84
Thailand	4.13	-0.45	0.51	-0.63	0.28	0.81	-0.92	-1.64	1.79	-0.51	-1.01
Morocco	1.70	-0.48	1.32	-0.57	0.05	0.62	-1.82	0.26	0.96	-0.58	-1.31
Malaysia	1.11	-0.54	0.88	0.36	0.54	0.33	-1.73	0.27	1.04	1.55	-0.26
Brazil	4.58	-0.57	-1.13	0.68	-1.50	1.91	0.89	0.88	0.56	-1.40	-0.71
Mexico	1.38	-0.64	0.47	0.77	0.82	0.43	0.33	-1.30	0.97	-0.03	1.40
Namibia	3.35	-0.64	0.52	1.60	1.18	-0.69	-0.70	-0.17	1.58	0.16	0.28
El Salvador	2.50	-0.79	-0.08	2.21	2.50	1.98	0.18	0.07	1.26	-0.30	-0.08
Qatar	0.81	-0.94	1.71	0.12	-0.19	0.87	-2.60	-0.56	1.11	-0.02	0.02
Australia	0.46	-1.10	0.25	-0.13	0.26	-0.66	0.97	0.52	-0.72	-0.01	2.72
Singapore	0.48	-1.10	1.08	-0.72	-0.49	-0.34	-0.15	1.31	0.14	0.92	0.05
Greece	0.96	-1.16	-1.00	-0.42	-0.61	1.45	0.68	-0.84	-0.61	-1.31	1.55
Costa Rica	1.24	-1.25	-0.41	-0.12	1.23	0.98	0.14	-1.74	-0.59	0.37	-0.03
Switzerland	0.64	-1.25	-0.86	-0.37	-2.11	-0.04	0.76	0.38	-1.57	-0.93	-0.58
France	0.21	-1.27	0.18	-0.96	-0.70	0.30	-0.38	0.84	-1.15	-0.66	0.16
Spain	0.70	-1.34	-1.44	-0.43	0.38	1.02	0.54	0.94	0.42	0.29	-1.22
Japan	0.45	-1.35	0.50	-2.59	-1.18	-1.52	-0.54	-0.14	-0.46	2.72	-0.90
Italy	0.32	-1.36	-0.74	0.46	0.17	0.87	0.66	0.54	1.10	0.02	2.06
Austria	0.86	-1.40	-0.84	0.59	-1.16	0.03	0.54	1.20	-0.79	-1.55	0.13
Canada	1.71	-1.40	-0.01	0.75	0.89	-1.14	1.16	0.75	-0.24	0.52	-0.36
Denmark	0.15	-1.40	0.19	-1.11	-0.49	-1.10	1.09	0.04	-2.65	-0.65	-0.02
Finland	0.56	-1.40	-1.66	0.62	-0.72	-1.26	-0.74	1.38	-0.90	-0.20	0.92
Germany	0.51	-1.40	-0.28	0.41	-1.36	0.08	0.69	0.03	-0.97	-1.01	-0.09
Hungary	0.61	-1.40	-0.70	0.10	-0.36	-0.44	0.11	0.13	0.59	-0.71	0.29
Ireland	0.53	-1.40	0.01	0.17	0.21	-0.26	1.24	0.10	-0.55	0.28	-0.31

Netherland	0.89	-1.40	-0.81	-1.51	-1.44	-0.34	0.89	-0.95	-0.91	-1.22	-0.93
Poland	1.17	-1.40	1.36	0.66	0.24	-1.04	-0.13	-0.56	-0.59	0.13	-0.51
Portugal	0.76	-1.40	-1.03	1.59	0.80	1.24	1.20	-0.50	-0.04	-0.36	-1.78
Sweden	0.17	-1.40	-0.01	-0.45	1.10	-1.62	1.24	0.78	-1.33	-0.31	-0.16
United Ki	0.10	-1.40	0.33	-0.12	-0.35	-0.84	1.30	-0.06	-0.92	-0.16	0.89
Average	1.25	-0.92	-0.28	-0.08	-0.06	0.10	0.22	0.10	-0.10	-0.23	-0.23

*IE= Informal Entrepreneurship, PD=power distance, PO=performance orientation, IGC= in-group collectivism, ISC=institutional collectivism, GE=gender egalitarianism, HO=humane orientation, FO=future orientation, ASS=assertiveness, UA=uncertainty avoidance

After the exclusion of the observations that were not non-matching with the master database, we obtained an unbalanced panel data sample including 49 countries across 12 years (from 2006 to 2017) and 385 observations. Third, we added our control variables using WDI data. This step led to a final unbalanced panel data sample comprising 40 countries during the period 2006-2017 and 271 observations. This sample reflects the typical sample size used in cross-country studies relating culture and entrepreneurship (e.g., Autio et al., 2013; Moore, Dau, & Mingo, 2021). Table 11 provides an overview of the countries included in the study ordered according to the level of overall state fragility and presenting information related to the level of informal entrepreneurship and cultural values. Table 12 presents an overview and description of the main variables included in our analysis.

Dependent Variable

The dependent variable “informal entrepreneurship” (IE) captures the total number of informal or unregistered new ventures created in a country in a year as a percentage of the working age population. This measure has been largely validated and employed in previous studies (Acs et al., 2008; Dau & Cuervo-Cazurra, 2014; Moore et al., 2021). Similarly to previous studies (Autio & Fu, 2015; Dau & Cuervo-Cazurra, 2014), the average level of IE in our sample (Table 11) tends to be higher in Latin American, African and Asia Pacific countries, compared to OECD countries. This reflects the perception of IE as a by-product of less developed economies, characterized by weak formal institutions, institutional failures and imperfections (La Porta & Shleifer, 2008).

Table 12. Overview of Variables and Description

Variable	Description	Source
<i><u>Dependent Variable</u></i>		
IE	Number of total new informal (unregistered) businesses as a percentage of the country's working age population	Dau and Cuervo-Cazurra (2014)
<i><u>Independent Variable</u></i>		
State fragility	Multidimensional state fragility index including social, political and security fragility	Ault and Spicer (2020)
<i><u>Moderating variables</u></i>		
Power distance	Extent to which the community accepts and endorses authority, power differences, and status privileges	GLOBE
Performance orientation	Extent to which a collective should encourage and reward group members for performance improvement and excellence	GLOBE
In-group collectivism	Extent to which individuals should express pride, loyalty, and cohesiveness in their organizations or families	GLOBE
Institutional collectivism	Extent to which organizations and societies should encourage and reward collective distribution of resources and collective action	GLOBE
Gender egalitarianism	Extent to which a collective should minimize gender inequalities	GLOBE
Humane orientation	Extent to which a collective should encourage and reward individuals for being fair, altruistic, generous, caring, and kind to others	GLOBE
Future orientation	Extent to which individuals should engage in future-oriented behaviors such as planning, investing in the future, and delaying gratification	GLOBE
Assertiveness	Extent to which individuals in a society, organization, or group should assertive, confrontational, and aggressive in their relationship with others	GLOBE
Uncertainty avoidance	Extent to which a society, organization, or group should rely on social norms, rules, and procedures to alleviate the unpredictability of future events	GLOBE
<i><u>Control Variables</u></i>		
Formal Entrepreneurship	Newly-registered firms index measured as yearly number of new Limited Liability Companies (LLCs) per adult population	WBGES
Population	Estimate of the national population (in millions)	WDI
Unemployment	Estimate of total unemployment as % of the national labor force	WDI
GDP growth	Annual percentage growth rate of GDP at market prices based on constant local currency	WDI
Time to register a property	Number of days required to register a property	WDI
Trade in services	Value added of trade in services as % of GDP	WDI
Industry	Value added of industry as % of GDP	WDI

Independent Variable

We adopted the aggregated measure of *overall state fragility* proposed by Ault and Spicer (2020). The overall state fragility measure derived comprises three dimensions, including social, political, and security fragility. This measure represent an effective and validated tool for capturing the state fragility as aggregated national indicator across domains in comparative international studies.

Moderating Variables

Our moderating variables were obtained from GLOBE cultural value measures of *power distance*, *performance orientation*, *in-group collectivism*, *institutional collectivism*, *gender equality*, *humane orientation*, *future orientation*, *assertiveness*, and *uncertainty avoidance*. Each cultural value measure adopted in this study derives from four questions, with responses provided on a Likert scale ranging from 1 to 7. Table 11 shows the cultural values of each country in our sample and Table 12 provides descriptions of each cultural value measure.

Control Variables

When controlling for external factors influencing informal entrepreneurship, we employed national *unemployment* rate, since unemployment is a driver for IE (Omri, 2020). We considered *GDP growth* as a measure of economic growth, which influences the take-up rate of entrepreneurship (Fredström et al., 2021). We controlled for national *population* estimated in millions, as proxy of the size and evolution paths of national markets, in which IE is embedded. We controlled for the *time required to register a property* estimated in days, as this measure is associated with the ease of starting an informal new venture (Galiani et al., 2017). *Trade in services* and *industry* sectors were also included in our models. We controlled for formal entrepreneurship, which is negatively associated with IE (Omri, 2020). Additionally, we controlled for the year, which entails unobserved, historical economic behavior relating to specific events occurring during specific periods, such as economic crises.

Analytical Approach

Given that the moderating cultural variables employed in our study do not change over time, we employed random-effects OLS estimator on our panel data following the

recommendations by Bell et al. (2019). We also corrected for heteroscedasticity (Huber, 1967; White, 1980). In Table 14, we present 12 empirical Models as results of our random-effects panel OLS regressions. Model 1 includes the control variables, and Model 2 adds the independent variable, i.e. overall state fragility. Models 3 through 11 integrate the interaction between state fragility and the cultural value variables. We report our results below.

RESULTS

In Table 13, we present the descriptive statistics and bivariate relationships between the variables employed in the analysis. The approximate average annual rate of informal entrepreneurship across countries in our sample is 1.48 percent, which means that, if we take 100 people representing the adult population in our sample, we can observe approximately 1.48 individuals establishing an informal new venture per year. Whereas, the approximate average annual rate of formal entrepreneurship (FE) across countries in our sample is only 0.32 percent. The correlation matrix (Table 13) indicates that some country-level variables are strongly correlated with the cultural values. To avoid multi-collinearity issues, we standardized our independent, moderating and control variables to mean zero and unit standard deviation. In Table 14, we present collinearity diagnostics as well as our main results. The diagnostics show a mean variance inflation factor (VIF) of 1.80, with a high of 2.68 and a low of 1.17. The VIF is consistently lower than the threshold value of 5, meaning that our standardized variables do not suffer from severe multi-collinearity (Graham, 2003). In addition, we tested our moderating effects using a step-wise approach, which consisted in testing the moderating effect independently in distinctive models. The results of Model 1 (Table 14) show that formal entrepreneurship is negatively related with informal ($\beta=-0.408$, $p<0.01$), whereas population rate is positively related with informal entrepreneurship ($\beta=1.062$, $p<0.1$). Model 2 results show that there is a significant and positive linear relationship between overall state fragility and informal entrepreneurship ($\beta=1.777$, $p<0.01$). Therefore, H1 is supported. Model 3 and 4 show that power distance has a statistically significant and negative moderating effect ($\beta=-0.311$, $p<0.05$) while performance orientation has a statistically significant and positive moderating effect ($\beta=0.361$, $p<0.01$) on the relationship between overall state fragility and informal entrepreneurship.

Table 13. Descriptive Statistics and Correlation Matrix

	Mean	S.D.	Min	Max	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.	16.	17.
1. IE	1.48	1.54	0.02	9.19	1																
2.FE	0.32	0.32	0.00	1.81	-0.37*	1															
3. Unemployment	8.67	5.74	0.14	28.01	-0.21*	0.02	1														
4. GDP growth	1.75	3.33	-15.15	23.99	0.13*	-0.03	-0.14*	1													
5. Population	58100000	166000000	104000	1340000000	0.07	-0.21*	-0.18*	0.16*	1												
6. Time to register a property	34.66	35.75	1.00	398.00	0.06	-0.19*	0.04	0.05	0.07	1											
7. Trade in services	20.60	17.16	3.94	123.53	-0.24*	0.31*	-0.02	0.04	-0.18*	0.02	1										
8. Industry	26.73	7.83	9.48	69.76	0.11*	-0.12*	-0.35*	0.12*	0.06	-0.16*	-0.13*	1									
9. State fragility	4.03	4.38	0.00	20.00	0.66*	-0.38*	-0.11*	0.18*	0.30*	0.14*	-0.35*	0.25*	1								
10. PD	2.62	0.28	2.04	3.23	-0.16*	0.17*	-0.18*	0.1	0.02	0.20*	0.17*	0.38*	0.04	1							
11. PO	5.91	0.30	5.17	6.58	0.32*	-0.15*	-0.02	0.07	0.06	0.09	-0.10	0.11*	0.18*	-0.34*	1						
12. IGC	5.63	0.33	4.94	6.52	0.24*	-0.10	0.02	0.16*	-0.19*	-0.03	-0.10	0.22*	0.30*	-0.04	0.47*	1					
13. ISC	4.77	0.47	3.83	5.65	0.46*	-0.38*	0.12*	-0.01	0.07	-0.11	-0.21*	0.01	0.29*	-0.45*	0.40*	0.23*	1				
14. GE	4.67	0.39	3.38	5.17	-0.21*	0.24*	0.18*	-0.14*	-0.11	-0.15*	0.14*	-0.58*	-0.34*	-0.42*	0.15*	-0.03	0.03	1			
15. HO	5.47	0.21	4.99	6.09	-0.11	0.21*	0.1	-0.05	-0.16*	0.1	0.04	-0.19*	-0.03	-0.24*	0.13*	-0.10	-0.16*	0.10	1		
16. FO	5.43	0.41	4.33	6.20	0.56*	-0.41*	-0.04	0.19*	0.15*	-0.06	-0.26*	0.43*	0.54*	-0.01	0.35*	0.48*	0.55*	-0.45*	-0.16*	1	
17. UA	4.48	0.62	3.16	5.61	0.55*	-0.42*	0.14*	0.13*	0.17*	0.09	-0.33*	0.31*	0.59*	0.12*	0.25*	0.47*	0.54*	-0.45*	-0.25*	0.78*	1

40 countries, N =271, *p<0.05

Table 14. OLS Panel Regressions

	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)	Model (6)	Model (7)	Model (8)	Model (9)	Model (10)	Model (11)
FE	0.408*** (0.109)	-0.251** (0.101)	0.416*** (0.126)	0.394*** (0.111)	0.437*** (0.122)	0.385*** (0.122)	0.478*** (0.119)	0.444*** (0.129)	0.381*** (0.119)	0.445*** (0.132)	0.423*** (0.132)
Unemployment	-0.118 (0.085)	-0.158** (0.066)	-0.107 (0.068)	-0.072 (0.059)	-0.106 (0.071)	-0.098 (0.075)	-0.098 (0.070)	-0.096 (0.067)	-0.052 (0.064)	-0.102 (0.073)	-0.098 (0.070)
GDP Growth	0.007 (0.032)	0.002 (0.033)	-0.035 (0.049)	-0.028 (0.048)	-0.030 (0.048)	-0.022 (0.048)	-0.036 (0.050)	-0.028 (0.049)	-0.028 (0.044)	-0.028 (0.050)	-0.027 (0.048)
Population	1.062* (0.631)	0.625 (0.413)	0.753 (0.466)	0.909** (0.405)	0.860 (0.538)	0.361 (0.433)	0.657 (0.571)	0.738 (0.528)	0.575 (0.513)	0.850* (0.493)	0.341 (0.624)
Time to register a property	0.060 (0.071)	-0.036 (0.051)	-0.018 (0.106)	-0.076 (0.090)	-0.032 (0.105)	-0.007 (0.087)	-0.024 (0.103)	-0.046 (0.106)	-0.023 (0.076)	-0.037 (0.107)	-0.038 (0.084)
Trade in services	0.089 (0.193)	0.104 (0.146)	0.112 (0.124)	0.138 (0.116)	0.132 (0.118)	0.062 (0.114)	0.063 (0.136)	0.111 (0.124)	0.050 (0.099)	0.121 (0.123)	0.042 (0.114)
Industry	-0.264 (0.172)	-0.345** (0.156)	0.057 (0.120)	0.009 (0.103)	-0.012 (0.113)	-0.010 (0.104)	0.081 (0.132)	0.014 (0.095)	-0.022 (0.111)	0.027 (0.108)	0.000 (0.106)
Year control	Included	Included	Included	Included	Included	Included	Included	Included	Included	Included	Included
State fragility (H1)		1.777*** (0.248)	1.323*** (0.257)	1.238*** (0.161)	1.383*** (0.319)	1.298*** (0.224)	1.477*** (0.248)	1.345*** (0.263)	0.763*** (0.213)	1.456*** (0.258)	0.862** (0.376)
PD			-0.486** (0.212)								
State fragility x PD (H2)			-0.311** (0.150)								
PO				0.675*** (0.137)							
State fragility x PO (H3)				0.361*** (0.125)							
IGC					0.135 (0.277)						
State fragility x IGC (H4)					0.001						

Essay III

					(0.225)						
ISC					0.740***						
					(0.225)						
State fragility											
x ISC (H5)					0.551***						
					(0.183)						
GE					-0.124						
					(0.332)						
State fragility											
x GE (H6)					-0.353						
					(0.330)						
HO								0.103			
								(0.206)			
State fragility											
x HO (H7)								0.209			
								(0.136)			
FO									1.177***		
									(0.228)		
State fragility											
x FO (H8)									0.838***		
									(0.167)		
ASS										-0.076	
										(0.236)	
State fragility											
x ASS (H9)										0.148	
										(0.182)	
UA											1.077***
											(0.388)
State fragility											
x UA (10)											0.785***
											(0.269)
Constant	2.023***	3.180***	2.531***	2.494***	2.621***	2.415***	2.543***	2.579***	1.765***	2.637***	1.832***
	(0.336)	(0.351)	(0.348)	(0.219)	(0.419)	(0.329)	(0.377)	(0.358)	(0.338)	(0.352)	(0.518)
VIF	1.17	1.42	1.72	1.58	1.85	1.82	1.98	1.74	2.21	1.64	2.68
Number of observations	271	271	271	271	271	271	271	271	271	271	271
Number of groups (countries)	40	40	40	40	40	40	40	40	40	40	40

Variance of random intercept, σ_u	1.41	0.93	0.67	0.62	0.72	0.67	0.72	0.71	0.61	0.72	0.58
Variance of overall residual, σ_e	0.55	0.54	0.50	0.49	0.50	0.50	0.50	0.50	0.50	0.50	0.50
% of variance, ρ	0.87	0.75	0.64	0.61	0.68	0.65	0.68	0.67	0.60	0.67	0.57
Within R2	0.04	0.10	0.08	0.08	0.07	0.08	0.07	0.07	0.08	0.07	0.08
Between R2	0.28	0.69	0.74	0.82	0.72	0.76	0.75	0.73	0.82	0.73	0.76
Overall R2	0.17	0.52	0.59	0.63	0.58	0.62	0.58	0.58	0.66	0.58	0.65
<i>Wald Test:</i>											
Wald χ^2	66.38	170.08	186.39	500.94	399.11	244.61	313.19	314.55	716.84	303.73	762.11
Degrees of freedom	18	19	21	21	21	21	21	21	21	21	21
Prob > χ^2	***	***	***	***	***	***	***	***	***	***	***

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Thus, H2 and H3 are supported. Whereas, the moderating effect of in-group collectivism ($\beta=0.001$, $p=0.997$) presented in Model 5 is not significant. Thus, H4 is not supported. Models 6 displays the statistically significant and positive moderating effect of institutional collectivism ($\beta=0.551$, $p<0.01$), which supports H5. Instead, Models 7 and 8 display the not significant moderating effects of gender egalitarianism ($\beta=-0.353$, $p=0.286$) and humane orientation ($\beta=0.209$, $p=0.124$). Despite showing the hypothesized sign, these coefficient do not provide support for H6 and H7. Finally, Models 9, 10, and 11 show that, albeit all presenting the hypothesized sign, the moderating effects of future orientation ($\beta=0.838$, $p<0.01$) and uncertainty avoidance ($\beta=0.785$, $p<0.01$) are statistically significant, while the moderating effect of assertiveness ($\beta=0.148$, $p=0.417$) is not. Thus, H8, and H10 are supported, while H9 is not supported.

Robustness Analysis

In our robustness analysis, we first confirmed than the positive relationship between state fragility and informal entrepreneurship remains stable when the fixed effects OLS estimator is used. Then, we ran our models using the measure of informal entrepreneurship as proposed by Laing et al. (2021) as alternative dependent variable. We further tested our results disentangling the state fragility index in its sub-components, including social fragility, political fragility and security fragility (Ault &

Spicer, 2020). Finally, we tested the moderating effects of cultural practices—as compared to cultural values—on the relationship between the overall state fragility and informal entrepreneurship. We report the results of our robustness analysis below¹⁵.

Fixed Effect OLS Estimator. First, we ran Model 1 and Model 2 with a fixed effects OLS estimator to confirm the stability of our results. When the fixed effects OLS estimator is employed in Model 2, the relationship between state fragility and informal entrepreneurship remains positive and statistically significant ($\beta=1.356$, $p<0.05$).

Alternative Dependent Variable. Second, to check the robustness of our results we operationalized informal entrepreneurship using the alternative measure proposed by Laing et al. (2021). For simplicity, we will refer to this operationalization as IE1. The empirical results obtained using IE and IE1 as dependent variables led to comparable results. Our robustness analysis confirm the positive and significant effect of overall state fragility on IE1 ($\beta=5.386$, $p<0.01$). We also observe a negative and statistically significant moderating effect of power distance on the relationship between overall state fragility and IE1 ($\beta=-0.943$, $p<0.01$). Additionally, the positive and statistically significant moderating effects of performance orientation ($\beta=1.094$, $p<0.01$), institutional collectivism ($\beta=1.670$, $p<0.01$), future orientation ($\beta=2.540$, $p<0.01$), and uncertainty avoidance ($\beta=2.380$, $p<0.01$) are confirmed. Finally, the moderating effects of in-group collectivism ($\beta=0.003$, $p=0.997$), gender equality ($\beta=-1.068$, $p=0.286$), humane orientation ($\beta=0.634$, $p=0.124$), and assertiveness ($\beta=0.047$, $p=0.417$) are not significant.

When we compare the results obtained using IE and IE1 as dependent variables, the positive relationship between overall state fragility and informal entrepreneurship and moderating roles of the distinctive informal institutions are stable. Nevertheless, there are consistent differences in the coefficient values in the regression models. These differences are explained by the values of IE1 (mean=4.63; std. dev.=3.50; CI=0.96; 2.66), which are consistently higher than the values of IE (mean=1.48; std. dev.=1.54; CI=0.02; 9.19) due to the different operationalization of IE1 compared to IE.

¹⁵ The complete models presented in the robustness analysis are also available upon request.

Disentangling Overall State Fragility. Third, we split the overall state fragility into the following three sub-measures: security fragility, social fragility and political fragility. Security fragility consists in the weakness of the state to constrain violence and coercion; social fragility relates to the extent to which the state lacks to provide social security structures and welfare services political fragility represents the weakness of the state to enforce the law (Ault & Spicer, 2020). Thus, we ran random-effects panel OLS regressions using each of the four state fragility sub-measures. The empirical results provide evidence for positive and statistically significant relationships between security fragility ($\beta=2.604$, $p<0.01$), social fragility ($\beta=1.508$, $p<0.01$) and informal entrepreneurship, respectively. Whereas, the relationship between political fragility and informal entrepreneurship is not statistically significant ($\beta=0.204$, $p=0.329$). Evidence of the moderating roles of distinctive cultural values on the relationships between social fragility, security fragility and informal entrepreneurship is also provided in the robustness analysis and available upon request.

Testing the moderating effects of cultural practices. We expanded our analysis testing the moderating effects of cultural practice variables on the relationship between overall state fragility and informal entrepreneurship. The empirical results show a positive and statistically significant moderating effect of power distance cultural practices on the relationship between overall state fragility and informal entrepreneurship ($\beta=0.629$, $p<0.01$). Whereas, all other cultural practices present no significant moderating effects. Thus, the robustness analysis supports the higher relevance of cultural values over cultural practices in the relationship between state fragility and informal entrepreneurship.

DISCUSSION

In our study, we use a single, comprehensive multidimensional national fragility construct (Ault & Spicer, 2020) to capture the overall national weakness in terms of formal institutional enforcement and its role on informal entrepreneurship. Our empirical analysis reveals that when such multidimensional measure of state fragility is employed, high state fragility is positively related to the emergence of informal entrepreneurship across countries. More specifically, high levels informal new ventures are typical of countries characterized by weakly enforced laws and regulations, due to weak state functions (Dau & Cuervo-Cazurra, 2014; Nwabuzor,

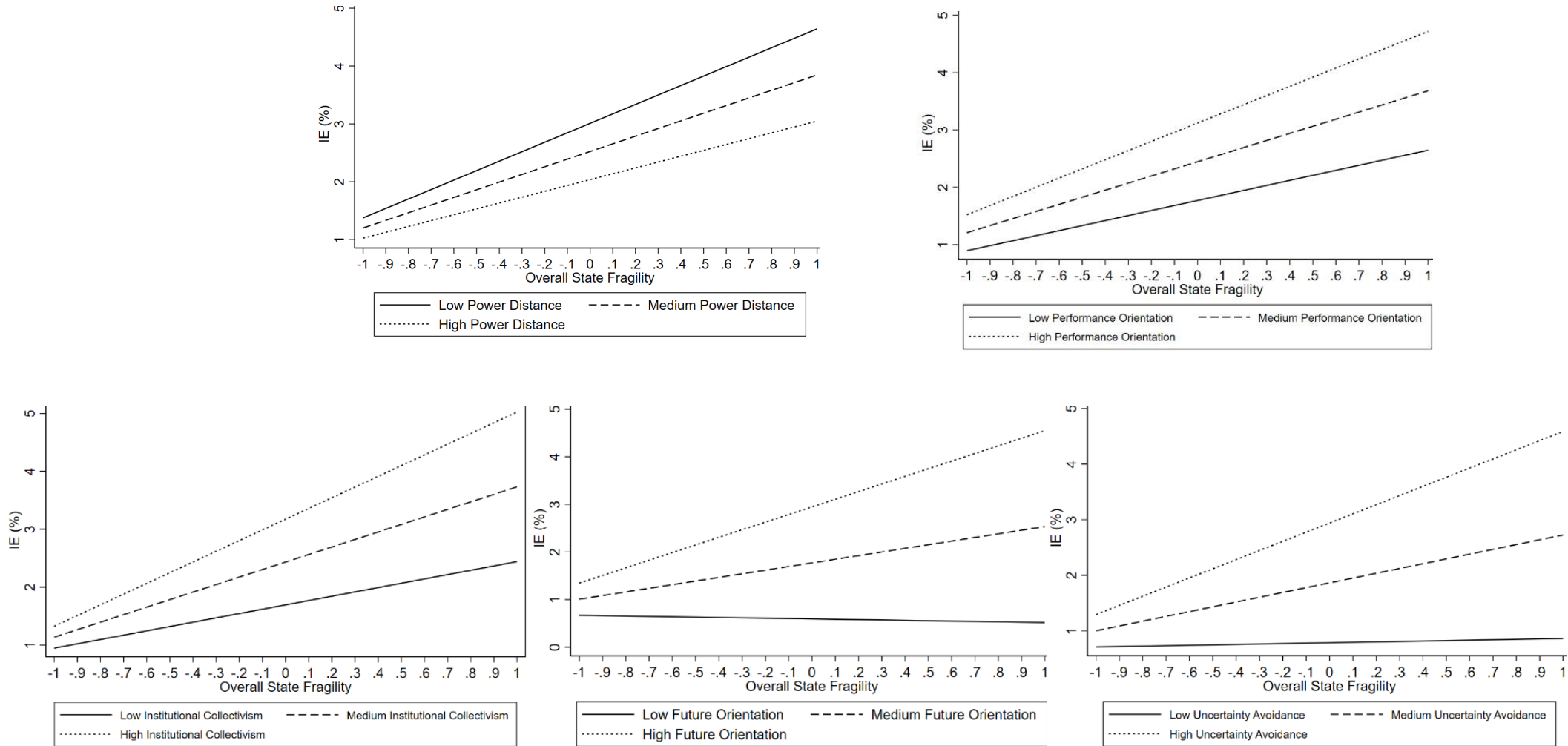
2005; Omri, 2020; Thai & Turkina, 2014). The proposed relationship is not aligned with the mechanisms explaining the emergence of formal new ventures (Minniti, 2008), which tend to be encouraged by pro-market institutions and rule of law (Dau & Cuervo-Cazurra, 2014; Thai & Turkina, 2014), or the emergence of controversial entrepreneurial activities, which are both illegal and illegitimate (Cannatelli, Smith, & Sydow, 2019). This reveals that the institutional emergence of informal entrepreneurship is characterized by its own distinctiveness and complexity, which need to be acknowledged by scholars to advance entrepreneurship theory embracing diversity (Welter, Baker, Audretsch, & Gartner, 2017) and practice fostering more holistic approaches toward IE (Williams & Martinez, 2014).

In addition, our findings show that beyond the role of formal institutions in informal entrepreneurship, informal institutions interact with formal institutions influencing the emergence of informal entrepreneurship. In particular, Figure 12 displays how power distance, performance orientation, institutional collectivism, future orientation, and uncertainty avoidance moderate the relationship between state fragility and informal entrepreneurship. These findings provide evidence that the higher the state fragility, cultural aspects as informal institutions fill the void of the state.

Contributions to Theory and Practice

Our study entails two main theoretical contributions. First, the existing literature has largely focused on either the formal institutions-informal entrepreneurship relationship (e.g., Blake et al., 2015; Dau & Cuervo-Cazurra, 2014; Omri, 2020) or on the informal institutions-informal entrepreneurship relationship (Achim et al., 2019; Slade Shantz et al., 2018; Thapa Karki et al., 2020). Our study contributes to these conversations by shedding light on how formal institutions may interact with informal institutions (Helmke & Levitsky, 2004), leading to consequences for informal entrepreneurship. Specifically, the use of new institutionalism helps unpack the complex interplays among formal and informal institutions (Mair et al., 2012; Nason & Bothello, 2022), which can lead to substitution between what is perceived as “legitimate” and what is perceived as “legal”, depending on the level of overall state fragility. When state fragility is high, informal institutions, more specifically power distance, performance orientation, institutional collectivism, future orientation, and uncertainty avoidance create legitimacy (Suchman, 1995) for informal entrepreneurship.

Figure 12. Predictive Margins:
The Moderating Role of Power Distance, Performance Orientation, Institutional Collectivism, Future Orientation, and Uncertainty Avoidance



Thus, our study reveals that formal institutions alone are insufficient to explain how informal new ventures emerge. Instead, it is crucial to consider the interactions of formal institutions with the specific cultural underpinnings of societies (Weber et al., 2021), such as cohesion and loyalty, risk aversion, as well as confrontational and future-oriented values.

Second, drawing on our novel framework we argue for the need of a mind shift from the notion of “institutional void” to describe countries characterized by high state fragility toward new terminologies and perspectives. Through our theorizing, we highlight that situations of complete “void” are very unlikely to occur in reality. Therefore, new conceptualizations, which are more mindful of the role of informal institutions in fragile settings are crucial to describe the richness and abundance of alternative institutional forces legitimizing new venture activities, beyond formal ones (Dieleman, Marleen, Markus, Stanislav et al., 2022; Nason & Bothello, 2022; Peng et al., 2022; Pinkham & Peng, 2017).

Our study has also important practical implications. Given the global relevance of informal new ventures (Autio & Fu, 2015), their positive impact in terms of employment creation (McGahan, 2012) and contribution to total economic activities (Dau & Cuervo-Cazurra, 2014), it becomes important to understand how they emerge. This is particularly relevant in countries where state fragility is high and the national culture fosters informal entrepreneurship. In this situation, the implementation of drastic sanctions and eradication policies against informal entrepreneurship could lead to negative economic and societal consequences. Thus, we highlight the need to design and implement alternative holistic and culturally aware approaches in such settings. We suggest providing free programs for individuals willing to engage in informal new ventures, in which entrepreneurial tools and legal procedures are taught and tailored to be in line with the specific local values and thus easier to understand and apply. We suggest that positive economic and societal impact can be produced only if cultural values are carefully understood and leveraged. Government authorities, policy makers, NGOs and for-profit organizations could start acting as orchestrators (Kistruck & Shulist, 2021) and, adopting and encouraging more culturally aware approaches, incentivize informal entrepreneurship to emerge and grow, to formalize at later stages. This way, they could help total entrepreneurial activities increase (Dau & Cuervo-Cazurra, 2014), leading to higher levels of innovation and development. Such

approaches represent a more desirable alternative to tackle informal new ventures compared to strict early-stage formalization measures.

Limitations and Future Research Directions

Our study is not without limitations. First, we adopted GLOBE cultural values (House et al., 2004) to investigate the moderating effect of informal institutions on the relationship between overall state fragility and informal entrepreneurship. Nevertheless, future work could draw on alternative measures of cultural values (e.g., Hofstede, 2001; Inglehart, 1997; Schwartz, 2006) to obtain a broader view of the role of values in the emergence of informal new ventures. Moving beyond values, future research could explore how values vs. practices influence later stages of the informal entrepreneurial process, e.g. resource mobilization, informal growth aspirations, performance or formalization.

Second, due to the limits of our database, we were not able to discern if formal and informal institutional frameworks influence male and female participation in informal entrepreneurship distinctively. Thus, we would encourage future research to consider the socially constructed nature of culture (Morgan & Smircich, 1980); and to make use of qualitative approaches, such as case studies (Eisenhardt, 1989) and ethnographies (Agar, 1986), to collect data from male and female informal entrepreneurs across settings, as well as from their family and community members. This could help shed light on how cultural and cognitive factors interact with regulative factors, incentivizing women and men to pursue informal new ventures differently.

CONCLUSION

Drawing on new institutionalism, we sought to uncover the complex relationship between overall state fragility and informal new ventures as well as the role of informal institutions in this relationship. Our cross-country study provided a new holistic theoretical framework, including both formal and informal institutional forces, to understand how informal entrepreneurship emerges. Our empirical findings indicate that overall state fragility, i.e., weak enforcement of formal institutions, is not enough to explain why individuals establish informal new ventures. Instead, culture matter and should not be neglected. Future research should employ more culturally aware theoretical frameworks when studying informal entrepreneurship. This could help better capture accurate institutional differences across countries and design more

holistic policies to encourage informal new venture activities to emerge and, eventually, formalize in later stages.

4. DISCUSSION

The three essays included in this dissertation propose a new theoretical perspective on the phenomenon of informal entrepreneurship as well as on its antecedents and outcomes. This chapter starts with a detailed illustration of the findings and theoretical contributions of each essay. It then continues with an in-depth discussion of the main limitations as well as avenues for future research. Finally, the chapter ends with a comprehensive overview of the practical implications and with some action-driving remarks.

4.1 FINDINGS AND THEORETICAL CONTRIBUTIONS

This dissertation includes three essays that challenge the current assumptions on informal entrepreneurship, build novel theory and open relevant research avenues. By means of an integrative review, Essay I maps the field of informal entrepreneurship and synthesizes coherence across disciplines, bridging separated academic conversations (Locke & Golden-Biddle, 1997). More specifically, it provides a comprehensive overview of the heterogeneity of informal entrepreneurs, as well as the dynamic pathways that these move along, why they do so, and with what consequences. In addition, Essay I produces a forward-looking research agenda for future research highlighting novelties, gaps and anomalies in current conversations (Nadkarni et al., 2018). Drawing on the first essay, Essay II and III focus specifically on the antecedents of informal entrepreneurship. They employ different research designs, data sources and approaches to scientific reasoning to unpack the complex institutional dynamics shaping the heterogeneity of informal entrepreneurial activities (Table 2, p. 27). On the one hand, Essay II draws on an explorative case study design (Eisenhardt, 1989; Yin, 2017) to unpack the institutional complexity behind the emergence of informal entrepreneurial activities in fragile contexts. This essay draws on a grounded theory approach to explain how institutional interdependences and interactions shape the emergence and growth of informal and semi-formal new ventures across regions in five rural villages in Mali. On the other hand, Essay III draws on a quantitative study and panel data analysis to test how specific and complex formal and informal institutional configurations produce different outcomes in terms of informal entrepreneurship emergence across countries. Thus, Essay II and III point to more culturally aware theory and policy approaches relating informal entrepreneurship within- and across countries. Table 15 provides an overview of the findings and theoretical contributions of each essay.

Table 15. Overview of Emerging Findings and Theoretical Contributions

ESSAY	FINDINGS	THEORETICAL CONTRIBUTIONS
I	<ul style="list-style-type: none"> • Overview of the informal entrepreneurship field produced through analysis of 352 articles from diverse disciplines. • Novel typology of informal entrepreneurs across the globe, including the informal poor, the informal affluent, the semi-formal poor, and the semi-formal affluent. • New dynamic perspective of informal entrepreneurship consisting of three distinctive formalizing and informalizing pathways along which informal entrepreneurs move, acquiring or forgoing regulative legitimacy. • Forward-looking research agenda highlighting innovative ways forward for research on informal entrepreneurship, involving more general entrepreneurship and management perspectives. 	<ul style="list-style-type: none"> • Generation of synthesizing coherence for the field of informal entrepreneurship by “reinterpreting existing work to show underlying consensus” (Locke & Golden-Biddle, 1997, p. 1034). • The novel typology of informal entrepreneurs sheds light on the inherent heterogeneity of informal entrepreneurship, and contributes to entrepreneurship research aiming at embracing diversity (Welter et al., 2017) and context (Baker & Welter, 2020). • The dynamic perspective of informal entrepreneurship contributes to the understanding of how informal entrepreneurs balance regulative, normative and cognitive legitimacy, extending current conversations at the junction of entrepreneurship (e.g., Uzo & Mair, 2014; Sutter et al., 2013), legitimacy (e.g., Kistruck et al., 2015; Fisher et al., 2017), and institutional dynamics (e.g., Bothello et al., 2019; Webb et al., 2020). • This forward-looking research agenda highlights interesting ways forward for conversations around informal entrepreneurship, involving more general entrepreneurship (e.g. Fisher et al., 2017; Welter et al., 2017) and management perspectives (e.g., Amis et al., 2021; Bapuji et al., 2020; Cropanzano et al., 2017; McGahan, 2012; Mitchell et al., 2012; Gruber & MacMillan, 2017; Gruber & MacMillan, 2017; Powell & Baker, 2014).
II	<ul style="list-style-type: none"> • Novel constellations of informal institutions, including family-centered, community-radiant, and market radiant constellations. • Novel theoretical framework of institutional abundance to explain how informal institutions interact with formal institutions. • Overview of entrepreneurial outcomes deriving from various constellations of informal institutions, as well as 	<ul style="list-style-type: none"> • The new constellations of informal institutions emerging from the empirical findings help unpack the informal institutional complexity of most fragile contexts (Nason & Bothello, 2022) beyond the concept of “institutional voids” used in previous literature to describe the absence of westernized, formal institutions (e.g., Chakrabarty, 2009; Pinkham & Peng, 2017). • The novel theoretical framework of institutional abundance provides a systematization and analysis of the interplay and interdependences between informal and formal institutions, which prove to be far from mutually exclusive (Minbaeva et al., 2022). This novel theoretical framework introduces informal substitution and institutional complementarity as the main forms of interplays between formal and informal institutions in fragile contexts. Hereby, it contributes to previous conversations relating the institutional heterogeneity of informal entrepreneurship in these settings (Castro et al., 2014; Mair et al., 2012; Slade Shantz et al., 2018). • The overview of the outcomes in the new theoretical framework of institutional abundance contributes to current conversations in management, and entrepreneurship literatures. In particular, it

from institutional interplays, i.e., informal substitution and institutional complementarity.

has implications for conversations adopting agency (Battilana et al., 2009; Bridwell-Mitchell, 2016), legitimacy (Fisher et al., 2017; Rutherford & Buller, 2007; Suchman, 1995) and sensemaking perspectives (Weick, 1995b; Weick et al., 2005) to explain entrepreneurial phenomena in fragile contexts.

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|------------|---|---|
| <p>III</p> | <ul style="list-style-type: none">• Evidence for a positive relationship between overall state fragility and informal entrepreneurship.
• New theoretical framework accounting for both formal and informal institutions in informal entrepreneurship emergence. | <ul style="list-style-type: none">• This essay extends conversations on the emergence of informal entrepreneurship (Dau & Cuervo-Cazurra, 2014; Omri, 2020; Thai & Turkina, 2014) providing evidence for the relationship between overall state fragility and informal entrepreneurship.
• This study helps explain how distinct interplays of formal and informal institutions (Minbaeva et al., 2022) influence the emergence of informal entrepreneurship. The novel theoretical framework of informal entrepreneurship emergence explains how state fragility and cultural values interact and co-shape the emergence of informal new ventures across countries. Such novel framework goes beyond the relationship between formal institutions and informal entrepreneurship (e.g., Dau & Cuervo-Cazurra, 2014, Omri, 2020) integrating culture (Achim et al., 2019; Slade Shantz et al., 2018; Thapa Karki et al., 2020). Among the various cultural values considered, power distance, performance orientation, institutional collectivism, future orientation and uncertainty avoidance present statistically significant interactions with overall state fragility, shaping informal entrepreneurship emergence differently in heterogeneous settings. |
|------------|---|---|
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4.1.1 Findings and Theoretical Contributions of Essay I

“What the field needs is not another definition but rather a model (...) capable of generating testable hypotheses and a coherent research agenda.”

- Godfrey, 2011, p. 234

Drawing on the recent and widely accepted definition of informal entrepreneurship as those “entrepreneurial activities that are illegal yet remain legitimate to large groups in a society” (Webb et al., 2020, p. 511), Essay I answers to the call by Godfrey (2011), mentioned in the quote above, to generate a new theoretical model of informal entrepreneurship that could bring coherence across various disciplines and conversations (Locke & Golden-Biddle, 1997), and help the field mature by setting a sound base for the transition from empirical articles exploring relationships among constructs to empirical articles testing those relationships (Edmondson & McManus, 2007).

First, Essay I provides an overview of the informal entrepreneurship field through analysis of 352 articles from diverse disciplines, including entrepreneurship, economics, management, development studies, sociology, geography, and political science. More specifically, Essay I maps the field of informal entrepreneurship, highlighting how the interest for the topic has grown over time from the first publication in 1987 by Lesieur and Sheley in the journal “Social Problems” that considered informal entrepreneurship as a form of deviant economic behavior, to the burgeoning number of publications in the last decades that consider informal entrepreneurship as a prevalent form of entrepreneurial activities (e.g., Autio & Fu, 2015; Nason & Bothello, 2022; Webb et al., 2013). In addition, it provides an overview of the main trends in the literature, the methodologies employed and the geographic distributions of studies on informal entrepreneurship, setting the foundations of the field.

Secondly, Essay I introduces a novel and comprehensive typology (Cornelissen, 2017) of informal entrepreneurs to capture their heterogeneity and to overcome usual clichés. Such typology draws on two dimensions: the socio-economic status of the informal entrepreneur and the level of informality of the entrepreneurial activities. Four types of informal entrepreneurs are introduced, including the *informal poor*, the *informal affluent*, the *semi-formal poor*, and the *semi-formal affluent*. The *informal poor*

features entrepreneurs who have a low socio-economic status and act outside of all laws and regulations in force in their settings (e.g., business registration, taxation, labor law). This type includes poor refugee entrepreneurs, street sellers, cross-border traders subsistence entrepreneurs selling home-made products on online platforms. Such informal entrepreneurs operate without any business registration, without paying taxes, and employ workers without proper contracts (e.g., Delacroix et al., 2019 Slade Shantz et al., 2018; Welter et al., 2018). Nevertheless, these informal activities have the potential to grow and produce higher economic and social impacts (Nason & Bothello, 2022). The *informal affluent* type comprehends founders of pirate software enterprises¹⁶ or founders of new digital platforms dealing in the “difficult to regulate” sharing economy and running business models similar to “Uber” or “Airbnb” (Dupuis, 2019; Ravenelle, 2020). Another example belonging to this type is the one of informal medical cannabis traders in California, who fought for their values despite the fact that their activities were considered illegal, until legalization of the medical cannabis trade was achieved (Klein, 2017). Beyond these two informal types of entrepreneurs, we also recognize semi-formal entrepreneurs, who align their activities with the law partially but not completely (Hommes et al., 2014; Knox et al., 2019). These *semi-formal* types may be *poor or affluent*, and escape different types of laws or regulations, e.g., they may evade taxes (Mickiewicz et al., 2019) or environmental regulations (Rădan-Gorska, 2013), causing negative externalities on the society. These four entrepreneurial types are globally widespread and operate the majority of entrepreneurial activities worldwide (Autio & Fu, 2015), resulting in both positive and negative economic, societal and environmental outcomes (Webb et al., 2013). While the majority of articles published in leading entrepreneurship journals focuses traditionally on formal entrepreneurship (Bruton et al., 2012), our novel and comprehensive typology of informal entrepreneurs contributes to the current literature embracing entrepreneurial diversity (Welter et al., 2017), and context (Baker & Welter, 2020).

Thirdly, Essay I proposes a dynamic perspective of informal entrepreneurship consisting of three distinctive formalizing and informalizing pathways along which the

¹⁶ Pirate software enterprises refer to enterprises using or reproducing unauthorized copyrighted or patented material such as music or software files.

various informal entrepreneurial types move, acquiring or foregoing regulative legitimacy. Such dynamic perspective sheds light on how informal entrepreneurs balance regulative, normative, and cognitive legitimacy (Scott, 2014), contributing to current conversations at the junction of entrepreneurship (e.g., Uzo & Mair, 2014; Sutter et al., 2013), legitimacy (e.g., Kistruck et al., 2015; Fisher et al., 2017) and institutional dynamics (e.g., Bothello et al., 2019; Webb et al., 2020).

Finally, this essay draws a forward-looking research agenda (Bacq et al., 2021), building on the insights gained from the novel typology and the new dynamic perspective introduced above. Such research agenda opens interesting and relevant research avenues for management and the entrepreneurship literature. For example, future research could draw on founder identity research (Gruber & MacMillan, 2017; Powell & Baker, 2014, 2017), social exchange theory (Cropanzano et al., 2017; Mitchell et al., 2012), or on current insights relating socio-economic inequalities (Amis et al., 2021; Bapuji et al., 2020) to explain how informal entrepreneurs build their informal identities, engage in social exchange interactions, and alleviate or enhance socio-economic inequalities in different settings.

4.1.2 Findings and Theoretical Contributions of Essay II

“The institutions of embeddedness [informal institutions] are an important but underdeveloped part of the story.”
- Williamson, 2000

Essay II focuses on the antecedents of informal entrepreneurship. The main aim is to open the “black box” of informal institutions, and to understand their role for informal and semi-formal new venture activities in fragile contexts, where formal institutions remain poorly enforced (Ault & Spicer, 2020). In such contexts, informal institutions represent the main reference framework and legitimator of informal and semi-formal new venture activities (e.g., Kistruck et al., 2015). Thus, Essay II investigates how different types of informal institutions co-exist, interact and affect informal and semi-formal types of new venture activities.

First, this essay unveils the presence of novel constellations of informal institutions in fragile contexts, including *family-centered*, *community radiant* and *market-radiant*

constellations. Each constellation is characterized by dominant, subordinate, and ghost informal institutions. We define dominant informal institutions as the primary types of non-written rules and practices enacted in a specific village and influencing all economic and social activities. Subordinate informal institutions refer to non-written rules and practices enacted in a specific village, interacting with dominant informal institutions and influencing only some economic and social activities. Finally, we define ghost informal institutions as non-written rules and practices enacted in a specific village, not interacting with dominant informal institutions and having very limited influence on economic and social activities. While *family-centered* constellations are characterized by dominant family institutions posing high constraints and barriers to the emergence of informal and semi-formal venture activities, *community radiant* and *market-radiant* constellations leverage community and market dominant informal institutions to access entrepreneurial opportunities, respectively. These constellations of informal institutions allowed us to unpack the informal institutional complexity shaping the emergence of informal and semi-formal new ventures in most fragile contexts (Nason & Bothello, 2022). More precisely, our findings help extend current knowledge about the role of family in new venture creation in developing countries (e.g., Khavul et al., 2009; Shahriar, 2018), proposing that family-centered constellations result in high constraints imposed on entrepreneurial individuals, strictly limiting their possibilities to identify, develop, and exploit opportunities. In contrast, community-radiant and trade-radiant constellations emerge as characterized by a more open nature, which allows access to a broader array of resources (Farny et al., 2019; Shulist et al., 2022), leading to higher opportunity identification (Webb et al., 2009), and new venture creation (Foy & Gruber, 2021). Furthermore, the three constellations of informal institutions identified through the analysis have relevant implications for current conversations relating to institutional hierarchies (e.g., Bunderson et al., 2016; Magee & Galinsky, 2008), especially informal hierarchies (e.g., Slade Shantz et al., 2020), which may be constituted by dominant, subordinate and ghost institutions in fragile settings leading to various societal and economic outcomes, including social inequalities (Amis et al., 2021) and organizational legitimacy (Abid et al., 2022).

Secondly, Essay II builds a *novel theoretical framework of institutional abundance* that represents a contextualized institutional approach that acknowledges the relevance,

legitimacy, and effectiveness of rich informal institutions, which act alongside and in interaction with formal institutions, thereby jointly guiding and shaping new venture activities in fragile contexts. This new theoretical framework includes the three constellations of informal institutions highlighted above as well as two forms of institutional interplays between informal and formal institutions that emerge from the inductive analysis, i.e. *informal substitution* and *institutional complementarity*. The former refers to situations where informal institutions replace weakly enforced or absent formal institutions, whereas the latter refers to situations where both formal and informal institutions are enforced, tend to interact, extend each other, and function together in a coherent way. The proposed framework of institutional abundance represents a new way of thinking that unveils how small changes in terms of institutions matter greatly for business activities in the most fragile contexts. The new framework may serve to overcome the notion of “institutional voids” used in previous literature (e.g., Chakrabarty, 2009; Pinkham & Peng, 2017) to instead embrace the diversity and complexity of institutional forces characterizing fragile contexts. Furthermore, the proposed framework of institutional abundance moves beyond a separation and contrasting of formal (e.g., Dau & Cuervo-Cazurra, 2014; Deerfield & Elert, 2022) versus informal institutions (e.g., Khavul et al., 2009; Slade Shantz et al., 2018) toward acknowledgement of their interplays, which have remained largely unaddressed in the literature (Minbaeva et al., 2022; Zoogah et al., 2015).

Thirdly, this study provides an overview of the outcomes of the distinctive constellations of informal institutions as well as of the distinctive interplays between formal and informal institutions on new venture activities. While the distinctive constellations of informal institutions tend to affect the *level* of new ventures created, the institutional interplays tend to influence the *types* of new ventures created and their *growth* prospects. More precisely, informal substitution shapes informal new venture types providing them with relatively low growth prospects, whereas institutional complementarity shapes semi-formal new venture types providing them with relatively high growth prospects. This overview has implications for conversations adopting agency (Battilana et al., 2009; Bridwell-Mitchell, 2016), legitimacy (Fisher et al., 2017; Rutherford & Buller, 2007; Suchman, 1995), and sensemaking (Weick, 1995b; Weick et al., 2005) perspectives to explain the emergence and growth of new ventures, especially in fragile contexts. This study also entails important implications for the

entrepreneurship literature (Castro et al., 2014; Khavul et al., 2009) in general and for the informal entrepreneurship literature (Salvi et al., 2022; Webb et al., 2020) in particular.

4.1.3 Findings and Theoretical Contributions of Essay III

Essay III aims at building a new theoretical framework of informal entrepreneurship emergence accounting for both formal and informal institutions across countries. First, the empirical analysis confirms that state fragility, i.e. weak capacity of governments to enforce formal rules, is positively related to the emergence of informal entrepreneurship across countries. More specifically, high levels of informal new ventures are typical of countries characterized by higher formal institutional uncertainty due to weak state functions (Dau & Cuervo-Cazurra, 2014; Nwabuzor, 2005; Omri, 2020; Thai & Turkina, 2014). The proposed relationship is not aligned with the mechanisms explaining the emergence of formal new ventures (Minniti, 2008), which tend to be encouraged by pro-market institutions and the rule of law (Dau & Cuervo-Cazurra, 2014; Thai & Turkina, 2014), or the emergence of controversial entrepreneurial activities that are both illegal and illegitimate (Cannatelli, Smith, & Sydow, 2019). This reveals that the institutional emergence of informal entrepreneurship is characterized by its own distinctiveness and complexity, which need to be acknowledged by scholars to advance entrepreneurship theory embracing diversity (Welter, Baker, Audretsch, & Gartner, 2017) and practice fostering more holistic approaches toward informal entrepreneurship (Williams & Martinez, 2014).

Secondly, our study reveals that culture interacts with the overall national level of state fragility, shaping what is perceived as “legitimate” beyond “legal”, thus weakening or strengthening the emergence of informal entrepreneurship across countries. Such novel framework goes beyond the relationship between formal institutions and informal entrepreneurship (e.g., Dau & Cuervo-Cazurra, 2014, Omri, 2020) integrating culture (Achim et al., 2019; Slade Shantz et al., 2018; Thapa Karki et al., 2020). Thus, this study contributes to institutional economics by showcasing how countries generate specific and complex formal and informal institutional configurations that affect informal entrepreneurship cross-culturally.

Thirdly, Essay III provides an overview of the specific mechanisms by which distinctive cultural values enhance or limit the perception of legitimacy for informal entrepreneurship. More specifically, power distance, performance orientation, institutional collectivism, future orientation, and uncertainty avoidance (House et al., 2004) moderate the relationship between state fragility and informal entrepreneurship through the creation of substitutive reference frameworks (Helmke & Levitsky, 2004) for individuals engaging in informal entrepreneurship. For example, when individuals receive support from other society members to engage in informal entrepreneurship, they can minimize the uncertainty due to the weakness of formal institutions, and are more likely to start a new informal venture. Thanks to their reliance on informal institutional structures, individuals are able to act in a confrontational way toward the uncertainty of the law.

4.2 RESEARCH LIMITATIONS

This chapter introduces the main research limitations of the three essays and the main strategies employed to mitigate them.

Essay I brings synthesizing coherence (Locke & Golden-Biddle, 1997) to the field of informal entrepreneurship and draws a future agenda highlighting promising research directions. Despite the transparent and replicable methodology (Tranfield et al., 2003) employed in this essay, our integrative review has some limitations. First, it does not provide a bibliometric overview of the literature on informal entrepreneurship that would not fit into the scope of this study. Despite that, we encourage future researchers to engage in such endeavor and extend the work by Santos and Ferreira (2017) on the evolution of the informal entrepreneurship field and its intellectual communities using citation and co-citation techniques (van Eck & Waltman, 2017). This type of analysis may help to better understand the evolution of the field, the main temporal milestones, and the development of dominant and subordinate themes in the conversations around informal entrepreneurship over time. Secondly, we recognize that alternative review approaches may be adopted. Thus, we also encourage future researcher to conduct further reviews to help the informal entrepreneurship field reach its more mature stage (Edmondson & McManus, 2007). Such reviews could problematize current constructs and perspectives (Alvesson & Sandberg, 2020), opening up further research trajectories.

Essay II employs a qualitative case study design (Eisenhardt, 1989; Yin, 2017) to explore the institutional complexity shaping informal and semi-formal venture activities in fragile contexts (Ault & Spicer, 2022). The choice of employing a qualitative case study design fits the research aim of building new theory from new or under-investigated phenomena (Bansal et al., 2018). Nevertheless, one typical limitation of case-study designs is related to the limited number of cases (Eisenhardt, 1989). To overcome this limitation, the five cases in Essay II were selected by means of careful sampling strategies, including purposeful sampling in the first round and theoretical sampling in the second round of data collection (Charmaz, 2006; Coyne, 1997; Patton, 1990). These sampling strategies ensure that the selective cases are

representative for the phenomenon under investigation (Patton, 1990), and allow replication in similar or different settings (Eisenhardt, 1989), enhancing generalizability. A second limitation in Essay II is related to the multiple ways of interpreting qualitative data and the process of generating abstract theoretical constructs from qualitative empirical evidence (Eisenhardt, 2021). To enhance analytical rigor, 100% intercoder reliability was achieved in the coding team through coding reiterations, confrontations and discussion of different interpretations of the same text (Campbell et al., 2013; MacPhail et al., 2016). To enhance transparency, multiple tables were employed to analyze the data and to display the emerging patterns (Cloutier & Ravasi, 2021; Miles et al., 2019). A third limitation relates to the linguistic and cultural barriers due to the research setting of rural Mali. We employed different strategies to minimize such barriers, such as getting familiar with the cultural background of each village and its culture, following cross-language research practices to enhance rigor (Chiumento et al., 2018). To get familiar with the setting, we conducted expert interviews with different stakeholders, including microfinance institution representatives, social entrepreneurs active in the region, women representatives, religious leaders and chiefs of the villages. Furthermore, we delved deep into historical, political and anthropological resources such as books, articles and webpages. To overcome the language barrier, we followed the guidelines by Chiumento et al. (2018) that provide recommendations on how to enhance rigor in cross-language qualitative research. Given that most of the interviews were collected in Bambara, which is the most common language spoken in rural Mali, we triangulated the translations conducted on field by local and trained translators, with second translations conducted by second translators starting from the audio-recordings, and with our field notes. This allowed us to compare translations, avoid misinterpretation, overcome translation discrepancies, and enhance reliability of the verbal data.

Essay III entails two main limitations. First, we adopted GLOBE cultural values (House et al., 2004) to investigate the moderating effect of informal institutions on the relationship between overall state fragility and informal entrepreneurship. However, future work could draw on alternative measures of cultural values (e.g., Hofstede, 2001; Inglehart, 1997; Schwartz, 2006) to obtain a broader view of the role of values in informal entrepreneurship. Moving beyond values, future research could also

explore how values vs. practices influence later stages of the informal entrepreneurial process, e.g. resource mobilization, growth aspirations, performance or formalization. Secondly, due to the limits of our database, we were not able to discern female and male participation in informal entrepreneurship distinctively. Thus, we would encourage future research to draw on alternative multi-level databases or to collect primary data from male and female informal entrepreneurs to investigate how the socially constructed nature of culture (Morgan & Smircich, 1980) may induce women and men to engage in informal entrepreneurial activities distinctively. We also encourage the adoption of alternative qualitative approaches, such as case studies (Eisenhardt, 1989; Yin, 2017) and ethnographies (Agar, 1986) to collect data from women and men acting in culturally heterogeneous regions within the same country. This could help shed light on how cultural and cognitive factors interact with regulative factors, incentivizing women and men to engage in informal entrepreneurship differently.

4.3 AVENUES FOR FUTURE RESEARCH ON INFORMAL ENTREPRENEURSHIP

This sub-chapter introduces future research avenues to advance our understanding of the phenomenon of informal entrepreneurship, as well as its antecedents and outcomes. Subsequently, the sub-chapter zooms into specific avenues for future research at the juncture of institutional complexity and informal entrepreneurship.

4.3.1 Avenues Relating Phenomenon, Antecedents and Outcomes

Essay I introduced a novel typology of informal entrepreneurs to capture their heterogeneity around the globe, and a new dynamic perspective on the phenomenon. Drawing on this new theoretical framework, this essay also proposes a forward-looking research agenda (Bacq et al., 2021) for the field of informal entrepreneurship. The paragraphs below illustrate the main avenues for the field of informal entrepreneurship proposed in Essay I, synthesizing and organizing them through the following themes: *future research avenues relating the phenomenon of informal entrepreneurship*, *future research avenues relating the antecedents of informal entrepreneurship*, and *future research avenues relating the outcomes of informal entrepreneurship*.

Future research avenues relating the phenomenon of informal entrepreneurship.

The forward-looking research agenda proposed in Essay I highlights a number of opportunities for future research examining traits, value orientations, and motivations of each formal and semi-formal entrepreneurial type, including the informal poor, the informal affluent, the semi-formal poor and the semi-formal affluent. Future research could unpack individual-level mechanisms driving informal and semi-formal entrepreneurs in their strategic or non-strategic formalization (Castro et al., 2014; Klein, 2017) and informalization decisions (Uzo & Mair, 2014), and shed light on the processes through which these entrepreneurial types leverage their social networks to acquire human, social, physical, and financial resources (Jack & Anderson, 2002; Marti et al., 2013; Welter et al., 2018).

Given the high heterogeneity and prevalence of informal entrepreneurs around the globe, future research investigating the phenomenon of informal entrepreneurship could explore commonalities and differences among various types of informal entrepreneurs in terms of agency (Battilana et al., 2009; Pacheco, York, Dean, & Sarasvathy, 2010), collective identities (Polletta & Jasper, 2001; Webb et al., 2009) or social roles (Thapa Karki et al., 2020; Xheneti et al., 2019b). Such analysis could benefit from insights from other conversations (McGahan, 2012), which could inform informal entrepreneurship research in a direct or indirect way. The academic literature on informal entrepreneurship often bridges other literature, such as indigenous (Salmon, Chavez, & Murphy, 2022), migrant (Atasü-Topcuoğlu, 2019), refugee (La Chaux & Haugh, 2020), ethnic (Pisani & Morales, 2020), rural (Mair et al., 2012), cross-border (Welter et al., 2018), women (Badger Newman & Alvarez, 2022) and digital entrepreneurship (Choi & Perez, 2007) literature. Thus, cross-border and cross-conversational theorizing could help better understand how informal entrepreneurship may be pursued by such different actors and help unveil the key individual level mechanisms shaping the informal entrepreneurial process across contexts. This could lead to important theoretical advances in the field of informal entrepreneurship beyond fragmented and compartmentalized knowledge. Taking this even further, our integrative review reveals that informal entrepreneurs may engage in many different types of entrepreneurial activities, including petty trade (Haugen, 2018), counterfeit activities (Abid et al., 2022), bootlegging (Antonopoulos & Mitra, 2009), illegal appended enterprises (Lesieur & Sheley, 1987), and entrepreneurship in the sharing economy (Dupuis, 2019). More engaged theorizing crossing conversational boundaries and addressing different audiences may therefore help delineate the main communal and differential traits of informal and semi-formal entrepreneurs at the individual level, allowing the emergence of new theoretical constructs and frameworks to explain how different informal entrepreneurial activities are established, why and by whom, overcoming space and time boundaries.

Future research avenues relating the antecedents of informal entrepreneurship. The research avenues relating the emergence of various informal entrepreneurial phenomena are among the most interesting and relevant. While we witness increasing actions and policy approaches toward informal entrepreneurship (Williams & Nadin,

2012a), theory explaining why and how informal entrepreneurship emerges and grows is still in its infancy (Nason & Bothello, 2022; Webb et al., 2020). The mechanisms and processes through which informal entrepreneurial activities emerge differ intrinsically from the mechanisms and processes explaining the emergence of formal entrepreneurship (Autio & Fu, 2015; Dau & Cuervo-Cazurra, 2014; Omri, 2020; Thai & Turkina, 2014). Thus, uncovering such mechanisms and processes requires going beyond what we know about formal entrepreneurship, and adopting novel theoretical angles and models (McGahan, 2012). These novel approaches have the potential to produce concrete impact and to help international organizations and governments tackle informal entrepreneurial activities more holistically and efficiently (Godfrey, 2011).

For instance, sociological institutionalism (Scott, 2014) and new institutional economics (North, 1990) may be leveraged to understand the complex and heterogeneous weave of informal institutions creating legitimacy for informal entrepreneurial activities, across or within nations and regions (Bothello et al., 2019).

Alternatively, identity theories (Gruber & MacMillan, 2017; Powell & Baker, 2014, 2017) may be leveraged to understand why and how informal and semiformal entrepreneurs establish and grow their informal enterprises and engage in formalization or informalization pathways (Salvi et al., 2022). A very promising research avenue relates the investigation of how different normative and cognitive institutions (Scott, 2014) shape the informal identities of informal and semi-formal entrepreneurs. For instance, future researches could investigate how informal entrepreneurial identities change over time while informal entrepreneurs move along the proactive formalizing pathway, which we define as the phases in which informal entrepreneurs engage proactively over time to decrease the level of informality of their entrepreneurial activities, in an effort to acquire regulative legitimacy. This research avenue holds the potential to unveil the hidden identity transformations that informal entrepreneurs experience while creating institutional transformations (Battilana et al., 2009) and driving the legitimization of new markets (Klein, 2017).

Finally, future research could leverage theoretical perspectives deriving from anthropology and social psychology to better understand the antecedents of informal entrepreneurship. More specifically, social exchange theory (Cropanzano et al., 2017;

Mitchell et al., 2012) could help shed light on the complex social interactions in which informal entrepreneurs engage, motivated by reciprocity (Kerr & Coviello, 2020) and trust (Pollack et al., 2017).

Future research avenues relating the outcomes of informal entrepreneurship. Essay I highlights promising research opportunities relating the outcomes of informal entrepreneurship at the societal, organizational and individual level.

First, informal entrepreneurship is usually associated with negative societal externalities, such as tax revenue loss (Mickiewicz et al., 2019) and unfair competition with formal firms (Sutter et al., 2013). Nevertheless, some recent literature has highlighted how informal entrepreneurship may also produce positive societal externalities in terms of cultural preservation (Achim et al., 2019; Shinde, 2010), employment creation (Kabecha, 1999; Otoo et al., 2011) and technological innovation (Bu & Cuervo-Cazurra, 2020; Choi & Perez, 2007). In Essay I, we highlight that informal entrepreneurship may be leveraged to defy unjust formal institutions and overcome economic and societal inequalities in oppressive societies (Bruton et al., 2021; Xheneti et al., 2019b). Future research at the intersection of entrepreneurship and inequalities may explore how informal entrepreneurs may shape society and whether informal entrepreneurial actions and agencies tend to restore, preserve or undermine economic and societal inequalities in different settings (Amis et al., 2021; Bapuji et al., 2020). Beyond this, a lot of efforts from international organizations and governments are directed to push informal entrepreneurs along the reactive formalizing pathway that consists of the phases that informal entrepreneurs pursue in reaction to external drivers to increase the level of formality of their entrepreneurial activities. Generally, the reactive formalizing pathway is known for its positive societal outcomes that are achieved thanks to a higher tax contribution and lower informal competition with formal firms (Webb et al., 2013). Nevertheless, we encourage future research to also explore the dark side of reactive formalizing, which is often overlooked. In particular, culturally unaware formalization approaches may hinder traditional cultural practices and lead to unrecoverable losses in the cultural heritage of indigenous communities (Salmon et al., 2022). Finally, the proactive formalizing pathway has started gathering attention from scholars since it leads to institutional change and legitimization of new markets, which may lead to great

economic and social innovations, but are often difficult to regulate (Dupuis, 2019; Klein, 2017; Ravenelle, 2020). This is the case of enterprises such as Uber and Airbnb, which started up informally in the sharing economy, but started proactively formalizing thanks to the agentic actions and institutional work of their founders (Dupuis, 2019; Ravenelle, 2020). These founders engaged to create momentum for their informal enterprises leading to changes in formal institutions and opportunities for situating their enterprises within the national legal frameworks. Despite the growing attention for the proactive formalizing pathway, there is still room for research to explore how institutional change may be created by engaged groups of informal entrepreneurs, and how new informal markets engage to acquire increasing formality over time. Thus, Essay I opens new research opportunities for evidence-based research on the outcomes of the proactive formalizing pathway, especially in terms of institutional change (Battilana et al., 2009).

Secondly, future research may focus on the outcomes of informal entrepreneurship at the organizational level, investigating how entrepreneurs reach higher cognitive and normative legitimacy (Scott, 2014) when they informalize, especially in case of disruptive events (Meagher, 2009, 2014), presence of criminal organizations (Rosa & Trabalzi, 2016; Sutter et al., 2013) and high corruption (Berdiev & Saunoris, 2018a; Mickiewicz et al., 2019). We know that informal entrepreneurship may lead to organizational advantages in the short term (e.g., shelter from criminals, flexibility of hiring, and firing decisions), but also to disadvantages in the long term, such as lower performance, innovativeness and growth constraints (Ullah et al., 2019). Future studies could investigate such main organizational outcomes and how they are shaped by distinct stakeholder expectations in terms of formalization versus informalization decisions, both in the short and in the long term.

Thirdly, some interesting research avenues relate to the individual level outcomes of informal entrepreneurship. An emerging research stream has highlighted that informal entrepreneurs, especially women, may experience high positive family work–life balance, autonomy and independence (Delacroix et al., 2019; Xheneti et al., 2019a). We highlight that it would be relevant to extend these conversations and uncover the cognitive mechanisms and consequences of formalization and informalization processes at the individual level. For example, future research could employ identity

theories (Radu-Lefebvre et al., 2021) to explain the cognitive processes and individual-level consequences of formalization and informalization decisions over time.

4.3.2 Zooming in: Avenues at the juncture of Institutional Complexity and Informal Entrepreneurship

In *The Protestant Ethic and the Spirit of Capitalism*, Weber has highlighted that informal institutions tend to formalize through modernization, giving rise to increasingly bureaucratic and capitalistic societies. He refers to such formalized institutions dominating western societies as an “iron cage”, which imposes strict boundaries on human rationality and economic behavior (Weber, 1952). This iron cage forms through modernization, which is seen as an irreversible process (DiMaggio & Powell, 1983; Weber, 1968). While formal entrepreneurship may be interpreted as the product of modernization, occurring within such “iron cage”, informal entrepreneurship has often been portrayed as a product of economic backwardness (Williams, 2018), still governed by informal institutions and destined to disappear once the economy is modernized and becomes more capitalistic (La Porta & Shleifer, 2008). Despite these predictions, informal entrepreneurship remains prevalent in the modern economy and, to date, the majority of entrepreneurial activities world wide remain informal (Autio & Fu, 2015; Dau & Cuervo-Cazurra, 2014). This may be explained by the fact that informal institutions persist (Minbaeva et al., 2022) and provide legitimacy to informal entrepreneurial activities beyond the so called “iron cage” of formal institutions, even in modern, capitalistic societies (Webb et al., 2009). Starting from such premises, Essay II and III investigate how informal and formal institutions lead to informal entrepreneurship. Essay II unpacks the informal institutional complexity leading to the emergence of informal and semi-formal entrepreneurial activities in fragile contexts. The emergent theoretical framework of institutional abundance helps unveil how informal and formal institutions co-shape informal and semi-formal new venture activities across villages within the same country. Drawing on this, we call for future research to investigate how distinctive informal institutional elements shape informal hierarchies, and how they lead to various outcomes, including social inequalities (Amis et al., 2021; Bhatt et al., 2022; Bunderson et al., 2016), formalization and informalization business decisions (Cavotta & Dalpiaz, 2022; Salvi

et al., 2022), legitimacy (Abid et al., 2022; Fisher & Aguinis, 2017; Slade Shantz et al., 2020) as well as organizational leadership (Magee & Galinsky, 2008) in western versus non-western contexts. Drawing on the newly proposed framework of institutional abundance, future research could investigate how informal and semi-formal new ventures may agentically change (Battilana et al., 2009) different forms of informal-formal institutional interplays, e.g. through framing, aggregating and bridging (Lee & Hung, 2014). We hope our framework may stimulate new relevant research questions to illuminate how new ventures may engage in different agentic processes, leveraging their communities (Bridwell-Mitchell, 2016) to co-create distinct forms of institutions.

Essay III showcases the complex interactions between state fragility and culture and how such interactions lead to the emergence of informal entrepreneurship across countries. Future studies could draw on the results emerging from this essay and test what types of institutional interactions lead to growth, innovativeness and performance in informal enterprises at later stages of the entrepreneurship process. Finally, we encourage future research to consider the socially constructed nature of culture (Morgan & Smircich, 1980), and to make use of qualitative approaches such as case studies (Eisenhardt, 1989; Yin, 2017) and ethnographies (Agar, 1986) to collect data from male and female informal entrepreneurs, as well as from their family and community members. This could help shed light on how cultural and cognitive factors interact with regulative factors, incentivizing women and men to pursue informal entrepreneurship differently.

4.4 PRACTICAL IMPLICATIONS

Beyond its theoretical contributions and the proposed research opportunities for the field of informal entrepreneurship, this dissertation also entails important practical implications for informal and semi-formal entrepreneurs, international organizations as well as educators. Given the global prevalence and relevance of informal entrepreneurship and the grand societal challenges associated to it (Huck, 2022), management and entrepreneurship research has the responsibility to generate concrete practical guidelines driving broader societal impact beyond theory production (George et al., 2016b). Thus, this sub-chapter provides some practical guidelines emerging from the three essays on informal entrepreneurship included in this dissertation and answers the following questions:

- What can informal and semi-formal entrepreneurs learn from this dissertation?
- How can this dissertation support international organizations and policymakers to better deal with informal and semi-formal entrepreneurs?
- How can educators make a difference when dealing with informal and semi-formal entrepreneurs?
- What can we learn about the context where informal and semi-formal entrepreneurs are embedded and how can we foster more culturally aware approaches toward informal entrepreneurship?

Question 1: What can informal and semi-formal entrepreneurs learn from this dissertation?

Concerning the first question, Essay I provides a clear reference framework for informal and semi-formal entrepreneurs to orient themselves along their formalization or informalization journey. Thanks to the novel typology proposed in this essay, informal and semi-formal entrepreneurs may understand the nature of their activities and the potential of formalizing for achieving higher performance, growth, and innovativeness better. The first step for these entrepreneurial types is to recognize their growth potential, their agency, and their role in society. Too often, poor informal and semi-formal entrepreneurs are sanctioned and banned, and this produces a feeling of oppression and higher defiance against the law. Instead, our framework allows

informal and semi-formal poor entrepreneurs to understand where to position themselves along the continuum of informality-formality, their positive and negative societal impacts, and to make more informed and gradual choices regarding formalization, resource acquisition and growth. Informal and semi-formal affluent entrepreneurs may also learn where to position themselves along the continuum of informality-formality and how to achieve higher levels of regulative legitimacy over time by means of our framework. In particular, those actors that are acting informally to escape pressure from criminal organizations may learn that their informal entrepreneurial actions are legitimate, and they may also find good role models to follow to escape extortion and crime. Whereas, informal and semi-formal affluent entrepreneurs purposefully defying the law because of short-term economic advantages may learn that formalization leads to higher advantages in the long term, that it is worth to be pursued, and how to do so. Furthermore, Essay II emphasizes the importance for informal and semi-formal entrepreneurs to understand the local institutional complexity and to leverage the institutional abundance characterizing their context. Only if they learn what types of dominant and supportive informal institutions are enacted in their contexts and how they interact with formal institutions, such entrepreneurs may be able to leverage their local context mindfully and achieve higher growth. It is fundamental for informal and semi-formal entrepreneurs to learn how to manage distinctive expectations and pressures coming from their family, community, spiritual and market spheres, as well as from local and national authorities. Beyond this, Essay III builds a roadmap for informal entrepreneurs to become and understand the macro-level institutional mechanisms that lead to conditions of institutional uncertainty and may influence informal entrepreneurial opportunity recognition and exploitation.

Question 2: How can this dissertation support international organizations and policymakers to better deal with informal and semi-formal entrepreneurs?

Concerning the second question, Essay I highlights that policymakers should address the distinctive entrepreneurial types through tailored approaches. While poor informal and semi-formal entrepreneurs need to be supported at the beginning of the entrepreneurial process and helped to pursue a gradual and culturally-mindful transition toward formalization, affluent informal and semi-formal entrepreneurs may need different approaches. For instance, affluent informal and semi-formal

entrepreneurs intentionally and deliberately using harmful fuels as tools of production need to be targeted through prompt intervention programs and severe sanctions. Similarly, affluent informal and semi-formal entrepreneurs deliberately engaging in evasion of taxes to enhance business profits have to be targeted by policymakers through adequate sanctions and programs to enhance tax morality. Beyond providing such guidance to policymakers, Essay I also highlights the importance for policymakers, governments and international organizations to recognize the distinctive proactive formalizing, reactive formalizing and informalizing pathways along which informal and semi-formal entrepreneurs move. By recognizing where such entrepreneurs stand along their pathways, it is possible to install more fruitful and effective collaborations. For example, social enterprises engaging informal waste pickers in developing countries along the supply chain may achieve more effective economic results and social outcomes if they design time-specific interventions along the reactive formalizing pathway that waste-pickers pursue. In the initial phases, social enterprises may benefit more from the transfer of information about the advantages of collaboration. Once the informal waste pickers start collaborating, more efforts could be dedicated to building trust and continuity in the collaboration between the social enterprise and informal entrepreneurs. Only in a third stage, when trust is high and collaboration is effective, the formalization of the waste pickers may start and should be conducted progressively in a culturally-mindful way (Weber et al., 2021).

Question 3: How can educators make a difference when dealing with informal and semi-formal entrepreneurs?

Concerning the third question, educators can make a difference when dealing with informal and semi-formal entrepreneurs making them aware about the continuum of informality-formality, the different informal and semi-formal entrepreneurial types and the pathways that they could follow. Essay II emphasizes the importance for educators in fragile contexts to train their students about how to recognize and exploit entrepreneurial opportunities while balancing pressure from family and leveraging support from their community. Educators in such contexts are the reference figures to introduce the main market principles, legal requirements and formalization advantages. Thus, more practical business education programs, employing concrete case scenarios such as teaching tools, may help informal and semi-formal

entrepreneurs to better deal with their local institutions, to establish a larger number of new ventures, and to create higher economic and social outcomes in their contexts.

Question 4: What can we learn about the context where informal and semi-formal entrepreneurs are embedded and how can we foster more culturally aware approaches toward informal entrepreneurship?

Concerning the last question, Essay II and III helped us learn more about the context in which informal and semi-formal entrepreneurs are embedded. The key learning is that it is hardly possible to truly understand informal entrepreneurship without considering the institutional heterogeneity across countries and even within regions in the same countries. To foster more culturally aware approaches toward informal entrepreneurship, we recommend following a three step approach. First, it is crucial to carefully study macro-level national institutions such as national governance and national cultural values in the setting of interest, how such macro-level institutions derive from specific historical, political and geographic development, and how they shape the perception of new venture legality and legitimacy. Secondly, a more fine-grained understanding of the meso level institutions governing social and economic behavior in the specific local setting is required. Such meso level institutions include: 1) informal institutions such as family, community, spirituality as well as market institutions; and 2) formal institutions such as local regulations and prescriptions. Meso level formal and informal institutions are highly interactive and interdependent and may manifest through different forms of interplays and interactions. As a third step, it is therefore crucial to communicate with the specific entrepreneurs, community, family members and local authorities to become aware of the specific institutional complexity manifesting in the local context of interest, building trust, and tailored approaches to tackle informal entrepreneurial activities mindfully, e.g. through participatory communication.

5. CONCLUSION

This dissertation started with an introduction of the theoretical and practical relevance of informal entrepreneurship. To foster the progress of knowledge and help the field of informal entrepreneurship reach a mature stage, three essays were developed, including an integrative review, a qualitative explorative study and a quantitative cross-country study. The three essays provide a novel theoretical perspective on the phenomenon as well as the antecedent and outcomes of informal entrepreneurship. They emphasize the importance of being mindful of the institutional complexity underneath the phenomenon, while pointing to novel and interesting avenues for future research, and highlighting relevant practical implications.

First, the three essays corroborate that informal entrepreneurship is a prevalent and highly heterogeneous phenomenon around the globe. Understanding why and how informal entrepreneurship emerges becomes fundamental for tackling its distinctive forms effectively. A particular focus should be placed on the role of informal and formal institutions, how they interact with each others and create space for informal entrepreneurship to emerge and flourish. Interestingly, beyond common formalization approaches that seek to eradicate informal entrepreneurship and convert it into more formalized forms, this dissertation highlights that informal entrepreneurship may also produce some positive outcomes for the economy and society. Therefore, far from eradicating it, it is crucial to understand its roots, and to develop holistic and, eventually, gradual formalizing solutions without disrupting the positive outcomes for society.

Secondly, the three essays on informal entrepreneurship propose a novel theoretical perspective on the phenomenon, its antecedents and outcomes. More specifically, Essay I maps the field of informal entrepreneurship proving its theoretical distinctiveness and relevance, uncovers the heterogeneity of informal entrepreneurs, provides a new dynamic perspective of how informal entrepreneurship emerges, why it does and with what consequences, and builds a forward-looking research agenda. Essay II unpacks the informal institutional complexity leading to new venture creation in fragile contexts, proposes a new theoretical framework of institutional abundance that represents a contextualized institutional approach, which acknowledges the relevance, legitimacy, and effectiveness of rich informal institutions that act alongside and in interaction with formal institutions, thereby jointly guiding and shaping new venture activities. Finally, Essay III showcases how various countries around the globe generate specific and complex formal and informal institutional configurations that affect informal entrepreneurial activity cross-culturally.

Thirdly, this dissertation opens interesting and relevant avenues for future research on informal entrepreneurship. It proposes the use of alternative angles, such as collective identity (Polletta & Jasper, 2001), sense-making (Weick, 1995b) and social exchange perspectives (Cropanzano et al., 2017) to bridge informal entrepreneurship with broader management and entrepreneurship conversations, enhancing the theoretical and practical implications of future research in this domain.

In conclusion, this dissertation has advanced our understanding of informal entrepreneurship, which is a globally prevalent and multifaceted phenomenon. Nevertheless, the field of informal entrepreneurship is still far from reaching its mature stage (Edmondson & McManus, 2007). The three essays presented above have drawn interesting and relevant avenues for future research in this domain. As a final remark, I highlight that to fully understand informal entrepreneurship, its latent mechanisms, features and processes, we need to abandon our clichés and misconceptions (George et al., 2016b), be ready to overcome established theories and approaches that have proven successful to explain formal entrepreneurship (McGahan, 2012), adopt more culturally-aware theoretical frameworks (Nason & Bothello, 2022), and innovative methodologies (Charman et al., 2017). I hope this dissertation will stimulate cross-

disciplinary research, communication across cultural boundaries, dialogue with practitioners (Chen et al., 2022) and partnerships between western and non-western researchers (Barkema et al., 2015) to advance theory on informal entrepreneurship in meaningful directions, and to develop holistic solutions toward some of the most crucial societal challenges of our time.

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