

# The widespread issue of illegal business entrepreneurship



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Illegal business entrepreneurship is widespread throughout the world, occurs in a variety of forms, and is often regarded as the mysterious side of entrepreneurship. This paper attempts to critically analyze, integrate and synthesis three different case studies (entrepreneurship and illegality, illegal entrepreneurship experience, and an emergent entrepreneur) that studies and focused on the entrepreneurship and illegal business.

To achieve the purpose of this paper, the current study divided into two sections. The first section provides sufficient definitions on the topic of entrepreneurship illegal business, and critically discusses literatures that primarily developed from the three aforementioned cases, which is the base background of this study and its analysis. The literatures focus on the relationship between 1) human capital (e. g. education) and illegal entrepreneurship motivation, and 2) the previous experiences of entrepreneurship its effect on motivation or intention.

The second part of this study attempts to provide empirically evidence to enhance literatures. Based on case study and interview approach, the current efforts thus aim to provide general framework in order to depth our understanding of illegal entrepreneurship motivations and its causes. A key benefit associated with studying illegal entrepreneurship at a case-study level is that entrepreneur perceptions and experiences can be easily. Finally, conclusion stated at the end of the study.

## **ENTREPRENEURSHIP DEFINITION**

Entrepreneurship is an act or a perform of starting new venture or stimulating mature organizations, principally new venture generally in

response to identified prospects and opportunities. Entrepreneurship is not easy to undertake, as an enormous majority of new ventures fail.

Entrepreneurial activities are to a large extent dissimilar and depend on the new organization *Per-se*. Entrepreneurship ventures are ranges in scale from solo business to gigantic business that create many job opportunities.

The literateurs reveal that the concept of "Entrepreneurship" has been employed extensively, studying three case-studies reveals that the differences in the nature of entrepreneurship as a concept may occur due to the diverse entrepreneur and complexity of entrepreneurial activities and uncertainty-bearing. For example, Palich and Bagby (1995) uttered that "when tracing the development of this concept in the literature, it becomes clear that no one definition of the entrepreneur prevails". Definitions have called attention to a broad range of activities the better-known of which include, uncertainty-bearing (Cantillon, 1755), co-ordination (Say, 1803), innovation (Schumpeter, 1934) and arbitrage (Kirzner, 1979). Defining entrepreneurial activity is very complex as these entrepreneurs that are less likely to receive external examination.

Entrepreneurship has even become a broad title for many studies, however very little intention has emerged to support the purpose of conceptual framework. (Shane and Venkataraman, 2000). Some studies explained that a contradiction existed in terms value, attitude and, the very nature of a planned economy inadvertently promoted the development of widespread entrepreneurial values (Ritter, 1998).

## **ILLEGAL ENTREPRENEURSHIP**

Illegal venture activity is widespread and diverse (Baucus, 1994; McClennahan, 1998). The term “ illegal entrepreneurship” has been used in three case studies to include a vast array of different activities (for example, drug dealer case and cross-border trade case). However, literatures show that the most serious and extreme form of illegal entrepreneurship is organized crime (e. g. hijacking and kidnap) that indicate predatory (Vold, 1958; Albin, 1971, p. 47). We believe that all above-mentioned categories considered illegal action and government role and nation authorizes should exhibit these activities. The three cases present the importance of government penalties in the prissiest of illegal entrepreneurship, however no explanation of how government may conduct their role.

Away from government role, many case-studies has explained the urgent need for greater understanding of illegal business practices, which is even greater today, as they appear to be increasing globally. We believe that the economies of many parts of the world are significantly influenced by the activities of illegal entrepreneurs nowadays (for example, the drug trade in Cuba, Europe, and the USA, the Russian Mafia). At the local level, illegal smuggling and corruption is widespread in Kuwait and most of Middle East countries. In the other areas of the world, notably Russia and sub-Saharan Africa illegal business activity appears to be so prevalent as to be almost the norm (MacGaffey, 1991; Tomass, 1998). In an article published by the Economist (US) states that “ in Russia free enterprise is almost synonymous with criminality” (The Economist, 1999).

In his study, Sardar, (1996) underlined that corruption and fraud that accompanies this activity, is usually regarded as a "social cancer" weaken the entrepreneurial capacity of economies where it is spread. Hanke (1996) uttered that "corruption is more than a moral curse. Bribes and other payments for government goodies are nothing more than unauthorized taxes, and as stated in the World Bank 1996 Development Report, these taxes discourage honest entrepreneurs, inhibit private investment, and restrain economic growth". We believe that his definition of corruption is valuable and reveals how illegal business has affect the whole world, ethical has not considerable from many entrepreneurs, which result later in inequality and many unfavorable situation.

From our reading and analysis, we believe that the case present fair description of illegal entrepreneurship. However, the corruption and other illegal business activity are proving frustratingly persistent all over the world. For example, In Kuwait trading in visa is illegal and have many ethical consideration of Oppression many workers who come from the third world, this issue will be explained later in section two. For now, literatures existing in the three cases presented demonstrated that illegal businesses activities - with all of its forms - have deeply rooted in sociality, which become a complex phenomenon to study. As Sardar (1998) uttered, there is "a sociology of corruption" that needs to be comprehend before real solutions can be initiate. Illegal business practices are widely twisted within the political, social, and economic fabric of many developing countries, where "social stigma" for these types of wrong doing has disappeared, and a "parallel economy" has emerged (Sardar, 1996).

The need for a qualitative approach that focuses on the illegal entrepreneurship is also indicated by the difficulties of obtaining suitable data (Bygrave, 1989). We believe that there is great complicity of identifying suitable cases of illegal entrepreneurship and getting access to them, Its hard to keep researchers safe and protecting from possible personal danger when they conduct empirically study. It's difficult to researcher to grapes and evaluates the usefulness of responses from people whose profession is popularly associated with covertness and deceit. Thus, we found that the literatures of the three case-studies suggested that only through patient ethnographic techniques, (e. g. participant observation over many months) could the necessary trust be established. However, we believe that this is not always the case, illegal activities not necessary associated with dangerous entrepreneur, (e. g. Illegal business licenses or illegal visa trading).

Understanding the three case studies expose that strong apparent links with illegal business activities and entrepreneurship, and the paucity of studies in this area is an urgent need to understand this relationship better, and to explore its potential complexity. We believe this suggests that studies should be exploratory and qualitative until a fuller understanding is achieved to guide more positivist approaches. To obey thus urgent need and enhance literature, in the second part of this study, we will conduct qualitative study with three entrepreneurs who involved in illegal business in the state of Kuwait. To be away from danger and threat, the type of illegal business we selected is alcoholic activities. The result of the qualitative study presented

in the second part of this study. Next we will briefly defined and analyze the entrepreneurship characteristics that included in the three studies.

## **ENTREPRENEURSHIP CHARACTERISTICS**

The three studies clearly explained that the difficulties associated with defining the entrepreneurial individual existed, which urge the need of a clear basis to differentiate entrepreneurs from non-entrepreneurs. We found that studies examining entrepreneurial traits or characteristics have proven largely unable to predict entrepreneurial capacities and activities as well as proving incapable to differentiate entrepreneurs from non-entrepreneur; references to specific traits continue to pervade the entrepreneurship literature.

We found that McClelland (1961) has provide very good example to illustrate that, he has introduce to the concept of an achieving society and a person need for achievement remains, questionably, the most often cited characteristic associated with entrepreneurs. Bandura (1977) has further added characteristics concept of self-efficacy. Self-efficacy refers as the perception that a person can produce desired effects and prevent undesired ones through ones actions. From our understanding, the foremost reason that self-efficacy maintains to be associated with entrepreneurship is that it has a straight effects on the types of goals that an individual will set for themselves, the obscurity of the tasks that the entrepreneurs is prepared to engage in as well as their levels of commitment and in the face of challenges and competitions.

Furthermore, one of the characteristic of entrepreneur is ability of comprehension of a decision to exploit an opportunity is contingent on a “pre-existing belief of entrepreneurs that the “opportunity” is both desirable and feasible. (Krueger, 2000). We found that literatures focus on the ability of a person with some personal propensity to act on opportunities and some sort of precipitating factor. We believe that according to Krueger, a “desirability” is relates to the extent to which a chosen action is considered as personally desirable, while in the same its important that this action is being congruent with perceived social attitude and norms (e. g. In Muslim countries its desirable to establish non-alcoholic soft drink business). On the other hand, we believe that a “feasibility” is closely relates to the extent to which the potential entrepreneur believes that a particular venture outcome is achievable (e. g. in term or sales or degree of acceptability by society). We believe that If both desirability and feasibility are positively achieved by an entrepreneur, he is likely to shape intentions to a degree which he will actually behaviors and conduct his business. Indeed, we have to points out that judgments relating to desirability and feasibility are considered not on the foundation of available information, but rather on interpretation of available information; “the ... literature teaches us that information is important, but the impact of that information is more important” (Krueger, 2000).

In attempts to provide deeper analysis, More recently Gatewood et al. (2002) have provide similar finding that assist Krueger, 2000. They state that the decision to satisfy an opportunity depends on three factors; 1) a positive relationship between effort and performance, 2) a strongly belief that a



specific performance level will result in the specified outcome and, 3) a level of incentive that the individual considered attractive. We considered that the subjective assessment of opportunities provide a useful explanatory framework as to why some individuals when presented with identical information will choose to become entrepreneurs whereas others will not (Forbes, 1999).

## **EDUCATION AND ENTREPRENEURSHIP MOTIVATION**

Is there is relation between education and entrepreneurship motivation? We found that studies have extensively formulated hypothesis related to human capital (e. g. education) and entrepreneurship motivations. However, so far, little research has been successfully measured the real effects of human capital on entrepreneurial business motivation. The entrepreneurship experience contributes to these modest empirical literatures on the relationship between human capital, business performance and motivation in transition countries. For example, Fairlie (2002) has analyzed the influence of illegal drug dealing experience on the choice for self-employment (in the USA context), and Earle and Sakova (2001) have investigated the effects of “gray market” experience on the probability of becoming self-employed in the transitional context.

From our reading, we can say that Johnson and Loveman (1995) study and Mathijs and Vranken (2001) studies are exceptions, because these studies measure and identify a positive relationship between the entrepreneur’s human capital and business performance. Johnson and Loveman (1995) studies explain that Polish entrepreneurs with a university degree perform

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better than entrepreneurs with lower levels of education. In the bases, Mathijs and Vranken (2001) study reveals evidence that more highly educated entrepreneurs run more efficient farms in Bulgaria and Hungary. We deemed that education has greatly affected on the entrepreneur's motivation and performance. Later, our qualitative study investigates of the effects education and illegal entrepreneur's motivation.

## **ENTREPRENEURSHIP EXPERIENCES AND ENTREPRENEUR INTENTION**

The core analysis of this section is the measurement of the relationship between illegal entrepreneurship experience intention and their motivation or intention. Intentionality is viewed as “ state of mind, directing attention, experience, and action toward a specific object (goal) or pathway to its achievement (means)” (Bird and Jelinek, 1988, p. 21). We found that studies suggest that in order to study intentions and understanding the difference in that respect between entrepreneurs with and without illegal entrepreneurship experience requires a perspective based on intention models that developed in the psychological literature. We believe that understanding this model is very important and required to be the basis analysis of future studies.

Intention models have been widely adapted to better understand entrepreneurship decisions and actions (Arenius and Minniti, 2005; Douglas and Shepherd, 2002; Krueger and Brazeal, 1994). “ Intention considered as the single best predictor of any planned behavior, including entrepreneurship” (Krueger et al., 2000). We found that the typical entrepreneurship decision analyzed in the intentions literature is the decision

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of new business formation, not of continuation and growth. We found that the intention to persist and grow a venture is different from the intention to start a new venture; this fact has been assisted by voluminous studies (e. g. Van Praag, 2003; Utsch et al., 1999). Next, will discuss and analyses the intention in the light of illegal entrepreneurship. The literatures of this section directly enhance and assist our empirical study that presented in the second part of this study.

## **INTENTION AND ILLEGAL ENTREPRENEURSHIP**

The decision to conduct illegally activities hold greater risks than trading conventionally, though the risk can vary appreciably according to the nature of the illegal goods being traded or the illegal practice accompanying the trade. We believe that the risk from illegal venture can involve heavy penalties, including imprisonment and, in many countries, even capital punishment for the trading of some substances. An entrepreneur willing to risk such penalties is either a irresponsible gambler or exceedingly confident that his or her knowledge and methods are highly effective. Several case studies reveals that the risk-taking propensity of entrepreneurs have shown that " the perceived context (knowledge and situational characteristics) is a more important determinant of risk-taking than personality" (Delmar, 2000).

We believe that an entrepreneur may appear to outsiders to be taking greater risks, but from his perception and knowledge, the risk may be limited. In dealing with uncertainty, entrepreneurs may tend to minimize risks through superior knowledge and wise judgment; studies confirmed that they also gain the confidence to reap greater rewards (Casson, 1990). The propensity to risk, its perception, and knowledge context become vital issues <https://assignbuster.com/the-widespread-issue-of-illegal-business-entrepreneurship/>

when considering why entrepreneurs may seek to act illegally in their pursuit of trade and profit.

To trade illegally, however, is not just a function of the willingness to accept and manage risk. There is an implication that the person finds the illegal process ethically and morally acceptable. Morality tends to differ between individuals as well as societies, and there are many different grades of acceptability for different actions. Many people, for example, find little to stir their conscience in smuggling a bottle of spirits, but would never contemplate trading hard drugs. The variability in moral acceptance between individuals ensures that there will always be a potential supply of illegal traders in any society. These will tend to be a small minority where the social norms morally condemn certain illegal practices.

There are countries, however, where illegal actions appear to be widespread, and thus socially acceptable to the social majority. In these, what is legal and what is moral do not necessarily coincide in large subsets of the population. Moral acceptability of illegal action can occur especially where a minority considers themselves oppressed by the rules of others. Blok's (1974) study of the Sicilian Mafia, demonstrated that the Mafia, though illegal and widely condemned, has played a significant part in helping the peasantry to bypass and negate the effects of the laws and regulations imposed by generations of foreign conquerors. Thus, where illegal commerce is rampant and endemic, as it is in many developing countries, such trade, though illegal can nevertheless be moral and acceptable for thousands of participants.

## **CONCLUSION**

Considering the paucity of literatures, studies on illegal business have provided us usefully information that mainly developed through case-studies. The current study has critically analyzed and discusses literatures that principle developed from previous case studies. We have attempts to defined entrepreneurship, illegal entrepreneurship and discusses entrepreneurship characteristic. Furthermore, literatures on the effect of human capital and previous experiences on entrepreneurship motivation and intention have explained.

## **EMPIRICALLY STUDY**

The first part of this study obviously reveals that there is paucity of literatures and research on the topic of illegal entrepreneurships. To enhance in providing studies and response to the urgent need of developing literatures, this part of provide empirically study. Qualitative study conducted with three entrepreneurships who involved in illegal business in the state of Kuwait. There are various form of illegal business (e. g. cross-broader trade, drug dealers, hijacking and kidnap are few forms), however to be away from risk and any potential threat, the type of illegal business we selected in this study is trading in visa. Before presenting the methodology, its important to provide background of the illegal trading in visa in the state of Kuwait.

## **BACKGROUND OF VISA TRADING IN KUWAIT**

In the state of Kuwait, Visa trading is illegal businesses conduct by entrepreneurship that become flourishing in Kuwait despite measures taken

by the Kuwaiti government to improve worker's rights. Recently the Kuwaiti Parliament overwhelmingly voted in favor of a new labor law that provides massive rights for their expatriate especially for workers in the private sector. But the new labor law stops short of abolishing the Sponsorship system -a law that will supposedly create a total dependence of the worker on his sponsor.

According some human rights groups, if kafil system eliminated there could be end to some human rights and workers violations including visa trading. Earlier reports said that legislation provides more rights for workers in the private sector, including better annual leave, end of service indemnities and holidays. The bill requires the government to introduce a minimum wage for certain jobs, especially in the lower-paid categories. New labor law should be implemented to prevent this illegal business.

Studies reveal that workers mostly from East Asia worked with their Kuwaiti sponsor -entrepreneurship- for the several years as domestic helper. With their sponsor permission, almost a year, their jobs shifted from housemaid to a car driver, shopper, dressmaker or other jobs. Workers got their new visa and their sponsor still holding an article 20 visa, which is nothing but similar to visa from workers previous employment as housemaid. Kuwaiti laws stress that this action consider illegal business, as entrepreneurship take advantageous from those low-payd labor.

The domestic help affairs in Kuwait are handled by Kuwait's Ministry of Interior while article 18 visa are enforced by Kuwait's Ministry of Labor and Social Affairs, under which they have special advantages and disadvantages.

However, in Kuwait, if someone working in private sector, he should be holding article 18 visa, but if he employer provides you with article 20 visa, then, his sponsor is clearly violating Kuwait's prevailing law.

Reports reveals many violation and illegal action are held by visa trader, for example recent report has interviews Filipinas housemaid, Mendie said that “ my employer has been into collusion with local agency, so she can get workers from the Philippines easily. But I was hired locally with three other Filipinas. She promised us visa 18, but until now, we are working under visa 20,” Mendie Addedd that “ When I demanded for my rights, my Kuwaiti sponsor told me to pay KD700 and I will be free to leave my dress shop. “ I told my sponsor I want to leave and get a release without money involved just like the way my previous sponsor had let me transfer to him sponsorship, but now my sponsor demanding KD700, where can I get KD700, so I told her to just let me go back to my country, now, my sponsor don't want to give my passport”.

Mendie's case was just one of many workers in Kuwait whose rights are violated by Kuwaiti entrepreneurship who conduct visa trading business. Kuwait's government seeks vividly to cover such business, prevent it by laws and plenty Kuwaiti entrepreneurship for their illegal action, however, in many cases, such business cannot be detected easily.

## **METHODOLOGY**

As explained in the first part of this study, paucity of research has been conducted to measure the influence of human capital on entrepreneurial business motivation. Johnson and Loveman (1995) and Mathijs and Vranken

(2001). The focus of this empirically study on the human capital and entrepreneur intention on their motivation.

In order to achieve the purpose of this empirically study, we found that the three case studies presented in the first section has implemented dissimilar methodology, one study adapted social constructionist stance which was shared through narrative accounts and interpreted as discourse, while other studies- the majority of research as well- within the entrepreneurship regulation has followed and continues to follow the positivist methodological paradigm (McElwee and Atherton, 2005).

We found that studies based on accounts or narratives has been widely criticized on the grounds that such accounts are subject to post hoc rationalization, while social constructionist stance approaches have been criticized on the grounds that they are rather static in nature and, as such, are not well suited to exploring and explaining the dynamic and oftentimes unique nature of enterprise and entrepreneurship.

To avoid repetitive and limitations, the current study aims to build the analysis on the background of an interviews with three Kuwaiti entrepreneurs as a case study level. We believe that a key benefit associated with studying entrepreneurship at a case-study level is that individual experiences and perceptions can be easily captured and interpretative. Eisenhardt (1989, p. 534) argues that interviews at case study approach provides to research the ideal platform for “ understanding the dynamics present within a single setting”. The use of an interview technique supports the subject to structure their narrative around critical



events/episodes without constraining or inhibiting their response (Chell, 1998). In asking the respondent to discuss events of both a positive and negative nature, the interview, which bore a strong resemblance to the “depth interview” (Jones, 1985) Thought interviews, Kuwaiti entrepreneur asked specific questions that developed from literatures. Most of questions related either to human capital (e. g. education and entrepreneurship motivation, or to their intention and motivation. In purpose of anonymous, the three Kuwaiti entrepreneur nameless stated as; Mr. A, Mr. B and Mr. C.

## **EDUCATION, INTENTION AND ILLEGAL ENTREPRENEURSHIP MOTIVATION**

The aforementioned literatures clarify that the prior human capital has associated affected the entrepreneurship motivation. (Becker, 1964; Mincer, 1974). When we asked Mr. A about his education he said that “ I never when to school or university, I joined military defense when I was 22 years old, several years I left the army and start my own venture, its visa trading business, I realize that East Asia worker strive to have an opportunities to come to Kuwait, and my business will be help those people to improve their situation as well as myself”.

From the interview, we found that Mr. A didn't achieve any success in his previous job; this was primary reasons that push him to trade in visa. “ It's hard to be financially fine while you are working in public sector,, the life expense increase and I don't want to involve in depts., I cant rise my kids or help my family in such circumstances”. Mr. A has developed some experiences to be surviving competition in the private sector, trading in visa was not totally acceptable and reasonable to his value. “ I think we have no

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permit to operate. Our business is located in the Kuwaiti area; but will never know that this villa has the visa trading business, my former colleagues provide me with all information needed to start this venture ". Mr. A. experiences has greatly affected by his former colleagues, he has improved his skills by cumulative experiences. Bhide (1994) finds that 71% of entrepreneurs found their ventures by replicating or modifying an idea they encountered at their previous employment. Firms started by a former employee of an established firm are often referred to as spin-outs-no equity link between the parent company and the start-up (Garvin 1983).

Mr. A has intended to conduct this type of business long time ago, however he couldn't achieve it until he retired from the military. Mr A. said " If government know that I have two job in the same time, this could lead to lose all my retirement benefit, I decide to retired from military once I had complete information of how to handle my venture" the case of Mr. A assist many literatures demonstrated that intentions explain 30 percent or more of the variance in behavior, as averaged across a wide range of studies on a large variety of types of behavior (Kim and Hunter, 1993; Krueger et al., 2000). In the same bases, Kim and Hunter (1993) further demonstrated that over fifty percent of the variance in intentions is explained by an entrepreneur characteristics and attitudes towards the intended behavior or decision.

Related to Mr. A case, we found that he developed various skills to prissiest in market, life pressure and expense has push him to trade in visa regardless of being legally or illegally business. The empirical implication of human capital theory stress that that higher levels of education lead to higher

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earnings may not appropriate here, however Studies reveal that previous knowledge assists in integrating and accumulating new knowledge as well as in adapting to new situations (Weick, 1996).

Furthermore, interviewing Mr. B reveals conversely finding. “ Since I graduated for my post ground study, I hired in higher-position in public sector, however I find this good opportunity to establish my business and invest my time”. Mr. B believes opportunity to increase his income, giving worker low salaries, he believe that these employees can’t find better job in their countries anyway. Mr. B explain that “ Its an opportunities, and government know that such business existed, then why I cant benefit from trading in visa, I believe am securing my job career in case of any future circumstances... even you can do such business while you are setting at home”.

Literatures reveal that such a relationship between earnings and human capital has been confirmed empirically for wage earners (Ashenfelter et al., 1999). For entrepreneurs, the effect of human capital has been measured in terms of earnings and other various others such as profit, business survival, the number of employees and business turnover (Van der Sluis et al., 2003).

Similarity Mr C. believes that opportunities existence urge entrepreneurship to gain profit and advantageous even on the cost of others. Mr. C said that “ Its free-market system, we understand that in ever market, some people gain profit resulting in losing others. I open an unlicensed business, which is trading in visa, and I believe my prior education enhance my knowledge to expand my business”

I trade visa in average KD500, I only asked KD100 when renewing it for one year for the workers, so I am satisfied with it, and I those worker could gain much better opportunities to developed their income compared their peers how works in their third-word countries". When we ask him about the legality of his business, Mr. C said " I know, article 20 state that visa is not allowed to work as beautician, however, its government know that many entrepreneur work in this filed, our employees always have do a hide and seek game with inspector thus they can stay working with no complication".

" The employees of third world countries are favorable in term of salaries, I provide private sector companies with an opportunities to reduce their costs." When we ask Mr. C about Human right, he understand that those employees are not always in favorable situation " In Kuwait, these employees cannot complain in the Ministry of Labor because they are under article 20 visa, most of time, their salaries depends on the mood of our the ' kafil' if he is okay at that time of salary.

To Mr. C, he was hesitate to conduct such business, but this has vanished since he become one of the leaders in this market and profit generated much more than conducting other business. The case of Mr. C assist many previous literatures that indicated by intentions could also be a result of norms (Krueger et al., 2000), moreover, the intention to continue a business could reflect the personality traits such as perseverance, while the intention to grow a business may reflect optimism (Markman and Baron, 2003; Crane and Sohl, 2004).

## **CONCLUSION**

These are various attitudes and characteristics that should be considered when analyzing entrepreneurs' motivation or intentions to continue and grow their businesses. However, the case of conducting legal