

Chapter 5

How Globalization Sparked Entrepreneurship in the Developing World: The Impact of Formal Economic and Political Linkages

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ABSTRACT

In light of globalization, the international business literature has focused on the economic impacts of interconnectedness resulting in new trade patterns, monetary and labor flows, and global governance. The political science literature has focused on the possibility of new liberal norms allowing for collective action and inter-state relations. While these two theoretical paths have been studied independently, less attention has been given to the interplay between them. Does the changing political environment impact multinational corporations, entrepreneurial activity, and firm performance? The purpose of this chapter is to understand and analyze entrepreneurship in emerging markets through the lens of intergovernmental organizations, global governance and geopolitics, and the changing nature of the over-arching political system. Through a case study of Peru, this chapter aims to provide theoretical insight to the discussion of entrepreneurship within emerging markets to better understand the global antecedents of entrepreneurial activity in order to propel economic development.

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INTRODUCTION

Globalization is not an inherently new phenomenon and scholars from many different disciplines have examined both its antecedents and consequences (Lucas, 2007; Mahtaney, 2013). Globalization refers to the increasing economic and political interdependence currently bridging gaps between nations that may have been otherwise estranged (Kwon, 2012; Singh, 2012). This sweeping trend has a wide-ranging impact, including education, economics, policy-making, and business environments (Dau, Moore, & Soto, 2016b; Kwon, 2012). Simultaneously, as capital, goods, and labor are flowing across borders at an unprecedented rate (Stohl, 2004), the economic schism between the 'global north' and the 'global south' continues to expand (Lewis, 1998; Stiglitz, 2004). As a result of the continued economic inequality, scholars seek ways to motivate economic development within emerging economies (Hoskisson, Eden, Lau, & Wright, 2013; Velasco, 2002). Several vehicles, such as foreign direct investment (FDI), conditionality loans, governance reforms, and increased entrepreneurship, have all been suggested as potential sources to facilitate the development process (Jamali, 2003; Naudé, 2010).

Scholarly literature in international business has recently focused on the economic impacts of globalization and the newly forming patterns of trade, monetary flows, labor movements, and the overall internationalization process. (Austin, McKinney, & Kick, 2012; Dreher, 2006; Mahtaney, 2013). Political science literature has focused on the possibility of newly forming liberal norms that would allow for collective action and the prospect of global governance (Diehl & Frederking, 2010; Dryzek & Stevenson, 2011). While these two theoretical paths have been studied independently, less attention has been given to the interplay between global politics and global business practices. Does the changing political environment impact the business environment within different domestic settings? How would a global governance regime affect entrepreneurs differently in a variety of countries? In short, can global actors impact domestic level businesses and entrepreneurs, as well as their respective strategies? As the future of the nation state continues to face threatening challenges (Drezner, 2001; Singh, 2012), both inter-governmental organizations (IGOs) and international non-governmental organizations (INGOs) are becoming increasingly significant topics of discussion (Alcacer & Ingram, 2013; Reimann, 2006; Snidal, 1992).

The purpose of this chapter is to understand and analyze entrepreneurship in emerging markets through the lens of IGOs. Building on institutional theory (North, 1990), this chapter examines the potential space that IGOs can inhabit within national settings. By combining institutional theory with recent literature on global governance (Barnett & Finnemore, 2004; Diehl & Frederking, 2010) and the benefits of internationally structured regimes, this project contributes to the interdisciplinary discussion between international relations and international business. Furthermore, this chapter adds to the growing dialogue on entrepreneurship and how to promote new business activity within emerging market settings (Gaffney, Cooper, Kedia, & Clampit, 2013; Ramamurti & Singh, 2009; Welter, 2011). For both practitioners and academics, this chapter propagates discussion on the best paths towards development with emphasis given to the benefits of entrepreneurial activity.

This chapter begins with a contextual framing of the proliferation of IGOs in the current changing global atmosphere as well as a discussion of the motivators and key influences on entrepreneurship. A theoretical discussion, including nomological networks, of the interplay between IGOs and entrepreneurship within emerging markets will follow. Contextual evidence from Peru will be provided and assessed to highlight the theoretical propositions put forth within the chapter. The study will conclude with a discussion of the propositions and how they could be utilized and built upon for future scholarship.

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