ENTREPRENEURSHIP, THE STATE AND INSTITUTIONAL CHANGE: SOME EVIDENCE FROM POST-SOCIALIST REGIMES (INTERACTIVE PAPER)

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Principal Topic

Prevailing institutions in post-socialist countries are often different (the term used in the literature is sub-optimal) from those in advanced market economies: influencing actor incentives (often stated in the literature as preventing the incentives of the market system from revealing their full strength), and thus impacting on (obstructing) the process of economic development. In response researchers and policy-makers view the creation of an institutional setting that favours entrepreneurship as a pre-requisite for economic development. The introduction of new institutions is invariably viewed as the remit of the state – which enjoys legitimacy and holds a clear vision of the institutions required for growth. However, there is evidence from a host of post-socialist regimes that the (top-down) introduction of change often fails to have the anticipated results. Within this context, this paper sets out to explore the role of entrepreneurs in the process of institutional change.

Method

The approach in the paper is a historical one, following on the footpaths of a long tradition of historical research in entrepreneurial studies that can trace its origins in the pioneering work of Schumpeter. More specifically, the paper tries to critically interpret written materials in order to deconstruct the process of institutional change in Ukraine, the country that achieved the least success in the establishment of market institutions among European post-socialist regimes.

Results and Implications

Evidence from the case of Ukraine challenges conventional views that perceive entrepreneurs as ‘victims’: constrained by old and sub-optimal institutions, which survive on account of the state’s inability to introduce change. They remain under the hold of old institutions on account of their impact on preferences and cognition, and the influence change through the political process, innovation and direct action. Their impact upon institutional change differs on account of profound differences in preferences between as well as within entrepreneurial groupings. In trying to influence change entrepreneurs may form alliances of convenience – such as that between regional entrepreneurial elites, criminal entrepreneurs and even segments of small and micro-scale entrepreneurs. These alliances may be dissolved and reconstituted depending on the specific juncture. Entrepreneurs are therefore (alongside the state) an integral part of the problem and the solution.

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