
Criminal entrepreneurial behaviour

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Abstract: While entrepreneurship is normally researched as something positive, this paper illustrates the dark sides of the construct. This conceptual research paper applies entrepreneurship literature to generate new insights into entrepreneurship in organised crime and entrepreneurs in criminal organisations. Criminal entrepreneurship is found in organised crime, where criminal entrepreneurs choose to organise a criminal business enterprise in order to exploit illegal market opportunities. Entrepreneurial opportunities can be exploited in a variety of ways, depending on strategy and available resources. As organised crime is growing locally as well as globally, law enforcement agencies need to develop their understanding of strategic criminal entrepreneurship. Based on perspectives in this paper, the dark side of entrepreneurship needs to be further explored within both the legitimate and illegitimate business sector in the local as well as global perspective in future research.

Keywords: entrepreneurs; criminal business; organised crime; criminal organisation; crime strategy; illegal markets.

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1 Introduction

Since concepts such as entrepreneur and entrepreneurship seem to represent implicitly a positive person and a positive activity in the strategy and management literature, there might be a need for a paper describing some negative realities using the same concepts. This paper makes a contribution in this direction by applying general entrepreneurship literature to criminal business enterprises. The dark side of entrepreneurship is an emerging field in need of further research with different perspectives (Beaver and Jennings, 2005; Williams, 2005).

This paper attempts to discover and identify key issues for criminal entrepreneurship. It attempts to understand organisational behaviour and development from illegal entities. This paper is conceptual by applying legal concepts to the criminal world. First, criminal entrepreneurs are described and exemplified. Next, organised crime and criminal organisations are defined after a thorough presentation of theoretical perspectives. Then, entrepreneurs and crime are combined into criminal entrepreneurship and finally crime strategy.

2 Criminal entrepreneurs

We all know names of businesses enterprises such as IBM, Fiat, Elf, Siemens, Ericsson, Nokia, Sony, Heineken, Ikea, Microsoft, Kia, Nike and Virgin. These names belong to corporations producing goods and services. We may find the headquarters of IBM in the USA, Fiat in Italy, Elf in France, Siemens in Germany, Ericsson in Sweden, Nokia in Finland, Sony in Japan, Heineken in the Netherlands and so forth. These are multinational or global business enterprises employing thousands of persons. Often an entrepreneur started the business long time ago. In IBM, the first entrepreneur was Herman Hollerith who founded the business and the second entrepreneur was Thomas J. Watson who grew the business. Fiat was founded by a group of investors including Giovanni Agnelli. Other famous entrepreneurs include Bill Gates (Microsoft), Ingvar Kamprad (Ikea) and Richard Branson (Virgin).

Similarly, we can identify criminal business enterprises such as Hells Angels, Cosa Nostra, Camorra, Yakuza, Adams Group, Warren Group, Sinaloa Cartel, Tijuana Cartel, Carli Cartel, Medellin Cartel, N'drangheta, Sacra Corona Unita, Verhagen, Favelas, Primeiro Commando da Capital, Aryan Brotherhood, Fuk Ching, Mara Salvatrucha, Bandidos, Coffin Cheaters, Commando Vermelho, Tarceiro Comando, Asia World Company, Ahmidan Group, Bout Group, Karzai Group, McGraw Group, Heavenly Alliance, Outlaws, Marcos Group, Afragola, Dalnevostochny, Uralmashski, Solntsevo, Chechen, Tambov, Podolsk, and Holleeder Group.

Entrepreneurs have many of the same characteristics as leaders. Entrepreneurship is a kind of leadership focusing on creativity and innovation and often involving strong emotions (Jayasinghe et al., 2008). As leaders are sometimes contrasted with managers, so are also entrepreneurs. Managers tend to be administrators who are more methodical and less prone to risk-taking. The entrepreneur has an enthusiastic vision, the driving force of an enterprise. The entrepreneur's vision tends to be supported by a set of related ideas not spelled out before. The overall blueprint to realise the vision is clear, however specific actions may be incomplete, flexible and evolving.

Von Lampe (2007) made some observations on the social microcosm of illegal entrepreneurs. He examined the patterns of interaction of offenders involved in the importation and wholesale distribution of contraband cigarettes in Germany. He assumed that under normal circumstances, offenders would prefer to operate alone and in complete isolation, but found that smugglers and wholesale distributors of contraband cigarettes came into contact with a number of individuals in the course of their illegal activities.

The social microcosm of an illegal entrepreneur includes all those individuals he or she encounters in the course of his or her criminal activities who are in a position to

influence the success or failure of that particular criminal enterprise [von Lampe, (2007), p.132]:

“The concept of the “social microcosm of illegal entrepreneurs” encompasses three aspects that have variously been addressed in the criminological and organized crime literature: co-offending, the social embeddedness of criminal networks, and the interaction between illegal and legal spheres of society.”

3 Theories of organised crime

Traditionally, a criminal organisation is often thought as a monopolistic firm and the *theory of monopoly* is predominantly used to analyse organised crimes. The monopolistic model implies that potential criminals have no other choice besides being forced to join the criminal organisation if they decide to commit a crime. Chang et al. (2005) find this perspective to be less than exhaustive in terms of describing criminal behaviour. They argue that the determination of the market structure for a crime should be endogenous, which has notable implications for the optimal crime enforcement policies and crime itself.

To recover the conventionally neglected facts and provide a more complete picture regarding organised crime, Chang et al. (2005) developed a model in terms of a criminal decision framework in which individual crime and organised crime are coexisting alternatives to a potential offender. The model makes the size of a criminal organisation a variable and explores interactive relationships among sizes of criminal organisation, the crime rate and the government’s law enforcement strategies. Model runs showed that the method adopted to allocate the criminal organisation’s payoffs and the extra benefit provided by the criminal organisation play crucial roles in an individual’s decision to commit a crime and the way in which he or she commits that crime.

Gross (1978) argued in his classical article on the *theory of organisational crime* that more than some areas of sociology, studies of crime and delinquency usually have a strong theoretical base. He suggested two important theoretical relationships. First, the internal structure and setting of organisations is of such nature as to raise the probability that the attainment of the goals of the organisation will subject the organisation to the risk of violating societal laws of organisational behaviour. Secondly, persons who actually act for the organisation in the commission of crimes will, by selective processes associated with upward mobility in organisations, be persons likely to be highly committed to the organisation and be, for various reasons, willing and able to carry out crime, should it seem to be required in order to enable the organisation to attain its goals, to prosper, or minimally, to survive.

One of the most widely held theories of organised crime today in the USA is known as the *alien conspiracy theory*. This theory blames outsiders and outside influences for the prevalence of organised crime in society. Over the years, unsavoury images, such as well-dressed men of foreign descent standing in shadows with machine guns and living by codes of silence, have become associated with this theory. The alien conspiracy theory posits that organised crime (the Mafia) gained prominence during the 1860s in Sicily and that Sicilian immigrants are responsible for the foundations of US organised crime, which is made up of 25 or so Italian-dominated crime families (Lyman and Potter, 2007).

Lombardo (2002) has challenged the alien conspiracy theory as an explanation of the origin of organised crime in the USA, as he reviewed the history of Black Hand (organised crime group) activity in Chicago in the early 20th century, arguing that the development of Black Hand extortion was not related to the emergence of the Sicilian Mafia, but rather to the social structure of the US society.

Rational choice theory suggests that people who commit crimes do so after considering the risks of detection and punishment for the crimes, as well as the rewards of completing these acts successfully. Examples of this theory include a man who discovers that his wife is having an affair and chooses to kill her, her lover, or both; the bank teller who is experiencing personal financial difficulty and decides to embezzle funds from the bank to substantially increase her earnings; and an inner-city youth who decides that social opportunities are minimal and that it would be easier to make money by dealing crack cocaine (Lyman and Potter, 2007).

In an organised crime, Shvarts (2001) suggests that rational choice theory can explain the growth of the Russian Mafia. Because of low income and financial difficulties at the individual level, combined with a corrupt police force, it seems rational to move into organised crime to improve standard of living for members joining the criminal organisation.

Some theorists believe that crime can be reduced through the use of deterrents. The goal of deterrence, crime prevention, is based on the assumption that criminals or potential criminals will think carefully before committing a crime if the likelihood of getting caught and/or the fear of swift and severe punishment are present. Based on such belief, *general deterrence theory* holds that crime can be thwarted by the threat of punishment, while *special deterrence theory* holds that penalties for criminal acts should be sufficiently severe that convicted criminals will never repeat their acts (Lyman and Potter, 2007).

Furthermore, *learning theories* have been used to explain the onset of criminal activity. The body of research on learning theory stresses the attitudes, ability, values and behaviours needed to maintain a criminal career (Lyman and Potter, 2007).

Next, *cultural deviance theories* assume that slum dwellers violate the law because they belong to a unique subculture that exists in lower-class areas. The subculture's values and norms conflict with those of the upper class on which criminal law is based (Lyman and Potter, 2007).

Yet another criminology theory is *social control theory*, where social control refers to those processes by which the community influences its members toward conformance with established norms of behaviour [Abadinsky, (2007), p.22]:

“Social control theorists argue that the relevant question is not, Why do persons become involved in crime, organised or otherwise? but, rather, Why do most persons conform to societal norms? If, as control theorists generally assume, most persons are sufficiently motivated by the potential rewards to commit criminal acts, why do only a few make crime a career? According to control theorists, delinquent acts result when an individual's bond to society is weak or broken. The strength of this bond is determined by internal and external restraints. In other words, internal and external restraints determine whether we move in the direction of crime or of law-abiding behavior.”

Bruinsma and Bernasco (2004) used *social network theory* to describe and tentatively explain differences in social organisation between criminal groups that perform three

types of transnational illegal activities: smuggling and large-scale heroin trading, trafficking in women, and trading in stolen cars. Groups that operate in the large-scale heroin market tend to be close-knit, cohesive and ethnically homogeneous. Groups active in the trafficking of women have a chain structure, while those that operate in the market for stolen cars are characterised by three clusters of offenders in a chain. Both groups are less cohesive than criminal groups in the large-scale heroin market are. The differences in social organisation between the three types of illegal activities appear to be related to the legal and financial risks associated with the crimes in question and thereby to the required level of trust between collaborating criminals.

It is often argued that criminal organisations have a network structure. For example, similar to other forms of organised criminality, including weapons trafficking, immigrant smuggling and prostitution, drug trafficking in Colombia occurs in fluid social systems where flexible exchange networks expand and retract according to market opportunities and regulatory constraints. This durable, elastic structure did not emerge overnight but developed over many years as entrepreneurs built their enterprises through personal contacts, repeated exchanges and resources they accumulated gradually, while drawing on social traditions, such as contraband smuggling, that extend far back to Colombia's colonial past (Kenney, 2007).

Krebs et al. (2003) applied non-cooperative *game theory* to examine drug smuggling. The study tried to determine if fluctuations in key policy variables have the potential to diminish the expected utility of smuggling drugs, thus encouraging lawful behaviour. The study simulation indicated that decreasing the expected utility of smuggling drugs to a level where lawful behaviour is likely to be chosen is an infeasible mission from a policy perspective. In addition, a recent drug smuggling innovation, known as black powder, is likely to only increase the expected utility of smuggling drugs. Black powder is a simple industrial cloaking method that renders many surveillance strategies and chemical tests futile. The consequences of black powder and the exchange between drug control agents and drug smugglers are important in the simulation.

Based on utility theory, game theory involves the mathematical representation of the decision making process in situations where the interests of two or more players are interconnected and interdependent. A player may be either an individual or a group that operates as a single decision making entity. Players in situations of uncertainty choose from a set of available actions called strategies, each of which offers a probability of producing a possible outcome. The choice a player makes is determined by the anticipated utility, viewed as an indication of the individual's beliefs and preferences, that each alternative behavioural strategy is expected to produce (Krebs et al., 2003).

It has been argued that some ethnic backgrounds are less qualified for organised crime. For example, law enforcement in the USA is somewhat reluctant to accept the existence of Afro American criminal organisations, based primarily on the opinion that such ethnic groups are incapable of structuring syndicates of any consequence, similar to the Cosa Nostra. Such an opinion is based on the *theory of race*. Contrary to this opinion, Walsh (2004) found powerful black organised crime groups in the USA. For example, Afro Americans established connections with Asian drug dealers during the Vietnam War. Much of the heroin on the streets of US cities during this period had been smuggled from Vietnam in the bodies of dead servicemen.

4 Organised crime and criminal organisations

Organised crime denotes a set of criminal actors as well as a set of criminal activities. These for-profit activities include trafficking in drugs, trafficking in women and children, kidnapping for profit, alcohol and cigarette smuggling, credit card fraud, personal protection and other organised crimes. Thus, organised crime covers a wide range of individuals and activities in a number of crime sectors and markets (Levi, 2007).

A criminal market is, like a legal market, a meeting place for supply and demand. Suppliers have goods and services to offer, which customers demand. If there is high demand and little supply, prices will rise. If there is little demand and great supply, prices will fall. Criminal business enterprises are typically in the business of continuous supply of illegal goods and services. In order to make profits, those who offer illegal goods and services must promote their supply in terms of advertising, corruption and other means.

An organised crime is any crime committed by persons occupying, in an established division of labour, positions designed for commission of crime. Furthermore, organised crime is crime committed by criminal organisations whose existence has continuity over time and across crimes, and that use systematic violence and corruption to facilitate their criminal activities. These criminal organisations have varying capacities to inflict economic, physical, psychological and societal harm. The greater their capacity to harm, the greater the danger they pose to society. Organised crime involves a continuing enterprise in a rational fashion, geared towards profit achieved through illegal activities (Duyne et al., 2003, 2005; Wright, 2006). It is an ongoing criminal conspiracy, with a structure greater than any single member and the potential for corruption and/or violence to facilitate the criminal process. Some criminal organisations develop illegal markets for their goods and services (Woodiwiss, 2001).

In order to speak about organised crime, according to the European Union, at least six out of a set of 11 characteristics need to be present, four of which must be those numbered 1, 3, 5 and 11 out of the following list (Elvins, 2003):

- 1 collaboration of more than two people
- 2 each with own appointed tasks
- 3 for a prolonged or indefinite period of time
- 4 using some form of discipline or control
- 5 suspected of the commission of serious criminal offences
- 6 operating at an international level
- 7 using violence or other means suitable for intimidation
- 8 using commercial or businesslike structures
- 9 engaged in money laundering
- 10 exerting influence on politics, the media, public administration, judicial authorities or the economy
- 11 determined by the pursuit of profit and/or power.

Characteristic 8 suggests commercial or businesslike structures as assumed and explored in terms of managing organisations in this paper. Several other characteristics are similar to characteristics of traditional projects. For example, a project is normally a collaboration of more than two people (1), each with own appointed tasks (2) and for a prolonged, not indefinite period of time (3). While an organised crime seldom will be for an indefinite period of time, the criminal organisation might very well be. Compared to legal business projects, we suggest that criminal projects have a tighter control structure, thereby emphasising the control side of the motivating role of criminal leaders as developed by Elvins (2003).

The economic crime division within the department of crime problems at the Council of Europe (2002, p.6) applied the following definition of organised crime when evaluating crime analysis:

“Organized crime means the illegal activities carried out by structured groups of three or more persons existing for a prolonged period of time and having the aim of committing serious crimes through concerted action by using intimidation, violence, corruption or other means in order to obtain, directly or indirectly, a financial or other material benefit.”

Criminal organisations are active and strategic in their efforts to bribe policemen. Kugler et al. (2005) find that cooperative police officers are helpful to criminal organisations by passing information to them about police investigations and planned raids, and by making deliberate changes in prosecutions. Such changes then might ensure that the charges against the criminals will not result in guilty verdicts. Corruption of police officers is made easier in many countries by the fact that they are modestly paid and therefore, are subject to temptation. Combined with violence and threats of violence, corruption is an effective strategy for many criminal organisations.

People tend to believe that large-scale criminal organisations dominate the production, distribution and sale of illegal drugs all over the world. Paoli (2001) questioned this belief by fieldwork in Italy, Russia and Germany. She found that the great majority of drug deals, even those involving large quantities of drugs, were carried out by numerous, relatively small and often temporary groups. Many drug enterprises were ‘crews’: loose associations of people, who form, split and come together again as each opportunity arises. In crews, positions and tasks are usually interchangeable and exclusivity is not required. Many crew members frequently have overlapping roles in other criminal enterprises.

Paoli (2001) argues that law enforcement agencies often resort to drawing the picture of large-scale criminal organisations to back their requests for extra funding. She found that it is the ‘invisible hand of the market’ that reduces the effects of their repressive actions. At the retail level, the number of people willing to sell drugs seems to have no end. When five Moroccans are arrested in Milan or Frankfurt, there are another 50 ready to do the same job even at less pay than the ones who were caught by the police.

While criminals seldom act alone, they do not necessarily join a criminal organisation. Rather, they often form more or less temporary networks of collaboration (Pérez, 2007). Links allow criminals to coordinate their efforts and thus to derive spill over benefits.

5 Criminal entrepreneurship

Unfortunately, innovation and learning do not only occur in legal enterprises. Many illegal enterprises seem to innovate and learn quickly over time. Illegal enterprises include trafficking, narcotics, smuggling and other criminal organisations. For example, Abramova (2007) expects more transnational organised crime originating in Russia in the future based on innovation and learning. The leaders of Russian criminal organisations having established and/or legalised their positions in the key industries at home will try to expand their economic influence abroad. For this purpose, they are most likely to use the methods perfected in Russia – violence, fraud and corruption, in addition to business financing of their legal enterprises (Kapustkina, 2008). They will not limit themselves to creating new affiliate criminal structures abroad, but will try to carve out a share of the existing criminal markets overseas. This will transfer hostilities between organised crime groups to other lands; in particular, Southern Europe, South-East Asia and selected key countries in the West.

The performance of entrepreneurial businesses is perceived as a function of forming a competitive advantage based on the mobilisation and management of strategic knowledge resources. Strategic knowledge resources are characterised by being valuable, non-transferable, non-imitable, combinable and exploitable. Competitive advantage is also based on strategies that yield higher performance compared to other businesses in the criminal field or area (Kim and Kil, 2008; Singh et al., 2008).

Creativity is an important ingredient of entrepreneurship, and creativity in entrepreneurship is defined as the internal processes through which entrepreneurs produce ideas that are valued to them and to their wider communities of practice. Often, innovation is related to creativity, where innovation is taken to mean the transformation of creativity into profitable development of goods, services, relationships or internal work practice.

Risk management is an important activity in criminal entrepreneurship, as the threat from law enforcement as well as competing criminals has to be taken into account before committing crimes. Information on risks has to be collected from both under-world and over-world sources. Risk has to be evaluated in terms of both probability of something going wrong as well as consequence if something goes wrong.

Symeonidou-Kastanidou (2007) argues that there is a need for a new definition of organised crime, where entrepreneurial structure is included as an important element. An entrepreneur is a person who operates a new enterprise or venture and assumes some accountability for the inherent risks. The view on entrepreneurial talent is a person who takes the risks involved to undertake a business venture. Entrepreneurship is often difficult and tricky, as many new ventures fail. In the context of the creation of for-profit enterprises, entrepreneur is often synonymous with founder. Business entrepreneurs often have strong beliefs about a market opportunity and are willing to accept a high level of personal, professional or financial risk to pursue that opportunity. Entrepreneurs create opportunities in a number of fascinating ways (Endres and Woods, 2007), such as new logistical routes, new money handling procedures and competence and training facilities.

Why does a criminal entrepreneur choose to organise a criminal business enterprise in order to exploit a market opportunity? Alvarez and Barney (2007) argue that entrepreneurial opportunities can be exploited in a variety of ways and seek to understand

the conditions under which organising an enterprise is the most efficient way of exploiting a particular opportunity.

Opportunities to create new economic value exist because of demand for goods and services in illegal markets. Entering an illegal market as an entrepreneur is based on the assumption that there are competitive imperfections reflecting changes in technology, demand or other factors that individuals or groups in an economy attempt to exploit. For example, Ismael Zambada-Garcia is a Mexican drug lord. He is the capo (captain) and the head of the Sinaloa cartel in Mexico. He is the 'El Mayo', Mexico's number one drug dealer. He climbed to the top by eliminating rivals and victory over Columbian cocaine producers. Zambada-Garcia got indirect help from the police, because police in Mazatlan shot and killed his most powerful rival Ramon Arellano Felix in 2002. The Tijuana cartel led by Felix was weakened, while the Sinaloa cartel of Zambada-Garcia was strengthened (Small and Taylor, 2006). Competitive imperfections were created by the purposeful actions of Zambada-Garcia.

Whatever the source of competitive imperfections, their existence, per se, often only holds the potential for creating new economic value [Alvarez and Barney, (2007), p.1058]:

“The realization of this potential often requires additional economic activities, activities that sometimes require the organization of a firm and sometimes can be organized through other governance mechanisms, such as arbitrage and alliances.”

Alvarez and Barney (2007) argue that if a particular individual possesses all the resources – whether tangible or intangible – necessary to create economic wealth associated with a market opportunity, no additional economic organisation is required to exploit this opportunity. The individual is said to be engaging in arbitrage if he or she possess all the resources necessary to exploit a market opportunity, and thus no additional coordination through economic organisation is required to create economic value.

If an individual does not possess all the resources required to exploit an opportunity, access to those resources will need to be obtained by the entrepreneur. This can be done in a variety of ways. For example, the entrepreneur can recruit the owners of these resources into a hierarchical structure to gain access required to exploit an opportunity. Alternatively, the entrepreneur might form an alliance with the owners of these resources in a network structure to gain access.

Entrepreneurial leadership is characterised by judgment in decision-making. Judgment is where individuals take decisions without access to any generally agreed rule that could be implemented using publicly available information known to be true. A drug dealer who buys before he or she knows the price at which it can be resold must make a judgment about what the future price will be, for instance. Judgment refers primarily to business decision-making when the range of possible future outcomes is generally unknown. Judgment is required when no obviously correct model or decision rule is available or when relevant data is unreliable or incomplete (Foss et al., 2007).

Entrepreneurial judgment is ultimately judgment about the control of resources. As an innovator, a leader, a creator, a discoverer and an equilibrator, the entrepreneur exercises judgment in terms of resource acquisition and allocation to prosper from criminal business opportunities. As founder and developer of the business enterprise, the entrepreneur must exercise judgmental decision-making under conditions of uncertainty (Foss et al., 2007).

6 Crime strategy

According to Felson (2006), the intellectual study of organised crime suffers from at least four major distractions:

- a mixing overall analysis with the requirements of prosecution
- b understating the diversity of criminal cooperation
- c underestimating how crime cooperation interacts with legitimate activities
- d overestimating the degree of planning and sophistication needed for offender symbiosis to occur.

Hence, the current debate may suffer from latter distraction, as many criminal projects are opportunity-based activities with a low degree of planning and sophistication.

Crime generally requires a degree of concealment. According to Felson (2006), this process is largely physical. Concealment is concerned with the privacy of a transaction, a setting and a location. A few small pills are easily hidden, while victimised individuals may be hard to transport in public.

An example of crime strategy is robbing of cash-in-transit vans. Cash-in-transit vans are attractive targets for robbers because they are lucrative. Yet they are risky as well, since guards have to be confronted directly and there are higher levels of security than found in most other targets (Gill, 2001).

When comparing entrepreneurial robbers of cash-in-transit vans with entrepreneurs in the legitimate world, Gill (2001) finds many similar behaviours and characteristics. Both are operational in attitude and they sharpen their skills and awareness via experience when doing the job. Both seem to be rational actors that need to conduct an intuitive cost-benefit analysis, where they are weighing up the benefits and disadvantages of each venture, because the costs for getting it wrong can be high. While the legitimate entrepreneur may lose his or her reputation and go bankrupt, the robber may lose freedom for a long time and may be well injured or even killed. They both live a life where there often is a lot to lose and this in itself sharpens expertise.

According to Gill (2001), such characteristics lead to the conclusion that they both have to plan their ventures in terms of strategy and they need to carefully consider the risks and manage them to best advantage. Both need to be good risk takers having the characteristics of courage and sound judgment.

One kind of crime strategy is to develop business in the underground economy by doing underground work. Underground workers are defined by Williams (2006, p.5) as those engaged in the production and sales of goods and services that are unregistered by, or hidden from, the state for tax, social security and/or labour law purposes but which are legal in all other respects:

“Importantly, therefore, for those who might assume that drug dealers, those selling stolen goods and so forth are being discussed, this definition explicitly denotes that the only criminality about underground work is the fact that the production and sale of the goods and services are not registered for tax, social security and/or labour law purposes.”

The underground economy covers only work where the means are illegitimate, not the ends (goods and services) themselves, according to the definition applied by Williams (2006). In Norway, the underground economy as percentage of the total economy is estimated at 5% while in the UK it is estimated at 6% and Greece 29%.

Williams (2006) presents portraits of underground enterprises, where examples of tasks typically conducted by underground workers include house maintenance, home improvement, routine housework, making and repairing goods, car maintenance, gardening and caring. This suggests that the vast majority of underground work takes place in the domestic service and construction sectors.

7 Discussion

The dark side of entrepreneurship comes in different shapes and colours. For example, Beaver and Jennings (2005) found that the almost egotistical attitude displayed by many entrepreneurs, constitutes an abuse of the trust and the power placed in the hands of small business owner-managers and that in extreme instances, the abuse of entrepreneurial power may lead directly to the failure of the small firm. Williams (2005) found that the majority of undeclared work is undertaken on a self-employed basis by people who have identified an opportunity to provide a good or service and are taking a calculated risk in order to fulfil others need.

The concept of the dark side of entrepreneurship was introduced by de Vries (1985) who studied criminal entrepreneurs. He described the behaviour patterns that these people often have in common and how they affect their companies. He described pitfalls in working with these entrepreneurs. However, this conceptual research moves beyond the dark sides of entrepreneurship in terms of bad practice or hidden agendas. Criminal entrepreneurs practice their entrepreneurship knowing their business is illegal.

This paper introduced a highly important concept of organised crime and criminal behaviour as related to entrepreneur and entrepreneurship. An important contribution to theory and practice is that innovation and learning is found in criminal organisations similar to legal organisations. Learning is linked to the performance of entrepreneurial businesses as a function of forming competitive advantage based on resource mobilisation.

8 Conclusions

Innovation and learning can be found in both legal and illegal enterprises. A learning organisation is one that changes as a result of its experiences. Under the best of circumstances, these changes result in performance improvements. Most of the entrepreneurship literature seems to engage in a positive enthusiasm about the role of the entrepreneur. There is a need to take a neutral look at how some entrepreneurs engage in illegal business and how entrepreneurship is not always a wholesome and clean endeavour. This paper made a contribution by linking entrepreneurship to organised crime and by revealing criminal aspects of entrepreneurial endeavour. It illustrated the premise that criminal enterprises can be viewed as entrepreneurial ventures.

A criminal entrepreneur chooses to organise a criminal enterprise in order to exploit a market. This paper argued that in order to exploit a criminal market successfully, the entrepreneur needs to mobilise strategic knowledge resources to create a learning organisation for competitive advantage. A learning organisation is one that improves as a result of its experiences.

Future research will need to develop further the theoretical underpinnings to help better understand the bases for the entrepreneurial activity in a criminal context. Future research should make both theoretical and empirical contributions. One worthwhile direction might be the study of networks. For example, hypotheses from the literature might be drawn on entrepreneurial and inter-organisational network ties and then be tested using content analysis of published information on a sample of criminal ventures such as the 'Pizza Connection' case from about 20 years ago. Alternatively, one might start with published reports of criminal ventures and use them in a grounded theory building effort to generate hypotheses or propositions for the mainstream entrepreneurship literature. Another worthwhile direction might be to consider succession issues so prominent in the family business literature (Smith, 2007), as they relate to organised crime families, or to examine how succession in criminal enterprises might provide insights for generational transitions in legitimate family businesses.

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