The Underbelly of Entrepreneurship: A Multilevel Perspective of Destructive Entrepreneurship

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ABSTRACT

Destructive entrepreneurship is an important research topic because it challenges the frequent implicit assumption that all entrepreneurship is "good." Recent scholarly interest has been directed toward destructive entrepreneurship from various perspectives, including economics, psychology, and business ethics. This article offers a comprehensive review of the destructive entrepreneurship literature. We begin with a definition of destructive entrepreneurship, distinguishing it from seemingly similar constructs, such as unproductive entrepreneurship. We organize the fragmented studies into a multilevel model highlighting what we know about destructive entrepreneurship. This study also reveals potential holes in this framework that future research can fill.

INTRODUCTION

Entrepreneurship holds the power to drive substantial positive change. Entrepreneurs, through the creation of new ventures, contribute to local (Astebro & Bazzazian, 2011; Baumgartner, Schulz, & Sedl, 2013), regional (Audretsch & Keilbach, 2004; Baptista, Escaria, & Madruga, 2008), and national economies (Audretsch, Bönte, & Keilback, 2008; Carree & Thurik, 2010) by creating jobs, enabling innovation, and enhancing competitiveness. For entrepreneurs, building and running ventures creates household wealth (Carter, 2011) and fulfills core psychological needs for competence, autonomy, and belongingness (Parasuraman, Purohit, Godshalk, & Beutell, 1996). Furthermore, entrepreneurship's benefits extend to society through social venturing (Mair & Noboa, 2006), compassion venturing (Williams & Shepherd, 2018), and sustainable development (Seelos & Mair, 2004).

While entrepreneurship can generate positive outcomes for entrepreneurs, stakeholders, and society, it can also result in adverse outcomes. Not only can entrepreneurs themselves encounter challenges in line with the dark (Qin et al., 2022) and down sides (Shepherd, 2019) of entrepreneurial action, but stakeholders may also experience adverse effects (Boudreaux et al., 2018), and society's wealth may be diminished (Zahra et al., 2013). That is, entrepreneurship can lead to the destruction of value. This study focuses on *destructive entrepreneurship,* defined as *entrepreneurial action in pursuit of a potential opportunity with disregard to the likelihood that this action will lead to social, environmental, and/or economic outcomes that are more harmful than beneficial*. We focus on destructive entrepreneurship because a bias toward the "good" can provide a distorted picture of entrepreneurship, just as survivor bias can provide a distorted picture of firm performance.

The growing interest in destructive entrepreneurship is evidenced by the increasing number of publications on the subject in leading academic journals (e.g., Foss et al., 2007; Hall et al., 2012; Shepherd et al., 2013; Sobel, 2008). However, the literature's heterogeneity and multilevel nature make navigating it difficult, leaving research opportunities and gaps unclear (McMullen & Warnick, 2016; Qin et al., 2022). Specifically, while both macro- and micro-level dimensions of destructive entrepreneurship have been explored, they have largely been studied in isolation with limited integration despite ongoing scholarly conversations emphasizing the importance of bridging the two domains (Molloy et al., 2011; Paruchuri et al., 2018). Such integration of the macro and micro levels is crucial for addressing the complex theoretical and practical issues arising from entrepreneurship—in both its destructive and constructive forms.

To connect the disparate macro and micro levels, we conducted an integrative review (Elsbach & van Knippenberg, 2020; Torraco, 2016) of the destructive entrepreneurship literature. As a first step to avoiding or minimizing the associated damage, we aim to elucidate the destructive aspects of entrepreneurship by aggregating relevant studies to understand this destruction and then redirecting entrepreneurial talent to more productive activities. Furthermore, we employ Coleman's Boat (1990; adapted by Hedström and Ylikoski [2010]) to integrate macro- and micro-level insights into a comprehensive and cohesive destructive entrepreneurship framework. We develop this framework to bridge the macro and micro levels as doing so "has the potential to facilitate a better understanding of complex challenges and potential solutions for addressing them" (Cowen et al., 2022: 1).

The novelty of the current review is the integration of psychological and sociopsychological studies with economic and political approaches to offer three vital theoretical contributions. First, we introduce a novel framework integrating the destructive entrepreneurship

literature's macro and micro levels. This framework allows for a clearer analysis and differentiation of studies across levels of analysis. Second, we extend theory on destructive entrepreneurship by examining how different aspects of destructive entrepreneurship interlock for knowledge accumulation as well as where they diverge. In doing so, we highlight the significance of psychological theories of destructive entrepreneurship. We also offer new insights into the micro drivers of destructive entrepreneurship in alignment with the economics, sociology, and political perspectives, thereby shedding light on the mechanisms that underpin macro theories of destructive entrepreneurship. Third, we leverage our novel framework to propose an agenda for research on destructive entrepreneurship. Specifically, we identify interesting future research opportunities, such as applying models of destructive entrepreneurship from one level to theorize at another level and exploring how entrepreneurs identify and decide to exploit opportunities that cause net harm.

INTEGRATIVE REVIEW METHOD

To carry out our integrative review (Post et al., 2020; Torraco, 2016)—that is, a review to help bridge scholarly conversations (Cronin & George, 2020)—we adhered to a systematic approach comprising two key phases: data collection and data analysis (e.g., De Mol et al., 2015; Salvi et al., 2023). To ensure rigor, trustworthiness (Tranfield et al., 2003), and a "balanced representation" (Cronin & George, 2020: 9), we provide a detailed account of these phases in the following sections.

We also established clear conceptual boundaries, which are essential for enabling readers to understand the review's scope (Denyer & Tranfield, 2009). First, we focus on both the intentions behind entrepreneurs' entrepreneurial action and the resulting outcomes. This dual focus offers a more nuanced understanding of destructive entrepreneurship, recognizing that the

intentions driving entrepreneurial action are often as important as its outcomes (Baumol, 1990; Hall et al., 2012; March et al., 2016). By considering intentions, we can distinguish between entrepreneurial action that may aim to be productive but inadvertently causes harm (McMullen & Warnick, 2016; Shepherd et al., 2022) and entrepreneurial action that is deliberately designed to exploit opportunities at the expense of social, environmental, or economic well-being (Fuseini, 2023; Smith, 2004) or is willfully ignorant of these costs. Second, we focus on both expected and realized outcomes of destructive entrepreneurship. Expected outcomes refer to the anticipated impact of entrepreneurial action based on initial intentions and planning. In contrast, realized outcomes represent the actual effects observed after this action is carried out. This approach allows us to explore how entrepreneurial ventures, whether or not they are initially expected to yield destructive results, may ultimately lead to different realized outcomes than anticipated.

We employed Coleman's Boat as a guiding framework to systematically organize and analyze the literature (Coleman, 1990; adapted by Hedström & Ylikoski, 2010). This multilevel mechanism framework is particularly well-suited for understanding destructive entrepreneurship, as it allows us to analyze and interlink causal processes operating at different levels systematically. Specifically, Coleman’s framework distinguishes between three interlinking mechanisms: (1) situational mechanisms, which explain how macro-level conditions (e.g., institutional voids, policies, or cultural norms) shape individual-level circumstances; (2) action-formation mechanisms, which focus on how individuals respond to these macro-level conditions through their intentions and actions; and (3) transformational mechanisms, which describe how collective actions aggregate to produce macro-level outcomes, such as systemic social, environmental, or economic effects.

By applying Coleman's Boat, we can bridge the micro-level entrepreneurial actions with the macro-level systemic consequences of destructive entrepreneurship. This approach provides a cohesive understanding of how individual behaviors interact with institutional and structural conditions to produce harmful outcomes. It also highlights the dynamic feedback loop between structure and agency, offering a pathway to identify causal mechanisms driving destructive entrepreneurship.

Data Collection

In the initial phase, we conducted a comprehensive search for articles on destructive entrepreneurship within the Web of Science and Emerald Insight databases. To capture both the depth and breadth of destructive entrepreneurship research, we used a set of keywords ("destruct*," "harm," "damage*," "illegal," "ruin," "net reduction," "pernicious," and "deleterious") in combination with at least one entrepreneurship keyword ("entrepreneur*," "founder," and "new ventur*"). To achieve a comprehensive overview of the literature on destructive entrepreneurship, we placed no restrictions on the period for our review. We searched for scholarly articles published in English and accessible online up to March 2024.

This search in the databases generated a total of 991 articles. To minimize the risk of omitting relevant articles, we reviewed the reference lists of the selected articles to identify additional works that might not have surfaced in our initial search. We then excluded (1) repeats, (2) introductions to special issues, (3) conference proceedings papers, (4) destruction papers not focused on destructive entrepreneurship (e.g., papers focused on Schumpeter's creative destruction [Schumpeter, 1942])[1], (5) papers that focused on productive and unproductive

[1] We excluded articles focusing on Schumpeter's concept of *creative destruction* from this review because this concept emphasizes the positive innovative outcomes of entrepreneurial activity. Schumpeter (1942) viewed creative destruction as a driving force of economic progress, whereby outdated industries and processes are replaced by new, more efficient ones.

entrepreneurship without explicitly referencing some form of destruction, and (6) papers that did not have entrepreneurship at their core. We maintained a liberal definition of entrepreneurship, mostly accepting the authors' assertions. The first two authors independently applied the exclusion criteria. In the event of disagreement on exclusion, the two members discussed each instance until they reached a consensus. The content analysis resulted in a final selection of 77 peer-reviewed journal articles for our integrative review.

Data Analysis

In the next phase, we conducted an inductive analysis of the 77 articles. We employed qualitative research analytical techniques (Gioia et al., 2013) to synthesize the conceptual and empirical findings. Specifically, we employed a bottom-up approach that allowed the data to speak for itself (Strauss & Corbin, 1990). We highlighted key themes in each paper based on the original researchers' interpretations and claims. Such an approach also enables the emergence of novel findings and research gaps (Breslin & Gatrall, 2023). This inductive coding method adheres to well-established guidelines (Tranfield et al., 2003) and aligns with those used in other review articles, allowing frameworks to emerge from the papers (Post et al., 2020).

The coding team comprised the first and second authors, who thoroughly reviewed all 77 papers. Consistent with other review papers (e.g., Jones et al., 2011; Scheaf & Wood, 2022), the two authors independently reviewed each article and generated a comprehensive list of 95 first-order codes for the main theoretical concepts and empirical findings. To effectively handle the range of first-order codes, we followed Whetten's (1989) recommendations for conceptual mapping, aiming to create second-order categories that blend comprehensiveness and parsimony. Through an iterative process of evaluating the first-order codes, we identified commonalities and synthesized them into second-order categories. The two authors then discussed and refined the

meaning of each second-order category, determining which first-order codes were encompassed within them. This detailed approach ensured that every article was accurately placed in the category that best reflected its primary contributions and scope (Breslin & Gatrell, 2023). As a result, we identified 14 second-order categories, which we further organized into four broad theoretical dimensions (Gioia et al., 2013) (Figure 1).

--Insert Figure 1 and Table 1 about here--

The first theoretical dimension relates to the macro-level conditions of the social environment in which destructive entrepreneurship occurs, encompassing weak formal institutions, strong informal institutions, conflict, and economic instability. The second and third dimensions relate to the entrepreneur's micro-level attributes and destructive entrepreneurial action. The fourth dimension relates to destructive outcomes (at the macro level) and includes reduced entrepreneurial productivity and destruction of value, increased criminal activity, and institutional change. Table 1 details the prevalence of the different inductive codes. Even though some articles could reasonably contribute to multiple codes or categories, to ensure clarity and consistency in our analysis, each article was assigned to a single first-order code based on its predominant focus.

Before exploring these dimensions in detail, we outline the different definitions of destructive entrepreneurship in the current literature and offer an overview of the field.

THE CONCEPT OF DESTRUCTIVE ENTREPRENEURSHIP

Defining Destructive Entrepreneurship

The origination of research on destructive entrepreneurship comes from Baumol (1990: 4), who anchored his entrepreneurship theory in the historical analysis of "ancient Rome, medieval China, Dark Age Europe, [and] the latter Middle Ages." Baumol distinguished

productive, unproductive, and destructive entrepreneurship as alternative paths for entrepreneurial talent. Productive entrepreneurship refers to activities that create wealth (i.e., innovation). In contrast, unproductive entrepreneurship refers to activities of "questionable value" that may even destroy wealth (i.e., tax evasion) in society (Baumol, 1990: 6). In much of Baumol's discussion, unproductive entrepreneurship is lumped in with destructive entrepreneurship even though the two pathways are distinct.

Baumol (1990) defined destructive entrepreneurship explicitly within the context of an economic system without necessarily intending to offer a concept that could be used at different levels of analysis. Interpreting Baumol's work, various scholars have provided alternate definitions of destructive entrepreneurship, sometimes combining destructive and unproductive entrepreneurship (see Table 2). Even though some definitions lump these concepts together (e.g., Acs et al., 2013; Douhan & Henrekson, 2008; Sobel, 2008), we do not adopt this approach as it may obscure crucial distinctions between the two. While unproductive entrepreneurship is argued to lead to the redistribution of society's wealth, destructive entrepreneurship is argued to lead to the reduction of society's wealth (see Baumol, 1990; Borozan, Arneric, & Coric, 2017). Therefore, we maintain a clear distinction between destructive and unproductive entrepreneurship to facilitate a more precise understanding of destructive entrepreneurship.

--Insert Table 2 about here--

While enriching the discourse, the diversity of destructive entrepreneurship's definitions reveals a challenge: destructive entrepreneurship is discussed across different levels of analysis without clear linkages between them. Indeed, studies have often focused on either the institutional (macro) or individual (micro) level but have rarely explored how these levels interact. At the micro level, destructive entrepreneurship refers to the individual entrepreneur's

actions, decisions, and attributes that directly contribute to harm, whether social, environmental, or economic (Shepherd et al., 2024). This level focuses on entrepreneurial behavior and the immediate outcomes stemming from that behavior, such as neglecting the consequences of a harmful opportunity pursuit. For example, an entrepreneur may exploit labor under unsafe conditions or pursue an environmentally harmful venture while disregarding its societal costs.

In contrast, the macro level considers the institutional, structural, and systemic factors that create environments where destructive entrepreneurship emerges or thrives (Baumol, 1990). This level represents the broader social, economic, and institutional contexts—such as policy incentives, institutional voids, or cultural norms—influencing entrepreneurial activities. It also includes how individual-level behaviors aggregate into systemic-level harm over time, leading to destructive societal or economic outcomes. For example, systemic corruption or poorly designed regulatory frameworks may encourage entrepreneurs to prioritize short-term economic gains while generating a long-term negative impact.

Despite these distinctions, studies often remain siloed, focusing exclusively on either macro or micro conceptualizations of destructive entrepreneurship. Macro-level definitions tend to overlook the mechanisms by which individual actions aggregate into systemic harm. Conversely, micro-level studies rarely explore how institutional and structural conditions influence entrepreneurial behavior, limiting our understanding of how broader environments shape entrepreneurial decision-making. This disconnect between levels of analysis complicates the accumulation of knowledge and hinders our ability to create a comprehensive and cohesive framework of destructive entrepreneurship. By explicitly linking the micro-level actions of entrepreneurs to the macro-level systemic consequences, we can better understand how destructive entrepreneurship emerges, evolves, and impacts societies. This integrated perspective

offers opportunities to bridge levels of analysis to develop a more comprehensive understanding of destructive entrepreneurship.

We build on Shepherd and colleagues' (2024: 4-5) recent definition of destructive entrepreneurship at the micro level—which emphasizes the localized social, environmental, and economic harm caused by individual entrepreneurial actions—and Baumol's (1990) definition at the macro level—which highlights the systemic conditions and institutional incentives that enable destructive entrepreneurship—to formulate a definition that can be applied at the macro and micro levels of analysis: *destructive entrepreneurship is entrepreneurial action in pursuit of a potential opportunity with disregard to the likelihood that this action will lead to social, environmental, and/or economic outcomes that are more harmful than beneficial*. This synthesis informs our definition of destructive entrepreneurship as entrepreneurial action pursued with disregard for the likelihood that it will result in social, environmental, and/or economic outcomes that are more harmful than beneficial, capturing both individual behaviors and broader systemic implications.

We adopt this definition for our review for three reasons. First, it distinguishes the entrepreneurial action—"behavior in response to a judgmental decision under uncertainty about a possible opportunity for profit" (McMullen & Shepherd, 2006: 134)—of destructive entrepreneurship from its outcomes (e.g., the extent of the destruction of societal wealth vis-à-vis the creation of societal wealth) and antecedents (e.g., "the rules of the game"). Second, this definition provides specificity on where harm is perpetrated. It is consistent with the notion of a negative impact on society (Baumol, 1990; Desai & Acs, 2007; Minniti, 2008, 2016) but provides more details on what is harmed—that is, the social, environmental, or economic outcomes—while simultaneously recognizing that these outcomes can be related. For example,

destroying the natural environment can lead to a loss of societal wealth (Peredo & Chrisman, 2006; Shepherd & Patzelt, 2011). Finally, we note that defining a concept for theorizing at and across levels of analysis is not a panacea for empirical research. Indeed, we recognize the challenge of empirically testing theories of destructive entrepreneurship.

The Current Destructive Entrepreneurship Field

In an interesting decision, the editor of the *Journal of Business Venturing* (Venkataraman) republished Baumol's 1990 paper in full in 1996. The reprint exposed scholars who were not economists to the paper's message. Indeed, this exposure of Baumol's theory of entrepreneurial talent allocation to a diverse audience of entrepreneurship scholars may be one of the reasons the topic of destructive entrepreneurship has gained substantial traction across multiple levels of analysis (see Figure 2)—including at the national level (e.g., Douhan & Henrekson, 2008), in regions within a country (Boudreaux et al., 2018), in large criminal organizations (Champeyrache, 2018), in new ventures (McMullen & Warnick, 2016), and among (nascent) entrepreneurs (Shepherd et al., 2024). These studies include 33 conceptual articles (43%), 24 quantitative articles (31%), and 20 qualitative articles (26%), largely explaining how entrepreneurs engage in action that leads to the destruction (rather than the creation) of value for others (i.e., members of the focal system). As illustrated in Table 1, the annual number of conceptual articles on destructive entrepreneurship has decreased over the last decade. Still, empirical studies continue to rise, with a relatively balanced distribution between macro- and micro-level articles.

--Insert Figure 2 about here--

Destructive entrepreneurship offers a counterweight to the often implicit assumption that entrepreneurial action universally leads to positive outcomes. We acknowledge that not all

entrepreneurial action yields beneficial results, and we now possess numerous studies to understand when and why it may not. The breadth of research on this topic is both an advantage—offering diverse perspectives—and a complication as the lack of explicit connections across levels of analysis hinders knowledge accumulation. In the following sections, we organize the disparate research streams, highlight their contributions, and offer a research agenda to exploit future research opportunities.

A DESTRUCTIVE ENTREPRENEURSHIP FRAMEWORK

We inductively categorized the sample of papers and synthesized them into a comprehensive framework of destructive entrepreneurship (see Figure 3). At the macro level, weak formal institutions, strong informal institutions, conflict, and economic instability establish the rules of the game for entrepreneurial processes, largely influencing the focal system's entrepreneurial actors. At the micro level, the entrepreneurial actor's attributes—including unethical decision-making, moral disengagement, entrepreneurial effort and orientation, and traits and intrinsic motivation—directly influence their destructive entrepreneurial action. This action, in turn, leads to destructive social outcomes, such as reduced entrepreneurial productivity and destruction of economic, social, and environmental value; increased criminal activity; and institutional change.

In the following sections, we review the literature on the drivers and outcomes of destructive entrepreneurship at both the micro and macro levels. This framework serves as the foundation for our forward-looking research agenda, which draws on critical insights and gaps from prior studies (Shepherd & Wiklund, 2020) to identify promising directions for future research and practical applications.

Conditions of the Social Environment and Situational Mechanisms

The conditions of the social environment refer to various external factors and dynamics within society. In the following section, we present the conditions of the social environment that are known to affect destructive entrepreneurship, and we also explore the macro-micro linkage (situational mechanisms) in the destructive entrepreneurship literature by examining how the conditions of the social environment influence the attributes of the entrepreneurial actor (see Figure 4a). Specifically, this linkage represents how macro-level conditions influence individual entrepreneurial actors (Coleman, 1990; Cowen et al., 2022). Existing research has focused mainly on *weak formal institutions*, *strong informal institutions*, and the prevalence of destructive entrepreneurship in settings characterized by *conflict and economic instability*, highlighting how these conditions influence entrepreneurial actors' decision-making, moral disengagement, and entrepreneurial effort and orientation.

Weak formal institutions. Institutions indicate how society is organized and, therefore, what the rules of the game are (Baumol, 1990). Institutions are "the humanly devised constraints that structure human interaction" and can be formal (rules and laws) and informal (norms and codes of conduct) (North, 1990: 3). Weak institutions are characterized by a weak rule of law (i.e., formal institutions) and distrust (i.e., informal institutions) (North, 1990). Thus, weak formal institutions—systems and rules that are ineffective, poorly enforced, or insufficient in guiding and regulating behavior within society (Junaid et al., 2022)—incentivize increased entrepreneurial effort and talent to be deployed to destructive entrepreneurship (Baumol, 1990; Minniti, 2016).

Weak formal institutions significantly influence entrepreneurial effort and the allocation of talent, often driving entrepreneurs to direct their skills and resources toward harmful activities

(Baumol, 1990; Boettke & Piano, 2016). Lacking effective formal regulation, entrepreneurs are likelier to channel their effort into destructive rather than productive entrepreneurial behavior. Indeed, in such environments, entrepreneurs are more likely to resort to unethical decision-making and engage in destructive activities like bribing officials for licenses, permits, access to public resources, protection, and other illegal favors (Junaid et al., 2022; Wiseman, 2015). Thus, when the rule of law is weak, it is perhaps unsurprising that more entrepreneurs resort to predatory (Acs, Boardman, & McNeely, 2013) or criminal (Rotondi, 2023) behavior, ultimately eroding social value.

Weak formal institutions have also been linked to the failure of microfinance initiatives to reduce poverty (Nair & Njolomole, 2020). Specifically, microfinance can become associated with aggressive lending practices that burden entrepreneurs with excessive debt (Nair & Njolomole, 2020). This failure is a case of weak formal institutional quality driving individuals to allocate their effort and talent toward destructive entrepreneurial action. Another example comes from the Niger Delta, where oil thieves create some value for themselves and their communities but also cause widespread destruction by damaging the natural environment, lowering the quality of life for local community members, and harming the health of the entrepreneurs themselves (Shepherd et al., 2022). In these instances, weak formal institutions provide fertile ground for entrepreneurs—especially those facing adversity—to justify (or ignore) the costs of their harmful action and entangle others in the process (Shepherd et al., 2022).

Overall, Hall and colleagues (2012: 785) summarized the conclusions from research on weak formal institutions well: “Weak institutions coupled with alert entrepreneurs encourage destructive outcomes.”

Strong informal institutions. Strong informal institutions are characterized by deeply embedded customs, traditions, and societal expectations that operate outside formal legal frameworks (Williamson, 2009). These strong informal institutions can drive entrepreneurial effort and talent to be deployed to destructive entrepreneurial action by encouraging adherence to local norms even when these norms conflict with formal rules (Stiglitz, 2000). Indeed, societal culture and values play a crucial role in influencing how individuals' entrepreneurial effort and talent are allocated (Mohammadi Khyareh, 2017; Petrou & Daskalopoulou, 2014), highlighting how micro-level attributes can be shaped by different cultural contexts (e.g., Giarratana, Mariani, & Weller, 2018; Johns, 2018). For instance, alcohol-consumption patterns have been found to correlate with the type of entrepreneurship prevalent in European economies (Acs & Lappi, 2021). Specifically, beverage preferences (i.e., beer-, wine-, and spirit-drinking cultures) reflect deep-seated cultural traits that influence the prevalence of productive, unproductive, or destructive entrepreneurship. In particular, spirit-drinking countries are characterized by higher shares of destructive entrepreneurship (Acs & Lappi, 2021). While the direct link is not in the act of drinking itself, these cultural habits symbolize broader societal norms that shape the entrepreneurial landscape and allocation of entrepreneurial talent.

Building on the influence of strong informal institutions, distrust within an entrepreneurial ecosystem further influences individuals' entrepreneurial effort and allocation of talent, subsequently exacerbating destructive entrepreneurship (Muldoon et al., 2018).

Conflict and economic instability. The prevalence of conflict and economic instability within the social environment also influences individuals' entrepreneurial effort and allocation of talent. In economically unstable environments, corruption often flourishes, eroding entrepreneurs' trust in governments and their institutions (Desai, 2016). Consequently, this lack

of trust drives entrepreneurs to prioritize short-term gains, frequently at the expense of broader societal wealth (Desai, 2016). Scholars have emphasized the need for government policies that promote productive entrepreneurship while curtailing opportunities for rent-seeking and parasitic behavior, which tend to dominate in unstable contexts (Chepurenko, 2010). Moreover, entrepreneurial talent is frequently misallocated in unstable post-conflict environments and tends to be divided between productive and destructive activities, such as raiding (Sanders & Weitzel, 2013).

Taken together, weak formal institutions, strong informal institutions, and conflict and economic instability largely influence individuals' entrepreneurial effort and allocation of talent. Weak formal institutions and economic instability also encourage short-term destructive entrepreneurial action. Similarly, strong informal institutions, such as ingrained cultural norms, can steer individuals toward harmful behavior. In unstable post-conflict environments, where institutions may have broken down, entrepreneurial effort and allocation of talent often move back and forth between productive and destructive entrepreneurship.

--Insert Figure 4a about here--

Attributes of the Entrepreneur and Action-Formation Mechanisms

Attributes of the entrepreneur refer to individuals' characteristics and processes that influence behavior. Scholars have extended Baumol's (1990) work by examining destructive entrepreneurship at the micro level, offering a more detailed contextualization. This micro-level research employs richer operationalizations of destructive entrepreneurial action than macro-level studies. In the following section, we present the entrepreneurial attributes that are known to lead to destructive entrepreneurship, and we also explore the micro-micro linkage (action-formation mechanisms) in the destructive entrepreneurship literature by examining how

attributes of the entrepreneur influence destructive entrepreneurial action (see Figure 4b). Specifically, this linkage represents how individuals' characteristics and processes may affect individual behavior (Coleman, 1990; Cowen et al., 2022). Existing research has largely focused on individuals' unethical decision-making, moral disengagement, entrepreneurial effort and orientation, and traits and intrinsic motivation—highlighting how these attributes drive the actor's destructive entrepreneurial action.

Unethical decision-making. Unethical decision-making by entrepreneurs is a crucial driver of their destructive entrepreneurial action (Hall & Rosson, 2006; Smulowitz et al., 2023). For example, ethical differences exist among entrepreneurs in family-owned versus non-family-owned ventures in wrongdoing associated with destructive entrepreneurship (Smulowitz et al., 2023). Specifically, entrepreneurs falling short of their performance goals are likelier to engage in unethical behavior. Still, entrepreneurs in family-owned ventures—motivated to safeguard their socioemotional wealth and long-term reputation—are less prone to unethical behavior that would lead to destructive outcomes. In contrast, poor performance in other cases has led some entrepreneurs to engage in strategic rule-breaking that destroys value in the initial public offering context, such as "initial underpricing, entrenchment, lower net present value projects, asset partitioning, and reduced disclosures" (Spindler, 2007: 1187; see also An, Xu, & Zhang, 2018).

Even well-intentioned individuals may engage in unethical behavior due to a depletion of personal resources and succumb to temptations (distinct from moral disengagement). Specifically, Shepherd and colleagues (2024) proposed that some entrepreneurs can experience impaired self-regulation (e.g., those who are jacks- or jills-of-all-trades, those who are highly passionate about their venturing, and those who do not engage their stakeholders). With limited opportunities to replenish their personal resources, these entrepreneurs are vulnerable to the

temptation to pursue a seemingly beneficial opportunity for themselves but disregard the destructive aspects for others overall. Hence, this conceptual model helps explain how the conditions of everyday entrepreneurship can drive destructive entrepreneurial action and the exploitation of harmful opportunities.

Further, entrepreneurs frequently face ethical dilemmas, particularly in times of technological turbulence. A notable example is the introduction of spam by two lawyers in Arizona—an entrepreneurial practice that resulted in $15 billion in lost productivity and technology costs for businesses (Hall & Rosson, 2006). This case illustrates how entrepreneurs—driven by self-serving biases, the need for innovative problem-solving, and the liability of newness—may bend the rules, challenging established industry morals and regulations (Hall & Rosson, 2006). Such unethical decision-making may also lead entrepreneurs to engage in action that perpetuates corruption, fostering a belief that the economic system lacks distributive justice—namely, the allocation of outcomes is perceived as inequitable (Collins, McMullen, & Reutzel, 2016).

Moral disengagement. Entrepreneurs may also make decisions that contradict their moral principles, disengaging their moral standards to pursue destructive entrepreneurial action (Dew & Sarasvathy, 2007; Qin et al., 2022). Specifically, while unethical behavior is the act itself, moral disengagement is the mental process (i.e., disengaging their moral standards) that enables individuals to engage in destructive entrepreneurial action. This moral disengagement is more likely to occur in entrepreneurs with high self-efficacy (Shepherd et al., 2013), those with greater creativity (Qin et al., 2022), and those facing impoverished conditions who feel neglected by the government (Shepherd et al., 2022). Moral disengagement is further facilitated by willful ignorance about the relationship between one's entrepreneurial action and the resulting

destructive outcomes. Indeed, for innovative new ventures, true novelty exists such that entrepreneurs cannot fully recognize the benefits and costs of their entrepreneurial action in advance (Dew & Sarasvathy, 2007; see also Witt, 1996). Such doubt creates fertile ground for entrepreneurs to disengage their morals and exploit potential opportunities that are harmful.

This stream of research indicates that entrepreneurs operate according to their own moral frameworks, or their own rules of the game. As detailed above, entrepreneurs may break these codes through moral disengagement (Shepherd et al., 2013, 2022) or a failure of self-regulation (Shepherd et al., 2024). The resulting destructive entrepreneurial action provides feedback to these entrepreneurs regarding the destruction they cause. Shepherd and colleagues (2024) proposed that entrepreneurs can respond to this feedback on their destructive entrepreneurial action with one of four approaches: (1) ignoring "by putting the destruction out of their minds" (p. 18); (2) justifying by "applying cognitive mechanisms to harmful behaviors in a way that maintains the focal individual's moral equilibrium" (p. 16); (3) escaping by "reducing self-awareness and meaningful thought by putting oneself in a numb state" (p. 18); and (4) rectifying by "rebuilding moral self-regard . . . through a subsequent action that attempts to make amends for the problem caused by reversing some of the damage, providing benefits to those negatively impacted, or 'doing good' for those unaffected by the initial focal destructive entrepreneurial action" (p. 15). These responses continue to engage (or disengage) and perhaps change or evolve entrepreneurs' moral rules of the game. These responses are critical as they help explain why some entrepreneurs engage and persist in destructive entrepreneurial action and others do not.

Entrepreneurial effort and orientation. Entrepreneurs possess autonomy over how much effort they invest and where they focus their talent (Weitzel et al., 2010). However, as discussed earlier, the social environment plays a pivotal role in shaping these entrepreneurs' decisions (Acs

et al., 2013; Baumol, 1990; Boettke & Piano, 2016). Indeed, institutional uncertainty often leads to adverse economic consequences, steering entrepreneurial effort away from productive endeavors and toward unproductive or destructive activities—a trend exacerbated by the growing complexity of modern economies (Thornton & Brown, 2023). This research also underscores that how entrepreneurs invest their effort has implications for their resultant entrepreneurial action. Specifically, because the rewards associated with different forms of innovation influence where entrepreneurs invest their effort, institutional constraints in certain environments limit these entrepreneurs' productive entrepreneurship, funneling entrepreneurial effort into destructive action (McCaffrey, 2017). Consequently, entrepreneurial effort can directly influence destructive entrepreneurial action, with significant societal impacts.

Traits and intrinsic motivation. Some entrepreneurs who engage in destructive entrepreneurship may be considered "bad apples," a perspective that suggests a trait-based explanation for harmful behavior (Andersen, 2023; Brownell et al., 2021; Hmieleski & Lerner, 2016). This view contrasts with the process-oriented explanations discussed above, proposing instead that certain personality traits predispose some entrepreneurs to destructive action even within the same system of macro-level incentives that encourage others to pursue productive or unproductive entrepreneurship.

For example, scholars have highlighted the role of the dark triad—Machiavellianism, narcissism, and psychopathy—in explaining destructive action and outcomes in the entrepreneurial context (Brownell et al., 2021; Hmieleski & Lerner, 2016). The personality traits of the dark triad "illuminate the seductive and dynamic essence of power, manifested as individuals engage in social strategizing about, and covert pursuit of, domination via exploitative (Machiavellianism), self-aggrandizing (narcissism), and/or impulsive nonconforming

(psychopathy) behaviors" (Brownell et al., 2021: 2). Entrepreneurs high in the dark-triad traits are more likely to engage in destructive entrepreneurial action because they use their power for personal domination, disregarding social costs (Brownell et al., 2021; Hmieleski & Lerner, 2016).[2] Likewise, entrepreneurs with low shame-proneness are also more inclined to engage in destructive action (Ojha & Nandakumar, 2021), further demonstrating how certain personality traits can drive destructive entrepreneurial action and thereby generate destructive outcomes.

Power is another attribute that can lead to destructive entrepreneurship. For example, in a study of transnational social entrepreneurs (i.e., social entrepreneurs embedded in multiple countries), Koehne and colleagues (2022) found that some entrepreneurs gained power—"the ability to influence others' behavior, be it through persuasion or coercion" (Battilana & Casciaro, 2021: 3)—and used that power in a way that had a negative social impact on those they had originally intended to help (i.e., indigenous groups in Ecuador). This misuse of power was more prevalent among entrepreneurs who maintained a high social distance from the groups they intended to serve (Koehne et al., 2022).

In sum, the attributes of the entrepreneurial actor play a crucial role in driving their action. Unethical decision-making substantially influences entrepreneurial actors' behavior, often as a key driver of destructive entrepreneurial action. Moral disengagement further allows entrepreneurs to justify harmful action, enabling them to distance themselves from the consequences of their behavior. Additionally, entrepreneurial effort and orientation are salient in driving destructive entrepreneurial action. Finally, entrepreneurs' traits and intrinsic motivation can also lead to harmful action, particularly when power dynamics and social distance come into

[2] Although Hmieleski and Lerner (2016) refer to unproductive entrepreneurship and not destructive entrepreneurship, their operationalization of unproductive entrepreneurship contains elements that capture destruction.

play. Together, these factors emphasize how entrepreneurs' characteristics and intentions—whether deliberate, willfully ignorant, or unintended—act as foundational constructs linking entrepreneurial attributes to their resulting actions. This integration highlights the nuanced ways entrepreneurs' characteristics and intentions influence the pathways and outcomes of destructive entrepreneurship.

--Insert Figure 4b about here--

Destructive Entrepreneurial Action and Transformational Mechanisms

In the following section, we explore the micro-macro linkage (transformational mechanisms) in the destructive entrepreneurship literature, focusing on how individual destructive entrepreneurial action shapes broader societal outcomes (see Figure 4c). Specifically, this linkage represents how micro-level phenomena, when aggregated, contribute to our understanding of broader macro-level patterns and outcomes (Coleman, 1990; Cowen et al., 2022). Existing research has largely focused on entrepreneurs exploiting harmful potential opportunities, weakening formal institutions and strengthening informal institutions, blurring legal and illegal boundaries, and perpetuating criminality and corruption. These activities have been shown to drive destructive social outcomes, such as reduced entrepreneurial productivity and destruction of value, increased criminal activity, and institutional change.

Exploiting harmful potential opportunities. Entrepreneurs may exploit harmful potential opportunities that result in destructive social outcomes (Bunei, McElwee, & Smith, 2016; Fuseini, 2023; Smith, 2004). Recent research has provided several examples of how entrepreneurs exploit such harmful opportunities, often at the expense of others and the environment (Smith & McElwee, 2021). For example, once a localized and relatively small-scale issue in Kenya, cattle rustling has transformed into a well-coordinated criminal operation. Rural

gangs, driven by financial incentives, have exploited this illegal opportunity, causing substantial harm to individuals and communities (Bunei et al., 2016). Similarly, in rural regions, the "black fish scandal" and cases of rogue farmers selling nonhalal meat to unsuspecting Muslim consumers illustrate how entrepreneurs can capitalize on illegal markets and exploit harmful opportunities for personal gain (Fuseini, 2023; Smith, 2004; Smith & McElwee, 2021).

These cases demonstrate how entrepreneurs can extract value from harmful opportunities in both legal and illegal markets, ultimately increasing criminal activity and contributing to the degradation of social and environmental conditions. For these entrepreneurs, pursuing opportunities comes at the expense of broader societal well-being (Bunei et al., 2016).

Weakening formal institutions and strengthening informal institutions. One of Baumol's fundamental assumptions is that entrepreneurship is exogenous to the incentives in a system—namely, the system's incentive structure drives entrepreneurial decisions (Baumol, 1990, 1993; Minniti, 2008; Sauka & Welter, 2007). In this view, governments can alter the rules of the game and thus incentive structures (Minniti, 2016). However, scholars have argued that the rules of the game can also be endogenous as entrepreneurs can challenge institutions and thus the rules of the game (Aimar, 2023; Desai, Acs, & Weitzel, 2013; Douhan & Henrekson, 2008). When entrepreneurs act to maximize personal profits, they may challenge or manipulate existing institutions for their own benefit, often at the expense of broader social welfare (Aimar, 2023; Henrekson & Sanandaji, 2011). This dynamic highlights entrepreneurs' dual role in reinforcing and reshaping the institutional structures that govern their activities.

In this context, individuals can become public sector (Zerbinati and Souitaris, 2005) and political entrepreneurs who actively shape institutions (Dilorenzo, 1988; López & Leighton, 2020; March et al., 2016). Entrepreneurs may also drive institutional change by making

discoveries or creating new systems (Kalantaridis, 2014; Yu, 2001). However, when entrepreneurs challenge institutions, they could facilitate destructive social outcomes by obstructing the maximization of social surplus (Dilorenzo, 1988; Douhan & Henrekson, 2010; López & Leighton, 2020) such that the costs forced on the losers exceed the gains to the beneficiaries (adapted from Holcombe [2002]).

Weakening formal and strengthening informal institutions can also lead to evasive entrepreneurship, whereby entrepreneurs "circumvent or disrupt existing institutional frameworks" (Elert et al., 2016: 1). By innovating around or disrupting existing formal institutions, entrepreneurs may prompt responses from lawmakers and regulators. While this behavior may benefit the individual entrepreneur, it often comes at a societal cost (Elert & Stenkula, 2022). This bilateral relationship between entrepreneurs and institutions suggests that entrepreneurship is influenced by institutional frameworks and plays an active role in shaping them. Accordingly, scholars have suggested that entrepreneurs impact institutions in at least three ways: by challenging existing institutions, evading existing institutions, and directly altering these institutions through political entrepreneurship (Henrekson & Sanandaji, 2011; March et al., 2016).

Blurring legal and illegal boundaries. Some individuals engage in entrepreneurial action that was once legal or culturally accepted but has since become illegal or unaccepted, highlighting the increasingly blurred boundaries between specific legal and illegal action (Bunei, 2017; Hesketh & Robinson, 2019). This blurring occurs when evolving societal norms, regulations, or economic pressures push previously accepted practices into illegality (and vice versa). A prime example can be seen in the illegal trade of high-value forest trees, such as sandalwood, in rural Kenya, where what began as a culturally accepted activity has evolved into

a complex, commercialized, and criminal enterprise (Bunei, 2017). Similarly, Hesketh and Robinson (2019) highlighted how disenfranchised young males in the United Kingdom increasingly turn to drug-dealing gangs as an alternative to employment, with the line between legal work and illegal activity becoming increasingly blurred. As more individuals engage in such action with blurred legal and illegal boundaries, societal criminal activity rises, further complicating the distinction between legal and illegal entrepreneurship.

Perpetuating criminality and corruption. Some individuals knowingly engage in illegal entrepreneurial action, perpetuating criminality and corruption (Ahen et al., 2023; Ammartsena & Dittapan, 2023; Shepherd et al., 2021). For example, one study revealed how an autonomous entrepreneurial unit within a government department deliberately slowed operations to solicit bribes from independent entrepreneurs attempting to establish and run their businesses (Shepherd et al., 2021). Another study highlighted the destructive outcomes of counterfeit medicines in Uganda, including harm to customers and the erosion of trust in legal pharmaceutical companies and public health institutions (Ahen et al., 2023). Indeed, despite potential short-term benefits, the long-term costs of such entrepreneurial action are substantial.

In transition economies, underdeveloped laws and regulations, combined with government officials' broad discretion over enforcement, allow corruption to thrive (Rodriguez et al., 2005; Jung & Lee, 2023; Marquis & Raynard, 2015; Zhou & Peng, 2012). In such environments, corruption can even become normalized (Uhlenbruck et al., 2006). The negative macro-level effects of corruption are well documented—it reduces economic growth, deters investment, and erodes trust in government officials, pushing entrepreneurs from productive to destructive activities (Boudreaux et al., 2018; Li et al., 2015). A wealth of evidence suggests that corruption acts as "sand in the wheels" of an economy, impeding its growth and efficiency

(Lambsdorff, 2002; McCloskey, 2010). At the micro level, actors in certain industries profit more from corruption than actors in other industries, leading to the misallocation of resources and further distorting economic outputs (Boudreaux et al., 2018).

Taken together, individuals engage in destructive entrepreneurial action by exploiting harmful potential opportunities, weakening formal institutions and strengthening informal institutions, blurring legal and illegal boundaries, and perpetuating criminality and corruption. Specifically, some entrepreneurs take advantage of evolving norms and regulations, exploiting opportunities in environments where previously accepted practices have become illegal (or vice versa). Other entrepreneurs challenge formal and informal institutions by manipulating or reshaping rules for personal gain, often at the expense of societal well-being. Additionally, some entrepreneurs perpetuate criminality and corruption through knowingly harmful and illegal activities, such as soliciting bribes or participating in industries that erode trust and damage public institutions. The outcomes of these actions—whether expected or realized—are critical to understanding the broader implications of destructive entrepreneurship. Entrepreneurs may act with intent that is deliberate, willfully ignorant, or even unintended, but their actions collectively contribute to macro-level outcomes. Thus, individual entrepreneurial actions, rooted in specific intentions, can aggregate to shape broader societal patterns and outcomes. Table 3 provides a summary of each arrow's explanation.

--Insert Figure 4c and Table 3 about here--

Destructive Outcomes

Destructive outcomes refer to the societal consequences of destructive entrepreneurial action. In the following section, we delve deeper into these social outcomes, particularly emphasizing reduced entrepreneurial productivity and destruction of economic, social, and

environmental value; increased criminal activity; and institutional change. The societal consequences of destructive entrepreneurship can be grave, so it is crucial to understand and address them.

Reduced entrepreneurial productivity and destruction of economic, social, and environmental value. Reduced entrepreneurial productivity and destruction of value often stem from entrepreneurs pursuing harmful potential opportunities. Consequently, scholars have explored destructive entrepreneurial action's outcomes as a net negative economic impact, such as a drop in the national gross domestic product (Ziętarski, 2018). Indeed, Sobel (2008) developed the notion of net entrepreneurial productivity (NEP) to capture the difference between the outcomes of productive and unproductive entrepreneurship. Additionally, Borozan et al. (2017) followed others in distinguishing destructive from unproductive entrepreneurship (Desai & Acs, 2007) to offer NEP as a second-order construct that captures returns to productive, unproductive, and destructive entrepreneurship. A positive NEP reflects productive entrepreneurship, and a negative NEP represents destructive entrepreneurship.

One area where destructive entrepreneurship is evident is in US military contracting, where an intricate network of government agencies and private firms rely on continuous government spending (Coyne et al., 2016). This dependency and the associated inefficient procurement systems encourage behavior that erodes economic value (Coyne et al., 2016). Similarly, Bull and Whittam (2020) found that English football clubs often prioritize strategic and economic capital over social and cultural capital, damaging relationships with their fanbases. This exploitation reduces entrepreneurial productivity and destroys economic value as clubs increasingly exploit their assets.

Destructive entrepreneurial action can also have severe environmental consequences, often manifesting in harmful practices, such as nature disengagement (Qin et al., 2022). Even when entrepreneurs yield some benefits for themselves, these entrepreneurs often simultaneously inflict substantial damage on both the local environment and social structures in which they are embedded (Shepherd et al., 2022). In some cases, entrepreneurs also extract value from natural resources at the cost of the environment, as seen in the harmful harvesting of sandalwood trees in Kenya (Bunei, 2017). Consequently, scholars have emphasized that meaningful institutional reform is essential for improving socioeconomic outcomes and fostering positive environmental results (Satyadini & Song, 2023).

Increased criminal activity. Macro-level research has often used the prevalence of criminal activity as a proxy for destructive outcomes, aiming to capture the net negative impact of such behavior as destructive entrepreneurship. Specifically, many studies have focused on criminal activity because Baumol (1990) frequently designated it as an example of destructive entrepreneurship (but sometimes designated it as unproductive entrepreneurship). Indeed, a strong implicit assumption in these studies is that illegal ventures are a reliable proxy for destructive entrepreneurship (Boettke & Piano, 2016; Coyne et al., 2016).

Scholars have also explored the relationship between resource constraints, innovation capabilities, and corporate financial fraud in entrepreneurial firms (An et al., 2018). The findings suggest that financial and human resource constraints increase the likelihood of corporate fraud, although innovation capabilities can alleviate these effects. In another study, Box and colleagues (2020) examined destructive entrepreneurship in the small business sector, specifically bankruptcy fraud in Sweden. They found that increases in bankruptcy fraud are significantly associated with higher aggregate bankruptcy volumes, indicating that such destructive

entrepreneurial activities can negatively impact the broader economic system. These studies suggest that destructive entrepreneurship contributes to increased criminal activity, which, at the macro level, has severe social and economic consequences.

Institutional change. Entrepreneurs can change the rules of the game at the macro level, thereby influencing social outcomes. For example, dominant entrepreneurs and local resource holders in Afghanistan, with the support of a third-party organization (a nongovernmental organization), were able to reshape an institution (Ritchie, 2016). In this case, the institutional change—redesigning and stabilizing a new institution—removed destructive aspects for women entrepreneurs, presumably benefiting both the economy and society.

Conversely, in a different example of individuals reshaping the environment, the mafia changes the rules of the game to sustain destructive entrepreneurship (Champreyrache, 2018). Specifically, the mafia's organized crime groups acquire legitimate businesses, and under new ownership, these once-legitimate enterprises generate destructive outcomes: eroding trust, driving out talented and productive entrepreneurs, and forcing nonmafia organizations to bear higher costs. The mafia's action illustrates a clear understanding of how its behavior reshapes institutions (i.e., the endogeneity of its action and the effects on the rules of the game), reinforcing and perpetuating its destructive entrepreneurial action.

In sum, reduced entrepreneurial productivity and destruction of value, increased criminal activity, and institutional change highlight the broader social outcomes of destructive entrepreneurship (i.e., at the macro level). Entrepreneurs may erode value by exploiting assets, weakening social capital, and increasing criminal activity. Moreover, depending on their action and motivation, entrepreneurs can change institutions for personal gain by mitigating or reinforcing destructive outcomes.

RESEARCH AGENDA

As detailed above, there is substantial literature on destructive entrepreneurship. However, there is more to do. The framework presented in Figure 3 highlights the current body of knowledge and the gaps in that knowledge, representing opportunities for future research. We organize this future research agenda at each level of analysis and then explore cross-level possibilities (see Table 4).

Future Research on Macro-Level Models of Destructive Entrepreneurship

We hope future research continues to develop theoretically meaningful variables (and operationalizations) of destructive entrepreneurship at the macro level of analysis. First, we expect this future research to begin where the research on NEP ended. We recognize considerable challenges in creating a measure of the net negative impact on society. Still, these challenges do not negate the importance of this macro construct or theorizing to explain it. We can look for direction from other researchers well versed in operationalizing broad constructs that require large-scale comparisons, such as the sustainable competitive advantage of nations (e.g., Grant, 1991; Porter, 2011) and the impact of a government's new regulations (Kirkpatrick & Parker, 2004). We believe important opportunities to contribute are embedded in the challenges of operationalizing macro-level destructive entrepreneurship outcomes.

Second, the current literature has typically considered formal and informal institutions together, concluding that weak institutions incentivize entrepreneurial talent to engage in destructive entrepreneurship (Desai et al., 2010; Matos & Hall, 2021). Future research could consider formal and informal institutions separately. What attributes of *informal* institutions are most conducive to incentivizing destructive entrepreneurship and why? Likewise, what attributes of *formal* institutions are most conducive to incentivizing destructive entrepreneurship and why?

How do the informal attributes influence the formal attributes and vice versa? Therefore, while labeling institutions as weak has helped us understand the allocation of entrepreneurial talent to destructive entrepreneurship, future research can add nuance to our understanding of the drivers of incentive structures for entrepreneurial talent allocation.

Third, while the long-debated impact of corruption has come down on the side that it causes destruction (Baumol, 1990; Boudreaux et al., 2018; Box et al., 2020; Collins et al., 2016), there may still be opportunities to reconsider the debate by exploring the role of corruption as "grease in the wheels" for overcoming more insidious forms of destructive entrepreneurship. For example, Devlina and Sahu (2023: 1) concluded that corruption by women is a mitigation strategy and that "an effort to reduce corruption at an immature stage, when these societal institutions have not yet developed, might cause more harm than good." Future research might reengage this debate to explore corruption's mediating role between institutional attributes and destructive outcomes. In this example, corruption may have led to more productive entrepreneurship despite often being used as a proxy for destructive entrepreneurship. Perhaps productive and destructive entrepreneurship are not as independent as assumed (by Baumol [1990]), with some combination of talent allocation across the types of entrepreneurship increasing the number of entrepreneurs in a system (i.e., adding more women entrepreneurs).

Fourth, one pillar of Baumol's (1990) theory that has been challenged is the assumption that entrepreneurs are exogenous to the incentive structures in which they are embedded (e.g., Acemoglu, 1995; Douhan & Henrekson, 2008; Yu, 2001). Recent research has highlighted how entrepreneurship can be endogenous (Aimar, 2023; Desai et al., 2013; Douhan & Henrekson, 2008), and we hope more research goes down this path to explore the mutual causal relationship between institutions (changed by entrepreneurs) and the level of destructive entrepreneurship in a

system. What are the long-run implications of such a bidirectional dynamic? Perhaps there is a spiral—either virtuous (i.e., productive entrepreneurship creates an incentive structure that drives more talent to enter productive entrepreneurship, which further changes institutions to promote productive entrepreneurship) or deleterious (i.e., destructive entrepreneurship changes the rules of the game to reward more destructive entrepreneurship, encouraging more entrepreneurial talent to enter destructive entrepreneurship and creating further changes to institutions). Does such a spiral exist, and if it does, what starts, perpetuates, and stops it?

Fifth, while our agenda implicitly acknowledges the role of the macro-level context, future research could explicitly address how cultural factors shape the manifestation and impact of a system's destructive entrepreneurship. This future research could include how destructive entrepreneurship is perceived and addressed in different cultural contexts and under varying regulatory frameworks. Specifically, we suggest comparative cross-country studies to frame hypotheses about the relationship between institutional quality, cultural attitudes toward entrepreneurship, and the prevalence of destructive entrepreneurship.

Finally, we note that globalization significantly influences the scope and impact of destructive entrepreneurship by enabling cross-border operations. This global interconnectedness can exacerbate the harmful effects of destructive entrepreneurial action as detrimental practices in one region can rapidly gain international traction. For example, facilitated by international networks, the global trade in products involving endangered species exemplifies how globalization can extend the reach of destructive entrepreneurship (Ammartsena & Dittapan, 2023). Recognizing globalization's role is crucial in developing comprehensive strategies to mitigate the widespread impact of such activities, suggesting an emergent area of focus within the macro-level destructive entrepreneurship literature.

Future Research on Meso-Level Models of Destructive Entrepreneurship

Research at the meso level can contribute to our understanding of how organizations (new ventures and established organizations) engage in the entrepreneurial process for destructive entrepreneurship. First, research on destructive entrepreneurship at the meso level can continue exploring various but concrete destructive outcomes, such as an organization's net damage to the natural environment, a local community, and people's health. Again, we realize the challenges of operationalizing the outcomes of an organization's destructive entrepreneurship as its net impact on social welfare. We propose that these challenges can be somewhat addressed by focusing on primary organizational outcomes and capturing, as much as possible, the destruction vis-à-vis the benefits of this entrepreneurial action. For example, suppose an organization dumps toxic waste into a river that kills fauna and flora and creates serious health problems for locals. In that case, the assessment criteria could focus on significant negative impacts that clearly outweigh potential benefits.

Additionally, existing social impact scales and measurement frameworks from academia and industry can be adapted to assess the destructive outcomes of entrepreneurial action. For example, Fredline and colleagues (2003) developed a validated scale to measure the social impacts of tourism events, offering a reliable tool for comparing social impacts across different events and advancing knowledge in social impact assessment. Similarly, Small and Edwards (2003) introduced the Social Impact Perception scale, which captures residents' perceptions of the social impacts of community festivals. These frameworks may provide useful models that can be tailored to operationalize the outcomes of destructive entrepreneurship.

Further, in practice, social and environmental outcomes are commonly measured using established frameworks such as the triple bottom line (Elkington, 1998), which evaluates

outcomes across social, environmental, and economic dimensions. Additionally, ESG metrics—provided by agencies like MSCI (MSCI, 2024) and Sustainalytics (Sustainalytics, 2024)—are widely used to assess non-financial performance—including metrics such as carbon emissions, labor practices, and governance standards. Tools like the Global Reporting Initiative Standards (Global Reporting Initiative, 2024) and UN Sustainable Development Goals Indicators (United Nations, 2015) further provide practical benchmarks and indicators to systematically evaluate social and environmental impacts. These frameworks and tools illustrate how such impacts are assessed in practice, offering valuable insights for measuring the outcomes of destructive entrepreneurship.

However, a challenge with different measures of destructive entrepreneurship outcomes is aggregating knowledge across these studies (i.e., studies using different dependent variables to capture destructive entrepreneurship). Creating some universal measure of the outcomes of destructive entrepreneurship at the meso level may be useful but may be an unattainable hope (a pipe dream). Researchers focused on a meso-level variable of destructive entrepreneurship may be able to learn from other studies investigating the net impact of organizational action, including those exploring the sustainable competitive advantage of organizations (e.g., Barney, 1991; Oliver, 1997) and those testing the externalities of an organization's action (e.g., Delacroix & Rao, 1994). In particular, destructive entrepreneurship scholars could benefit from the ongoing discussions in social entrepreneurship about a global measure of an organization's social impact. An omnibus measure of a destructive outcome may be some inverse of a social impact scale—negative social impact (or negative environmental impact). We hope scholars of destructive and social entrepreneurship join forces to explore the complete variance continuum (high negative to high positive) of social impact.

Second, because of the uncertainty surrounding the outcomes of an organization's entrepreneurial action (Dew & Sarasvathy, 2007), we are interested in how organizations try to resolve that uncertainty and how this enhanced clarity (from some resolution of doubt) impacts their destructive entrepreneurship. Indeed, we already understand a great deal about organizational ethics and why some organizations engage in wrongdoing (e.g., Rees, Tenbrunsel, & Diekmann, 2021). This wrongdoing can be destructive entrepreneurship (Scheaf & Wood, 2022; Smulowitz et al., 2023). Future research can extend this work to explore how the novelty of entrepreneurial action and the eventual resolution of uncertainty as the entrepreneurial process unfolds influence destructive entrepreneurship. For example, as the exploitation of a potential opportunity progresses, does the temptation to engage in destructive entrepreneurship increase or decrease? Subsequently, how does an organization learn about the destructive outcomes it generates, and how does it respond to this knowledge? Therefore, we hope future research explores the role of an organization's uncertainty, attention, learning, and response to destructive outcomes in the short and long run.

Finally, beyond identifying and analyzing destructive entrepreneurship, it would be valuable for future meso-level research to explore entrepreneurial responses to destructive entrepreneurship, including pathways for resilience and recovery for communities and ecosystems affected by such activities. For example, Ahen et al. (2023) addressed the issue of counterfeit medicines in Ghana, highlighting a form of destructive entrepreneurship that compromises public health. Future research could explore mechanisms for resilience and recovery in affected communities, such as organizations strengthening regulatory frameworks, enhancing public awareness, and fostering innovation in supply chain transparency to mitigate the impacts of destructive entrepreneurship.

Future Research on Micro-Level Models of Destructive Entrepreneurship

With a strong tradition of micro-level entrepreneurship research, we hope scholars allocate some of their attention to further exploring the psychology of destructive entrepreneurship. First, although micro studies of destructive entrepreneurship have offered a critical perspective on the cognitions, decisions, and action of entrepreneurs engaging in destructive entrepreneurship, there is more to do in exploring the generation of destructive outcomes at the individual level of analysis. For example, at the micro level, research can explore when an entrepreneur identifies and exploits an opportunity expected to be net destructive; how the entrepreneur deemphasizes potential destructive outcomes for others vis-à-vis the economic benefits to the self; and, subsequently, when and how the entrepreneur denies destructive outcomes (via their beliefs, self-reports, and expressed narratives) despite objective indicators of destruction.

Second, there is more to do in extending trait research on business ethics to trait explanations of destructive entrepreneurship. While some entrepreneurship research has explored the dark triad in entrepreneurs (Brownell et al., 2021; Hmieleski & Lerner, 2016; Mendez & Maciel, 2021), we hope future research further explores this cluster of personality traits (and other personality dimensions) to understand the "who" of destructive entrepreneurship. For example, other individual-level attributes associated with entrepreneurial action (e.g., optimism [Hmieleski & Baron, 2009], proactivity [Crant, 1996], and need for achievement [McClelland, 1961]) may also (independently or in combination) increase the likelihood of destructive entrepreneurship. Indeed, greed (a high extrinsic motivation) or obsessive passion may drive destructive entrepreneurship. There is much more to learn about the individual-level attributes that drive destructive entrepreneurship.

Third, research on business ethics has moved to a more nuanced understanding of ethics by explaining why good people do bad things; it has provided a valuable road map for future research on destructive entrepreneurship. Indeed, we are already a few steps down this road. For example, everyday entrepreneurs can face conditions that deplete their personal resources, delay resource replenishment, or introduce temptations they cannot pass up, thus driving them to engage in destructive entrepreneurship (Shepherd et al., 2024). We hope future research further explores the conditions and contexts in which entrepreneurs are more vulnerable to succumbing to destructive entrepreneurship. Indeed, there is more to learn at the individual level about how prosocial motivation can lead to destructive outcomes, why some entrepreneurs fail to correct their efforts and continue their destructive ways, and how the victims of destruction may respond to change the dynamic (e.g., change an entrepreneur's mind or the context in which an entrepreneur is embedded). We suspect future research will continue to explore the role of moral disengagement in facilitating destructive entrepreneurship and how entrepreneurs respond to their destructive entrepreneurship. For example, which types of moral disengagement are used to perform and persist with destructive entrepreneurship, and how can victims break through to help entrepreneurs reengage their morals to produce productive rather than destructive entrepreneurship?

Finally, entrepreneurs may be unaware of the potential destruction of their action when setting out to exploit a potential opportunity (Dew & Sarasvathy, 2007). However, through trial and error and opportunity emergence, entrepreneurs can learn about the outcomes of their entrepreneurial action (Corbett, 2005; Zellweger & Zenger, 2023), including the extent of their destructive outcomes. We hope future research exposes the entrepreneurial process of removing doubt about entrepreneurial action's outcomes and explores whether and how entrepreneurs

consider their destructive outcomes when deciding on their next move. Perhaps an entrepreneur's response is to do nothing and continue with destructive entrepreneurship. Alternatively, the entrepreneur may respond to, minimize, or eliminate the destruction and perhaps even make amends. It is essential to understand entrepreneurs' processing of and responses to the destruction they caused whether they were initially engaged in destructive entrepreneurship or not.

Multilevel Models of Destructive Entrepreneurship

As we continue to build knowledge at different levels, we propose that now is an ideal time to empirically test multilevel aspects of destructive entrepreneurship. Multilevel models have several different forms (Klein & Kozlowski, 2000). We use these forms to explore future research that can vitally contribute to our knowledge of destructive entrepreneurship.

First, homologous multilevel models are those in which the "relationship between two variables holds at multiple levels of analysis" (Klein & Kozlowski, 2000). The advantage of such models is that they can be relatively simple and highly generalizable. However, such models are often difficult to achieve (given differences across levels). Interestingly, Foss and colleagues (2007) theorized a homologous multilevel model using Baumol's theory of how a nation's rules of the game influence destructive entrepreneurship and took it to the organizational level. They considered that a nation's economic system is homologous to an organization's system. They explored a proxy of destructive entrepreneurship—namely, employee activities that reduce "joint surplus" (Foss et al., 2007: 1177). Although scholars may start with a homologous mental model, the theorizing process often leads to elaborations that better contextualize the model (and the model no longer remains a homologous multilevel model). In this way, future research can use a

homologous multilevel mental model to stimulate thinking at a different level of analysis (whether it stays a homologous model or not is unimportant).

In this context, as quantitative research on destructive entrepreneurship grows, future studies could employ meta-analyses to synthesize findings. Meta-analyses are a powerful tool for consolidating knowledge within a research domain and are increasingly used across various disciplines (e.g., Kraft et al., 2022; Post & Byron, 2015; Stam et al., 2014). By encapsulating existing empirical research, meta-analyses can help specify with greater confidence the nature of destructive entrepreneurship's critical relationships, the relationships' effect sizes, and the significance of possible moderators.

Second, future research can explore how a macro-level variable moderates a relationship at the micro level. For example, a researcher could start with the positive relationship between an entrepreneur's dark triad and the entrepreneur's destructive entrepreneurial action. Do contextual attributes influence this relationship? Macro studies have highlighted the importance of a system's economic incentives in allocating entrepreneurial talent to destructive entrepreneurship, such as economic incentives arising from a weak institution. How do differences in economic incentives (e.g., the strength of an institution) influence the relationship between an entrepreneur's level of the dark triad and their destructive entrepreneurial action? It could be that entrepreneurs high in the dark triad largely ignore these incentives because their internal darkness drives them. Therefore, scholars can build models that bridge levels to understand why macro-level economic incentives have less impact on some entrepreneurs' action and more on others' action. Such research would add richness and nuance to the macro assumptions about a system's entrepreneurs.

Third, future research can explore how micro-level variables can impact macro-level variables. Future research can explore how individual beliefs are shared and become collective cultural beliefs that enable or stop destructive entrepreneurship. For example, organizations can work together to influence the rules of the game to diminish the incentives for destructive entrepreneurship. Additionally, groups of organizations in an industry sometimes develop industry codes of conduct (e.g., Hemphill, 1992) and police themselves (Gunningham & Rees, 1997). Do collectives disincentivize destructive entrepreneurship? If yes, how do they work, and what obstacles must they overcome? If not, why not?

It would also be interesting to consider whether and how powerful organizations that benefit from destructive entrepreneurship try to control or derail these collectives, obstructing the disincentives for destructive entrepreneurship. Indeed, we wonder whether organizations band together to create further incentives for destructive entrepreneurship. Scholars have explored these interorganizational linkages to explain other outcomes, such as cartels for price control (Bertrand, Lumineau & Fedorova, 2014), the creation of tobacco industry front groups to fight proposed tobacco regulations (Apollonio & Bero, 2007), and the formation of fake grassroots ("astroturf") organizations by large corporations to support arguments in their favor (Cho et al., 2011). We hope future research extends this work to investigate the foundation and attributes of organizational collectives that incentivize or disincentivize destructive entrepreneurship.

Fourth, cross-level direct models involve a predictive variable at one level and an outcome variable at another. Future research can explore, for example, how formal institutions influence and organize organizational action to pursue opportunities that are destructive and action to cover up these destructive activities. Future research can also explore how organizations' culture and action change a system's informal institutions. Such research is

essential to further our understanding of organizations' role in perpetuating a system that incentivizes destructive entrepreneurship or in changing the informal culture to one that promotes more productive entrepreneurship. We suspect research on institutional entrepreneurship will be informative here (e.g., Garud, Hardy, & McGuire, 2007; Pacheco et al., 2010). Indeed, such cross-level research can contribute to the stream of research on the endogeneity of entrepreneurs and their ventures in the incentive structures in which they are embedded. However, we hope future research goes beyond the assumption that some organizations or individuals take action to change institutions to gain a deeper understanding of *which* organizations and/or individuals do so, *how* they do it, and *why* some successfully change institutions while others fail to do so. Understanding the decisions and action of opposing parties to institutional change can enhance knowledge of destructive and institutional entrepreneurship.

Consistent with this proposed research stream, we recognize there is a need for destructive entrepreneurship research on sectoral differences. Industry sectors "differ significantly in their political, economic, socio-cultural, and technological conditions" (De Massis et al., 2018: 4), influencing entrepreneurs' decision-making and action (Welter, 2011; Zahra & Wright, 2011). Indeed, an entrepreneur's industry experience typically highly influences the entrepreneurial coalitions they join (Dencker & Gruber, 2015). Despite calls for more research on sector influences in entrepreneurship (De Massis et al., 2018), little scholarly attention has been given to the relationships between specific sectors and destructive entrepreneurship. Future research can explore the sectors most likely to foster or generate destructive entrepreneurship. What are the attributes of sectors that generate destructive entrepreneurship? Are they sectors that are more dynamic, complex, or new and/or have more uncertain dimensions? Future research can also explore how destructive entrepreneurship shapes

a sector or changes some sectors differently than others. Perhaps some sectors are unaffected by destructive entrepreneurship, whereas others are more moldable in a way that further rewards entrepreneurs engaged in such entrepreneurship (thus increasing destructive outcomes). We hope future research explores sector heterogeneity (as a condition and/or an outcome) of destructive entrepreneurship.

Fifth, future multilevel research can consider the role of technology in enabling or obstructing destructive entrepreneurship (e.g., through digital platforms, artificial intelligence [AI], and big data). Such research could include exploring the risks and opportunities technology presents in addressing destructive entrepreneurship as technological advancements likely both prevent and enable destructive entrepreneurship. For example, the rise of digital platforms and AI presents new challenges (Andersen, 2023) and opportunities (Fossen & Sorgner, 2021) for addressing destructive entrepreneurship. Indeed, the proliferation of crowdfunding campaigns, while democratizing access to capital, also presents opportunities for fraudulent activities, underscoring the double-edged nature of digital infrastructure in entrepreneurship. The lag in regulatory responses to technological advancements can create loopholes that facilitate destructive entrepreneurship, while the international variance in regulatory frameworks complicates efforts to address globally spanning destructive activities.

Therefore, research could ask, how does digitalization at multiple levels of analysis (e.g., government, venture, and individual) influence entrepreneurs' propensity to engage in destructive versus productive entrepreneurship? For example, we hope future research investigates how blockchain technology enhances transparency and traceability in industries prone to destructive entrepreneurial action, such as counterfeit medicine production (Ahen et al., 2023). We need a deeper understanding of how technology can be leveraged at multiple levels of

analysis to mitigate the risks of destructive entrepreneurship while enhancing the capacity for positive societal impact.

As a final thought, linking our future research agenda more directly to implications for policy and practice could make this work more actionable, including identifying how research findings could inform policy interventions, educational programs, and entrepreneurial practices to prevent, mitigate, or redirect destructive entrepreneurial efforts toward more constructive ends. For instance, there is evidence that destructive entrepreneurship often disproportionately impacts marginalized and vulnerable populations, thereby reinforcing existing social inequality (Lewis, Bruton, & Shepherd, 2024). Moreover, exploiting lax environmental and labor standards in developing countries can result in environmental degradation and adverse working conditions, predominantly affecting society's poorest (Hall et al., 2012). This interaction between destructive entrepreneurship and social inequality underscores the importance of inclusive policies and practices designed to protect vulnerable populations and thus highlights a critical area of future inquiry. Future research could provide actionable insights for policymakers, educators, and practitioners on preventing destructive entrepreneurship through regulatory changes, ethical education, and positive entrepreneurial models.

IMPLICATIONS FOR THEORY AND PRACTICE

Theoretical Contributions

Our integrative review—examining the drivers and intentions behind entrepreneurs' action and the resulting outcomes (both realized and expected)—offers three major contributions to the literature on destructive entrepreneurship (Foss et al., 2007; Hall et al., 2012; Shepherd et al., 2013; Sobel, 2008). First, we introduce a novel framework that integrates the destructive entrepreneurship literature's macro and micro levels. By employing Coleman's Boat (1990;

adapted by Hedström and Ylikoski [2010]), we offer this framework bridging the macro and micro domains within the destructive entrepreneurship discourse (Desai, 2016; Smulowitz et al., 2023). Our framework allows for a clearer analysis and differentiation of studies across levels of analysis.

Second, we extend the discussion on destructive entrepreneurship by examining how different aspects of destructive entrepreneurship interlock for knowledge accumulation as well as where they diverge. In doing so, we highlight the significance of psychological theories of destructive entrepreneurship. We also offer insights into the micro drivers of destructive entrepreneurship in alignment with the economics, sociology, and political perspectives, thereby shedding light on the mechanisms that underpin macro theories of destructive entrepreneurship.

Third, we leverage our integrative framework to propose a comprehensive agenda for research on destructive entrepreneurship aimed at enriching ongoing discussions in the field. We identify promising directions for bridging macro and micro perspectives on destructive entrepreneurship in both directions and point to valuable future research opportunities across the micro, meso, and macro levels and for developing multilevel models.

Implications for Practitioners and Policymakers

Our integrative review has implications for practitioners and policymakers by providing a comprehensive framework for understanding destructive entrepreneurship across different contexts. By highlighting the prevalence and nature of destructive entrepreneurship, our review equips stakeholders with tools to identify, assess, and mitigate potential harm. For practitioners, this understanding fosters a holistic approach to risk management that encompasses social, environmental, and economic impacts alongside financial and operational risks. Integrating these considerations into business practices through stricter environmental standards, ethical policies,

and regular impact assessments allows entrepreneurs to detect harmful practices early and implement mitigation strategies.

Policymakers can also play a pivotal role in supporting these efforts by establishing guidelines and incentives for mitigating destructive entrepreneurship. They can promote or mandate corporate social responsibility through legal frameworks that set minimum ethical standards and require transparency in environmental and social practices, enhancing accountability and empowering consumers. Regulatory frameworks should be robust, adaptable to emerging threats, and strictly enforced to deter destructive entrepreneurship. Strengthening oversight mechanisms and imposing meaningful penalties for noncompliance are essential for regulations to keep pace with evolving entrepreneurial activities.

Limitations and Future Research

While this review focuses on destructive entrepreneurship primarily through its social, environmental, and economic consequences, it is important to acknowledge other overlooked yet critical forms of destructive entrepreneurship, such as the negative outcomes that arise when employees pursue their own business ventures alongside their employment. This phenomenon, often called hybrid entrepreneurship (Folta et al., 2010), occurs when employees exploit employer resources, opportunities, or intellectual property to advance their own ventures. Such actions may result in financial harm, loss of competitive advantage, or diminished trust within organizations, creating adverse outcomes for employers and stakeholders. For instance, research has shown that entrepreneurs may misuse organizational resources (Betts, 2006), divert time and effort away from their professional responsibilities (Sliter & Boyd, 2014), or capitalize on employer-provided training and networks for personal gain (Urbig et al., 2021).

These behaviors are particularly relevant for human resource management and organizational leaders, highlighting the need for policies and practices to address hybrid entrepreneurial activity and mitigate its destructive potential. Incorporating this dimension into the broader conversation on destructive entrepreneurship broadens the scope of inquiry and underscores the importance of exploring its manifestations within organizational contexts, where harm can emerge internally. Future research could investigate the conditions under which hybrid entrepreneurship becomes destructive and how organizations can proactively respond to this challenge.

CONCLUSION

Entrepreneurship is widely acknowledged for its capacity to create change. However, much of our collective scholarly research has centered on the favorable outcomes of entrepreneurial endeavors and action. With a growing interest in entrepreneurship beyond its favorable outcomes, we provide a holistic review of the outcomes and implications from research on destructive entrepreneurship. We integrate destructive entrepreneurship's economic assumptions with a more psychological perspective and offer a multilevel destructive entrepreneurship framework. Our review facilitates the emergence of paradoxes, conflicts, and gaps within current destructive entrepreneurship research. In turn, we suggest new directions to help researchers advance destructive entrepreneurship research to deepen our understanding of entrepreneurship more generally.

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Table 1: Prevalence of the Inductive Codes

	Period I (1990–1999)	Period II (2000–2009)	Period III (2010–2019)	Period IV (2020–present)	**Total**
Number of articles	1	6	40	30	77
Number of outlets with at least 1 article	1	5	29	23	58
Methodology					
Quantitative		1	11	12	24
Qualitative	1	2	7	10	20
Conceptual		3	22	8	33
Conditions of the Environment (Macro)					
Weak formal institutions	1		7	6	14
Strong informal institutions			2	1	3
Conflict and economic instability			4		4
Attributes of the Entrepreneur (Micro)					
Unethical decision-making		2	1	3	6
Moral disengagement		1	1	1	3
Entrepreneurial effort and orientation			2	1	3
Traits and intrinsic motivation			3	6	9
Destructive Entrepreneurial Action (Micro)					
Exploiting harmful potential opportunities		1	3	2	6
Weakening formal institutions and strengthening informal institutions		1	4	1	6
Blurring legal and illegal boundaries			2		2
Perpetuating criminality and corruption			1	5	6
Destructive Outcomes (Macro)					
Reduced entrepreneurial productivity and destruction of economic value		1	7	3	11
Increased criminal activity			1	1	2
Institutional change			2		2

Table 2: Destructive Entrepreneurship Definitions

Study	Definition	Benefits	Drawbacks
Hall & Rosson (2006: 232)	. . . is where detrimental activities, such as criminal activity, lead to net social loss	• Identifies illegal and harmful activities • Macro-level approach emphasizes societal impacts of destructive entrepreneurship	• Narrow and ambiguous focus (i.e., criminal activities) • Micro-level nuances (i.e., motivations) may be overlooked
Douhan & Henrekson (2008: 4)	Unproductive and destructive entrepreneurship entail some combination of rent-seeking technologies that enables the entrepreneur to appropriate rents from other agents	• Useful for understanding the economic implications of resource misallocation • Focuses on rent-seeking behavior that can occur at both the micro and macro levels	• Narrow focus (i.e., rent-seeking) may overlook social and environmental harm beyond economic rent-seeking • Lumps unproductive and destructive entrepreneurship together
Acs et al. (2013: 786)	Unproductive and destructive entrepreneurship create economic value for the entrepreneur but do not result in a net social value creation	• Highlights entrepreneurship's ability to create economic benefits despite social harm • Distinction between private and social gain	• Ambiguity around what constitutes "net social value" • Lumps unproductive and destructive entrepreneurship together
Desai et al. (2013: 22)	. . . is wealth destroying	• Emphasizes resource misuse or depletion • Useful for macro-level economic analysis	• Narrow focus overlooks social and environmental harm • Micro-level nuances overlooked
Minniti (2016: 218)	. . . refers to activities that produce only a welfare transfer and that, in doing so, result also in a net reduction of social well-being	• Emphasizes net impact on social welfare • Recognizes value can be transferred rather than created	• Micro-level nuances overlooked • Difficult to identify entrepreneurial behavior contributing to welfare loss
March et al. (2016: 206)	. . . is a form of welfare-destroying activity in which an institutional entrepreneur undermines institutional quality	• Highlights institutional factors and the impact on societal structures • Focuses on systemic and structural effects relevant to macro-level analysis	• Limited scope to institutional contexts • May overlook micro-level actions that are harmful but not institutional in nature
Jedel & Zietarski (2018: 82)	. . . generates a negative net impact on the state gross domestic product	• Measurable criterion for assessing impact at the macro level • Focuses on economic harm at a large scale	• Neglects social and environmental harm, limiting its comprehensiveness • Micro-level nuances overlooked
Ahen et al. (2023: 3)	. . . is an economic activity in which actors expend resources on rent-capturing or wealth expropriation	• Focuses on harmful economic practices relevant to macro-level analysis • Highlights the negative implications of rent-seeking behavior at the macro level	• Narrow focus on economic activities • May not adequately capture micro-level drivers, such as individual motives
Shepherd et al. (2024: 4-5)	. . . is the social, environmental, and/or economic harm as outcomes of the entrepreneurial process that are greater than the social, environmental, and economic benefits generated	• Incorporates social, environmental, and economic impacts across the micro and macro levels • Integrates individual behavior with broader societal consequences	• Subjectivity in measuring and comparing different types of harm may complicate analysis • Outcomes are contained in the definition

Table 3: Arrow Explanations

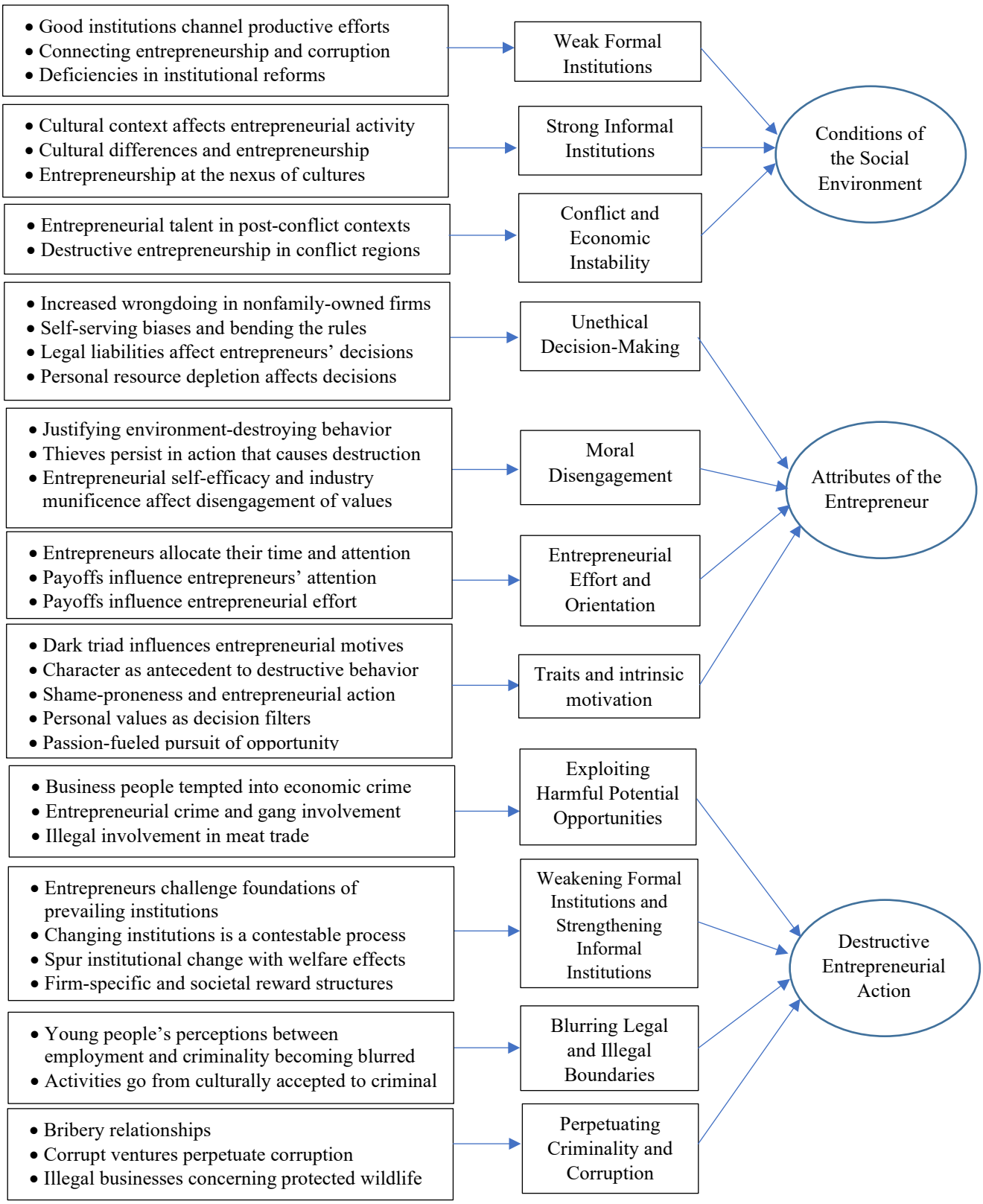
Arrow	Integration Explanation
Weak formal institutions → Unethical decision-making	- Lower perceived risk of punishment encourages entrepreneurs' unethical behavior. - Entrepreneurs exploit regulatory loopholes, evade taxes, and engage in corruption.
Weak formal institutions → Moral disengagement	- Entrepreneurs' harmful actions are normalized in weak institutional contexts. - Entrepreneurs justify unethical behavior as "necessary for survival" or "common practice."
Weak formal institutions → Entrepreneurial effort and orientation	- Shifts effort toward exploiting institutional voids or dysfunction. - Encourages rent-seeking and system manipulation over productive innovation.
Weak formal institutions → Traits and intrinsic motivation	- Encourages risk-taking and short-term opportunism among entrepreneurs. - Amplifies motivations for personal success, power, or wealth in weakly governed contexts.
Strong informal institutions → Entrepreneurial effort and orientation	- Informal norms and networks guide entrepreneurial actions. - Social pressures within these systems often blur entrepreneurs' ethical boundaries.
Conflict and economic instability → Entrepreneurial effort and orientation	- Scarcity and volatility incentivize short-term opportunism for entrepreneurs. - Amplifies risk-taking and shifts entrepreneurs' focus to survival-driven strategies.
Unethical decision-making → Exploiting harmful opportunities	- Entrepreneurs rationalize harmful behaviors for personal gain. - Actions include exploiting vulnerable communities or leveraging harmful market gaps.
Unethical decision-making → Weakening formal and strengthening informal institutions	- Undermines trust in formal systems through bribery or fraud. - Reinforces informal systems like shadow economies as alternatives.
Unethical decision-making → Blurring legal and illegal boundaries	- Entrepreneurs exploit ambiguous laws to operate in gray areas. - Entrepreneurs normalize semi-legal activities, eroding distinctions between legal and illegal.
Unethical decision-making → Perpetuating criminality and corruption	- Entrepreneurs may normalize corruption, embedding it into broader systems. - Creates a cycle where unethical behavior becomes self-sustaining and incentivized.
Moral disengagement → Exploiting harmful opportunities	- Entrepreneurs rationalize harm as acceptable or necessary. - Entrepreneurs may minimize moral barriers to actions like environmental degradation.
Entrepreneurial effort and orientation → Exploiting harmful opportunities	- Entrepreneurs prioritize high-return ventures despite negative externalities. - A focus on profit or competitiveness over ethics intensifies the pursuit of harmful opportunities.
Traits and intrinsic motivation → Exploiting harmful opportunities	- Entrepreneurs' risk tolerance and ambition drive the pursuit of harmful opportunities. - Entrepreneurs' intrinsic motivations like achieving success justify harmful impacts.

Exploiting harmful opportunities → Reduced entrepreneurial productivity and destruction of value	- Shifts resources from productive to destructive activities. - Undermines long-term societal and economic value.
Exploiting harmful opportunities → Increased criminal activity	- Normalizes behaviors that undermine legal and ethical standards. - Creates systemic lawlessness and organized crime networks.
Weakening formal and strengthening informal institutions → Reduced entrepreneurial productivity and destruction of value	- Distracts from innovative ventures toward exploitative practices. - Informal systems lack transparency and scalability, leading to misallocated resources.
Weakening formal and strengthening informal institutions → Increased criminal activity	- Creates spaces for illegal activities to thrive. - Undermines governance and fosters systemic instability.
Blurring legal and illegal boundaries → Increased criminal activity	- Ambiguous laws enable harmful behaviors to proliferate. - Normalizes semi-legal activities, encouraging the growth of illicit markets.
Perpetuating criminality and corruption → Reduced entrepreneurial productivity and destruction of value	- Diverts resources and talent to illicit activities. - Stifles innovation and erodes market trust, reducing overall productivity.
Perpetuating criminality and corruption → Increased criminal activity	- Reinforces systemic harm and institutionalizes corruption. - Accelerates the spread of criminal behaviors across sectors and regions.

Table 4: A Framework for Future Research on Destructive Entrepreneurship

Future Macro-Level Research on Destructive Entrepreneurship
1. Develop measures of net impact on a system 2. Distinguish formal and informal institutions and explore their interrelationship in influencing/driving/impacting [pick one] destructive entrepreneurship 3. Investigate how illegal entrepreneurship can be used productively 4. Explore the impact of institutional entrepreneurship on destructive entrepreneurship (and vice versa) 5. Examine the impact of different cultures and formal institutions on destructive entrepreneurship across countries 6. Study the global spread (or not) of destructive entrepreneurship practices
Future Meso-Level Research on Destructive Entrepreneurship
1. Develop more concrete operationalizations of organizations' net negative impact 2. Investigate the uncertainty, resolution, and learning related to the persistence of destructive entrepreneurship 3. Explore social entrepreneurship misalignments that result in destructive entrepreneurship 4. Examine the dynamism of responses and resilience to destructive entrepreneurship
Future Micro-Level Research on Destructive Entrepreneurship
1. Explore how entrepreneurs identify and decide to exploit opportunities that cause net harm 2. Determine the impact of entrepreneurial traits on destructive entrepreneurship 3. Examine entrepreneurs' vulnerability to personal resource depletion and how they replenish these resources 4. Study entrepreneurs' trial-and-error learning from their destruction and responses
Future Multilevel Research on Destructive Entrepreneurship
1. Use models from destructive entrepreneurship at one level to theorize and empirically test at another level 2. Explore how meso and macro variables impact the relationship between the dark triad and destructive entrepreneurship 3. Investigate how organizations work together to influence institutions to promote and/or obstruct destructive entrepreneurship 4. Study how informal institutions moderate the relationship between a venture's culture and destructive entrepreneurship (and vice versa) 5. Determine when, why, and how technology enables and/or obstructs destructive entrepreneurship across levels of analysis 6. Reveal the policy and practical implications of destructive entrepreneurship research

Figure 1: Data Structure



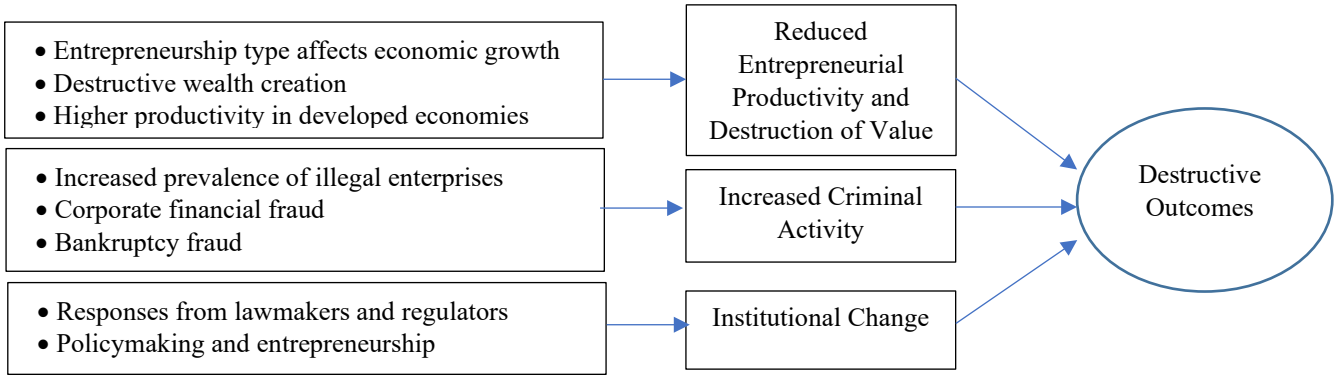


Figure 2: Macro and Micro Destructive Entrepreneurship Studies

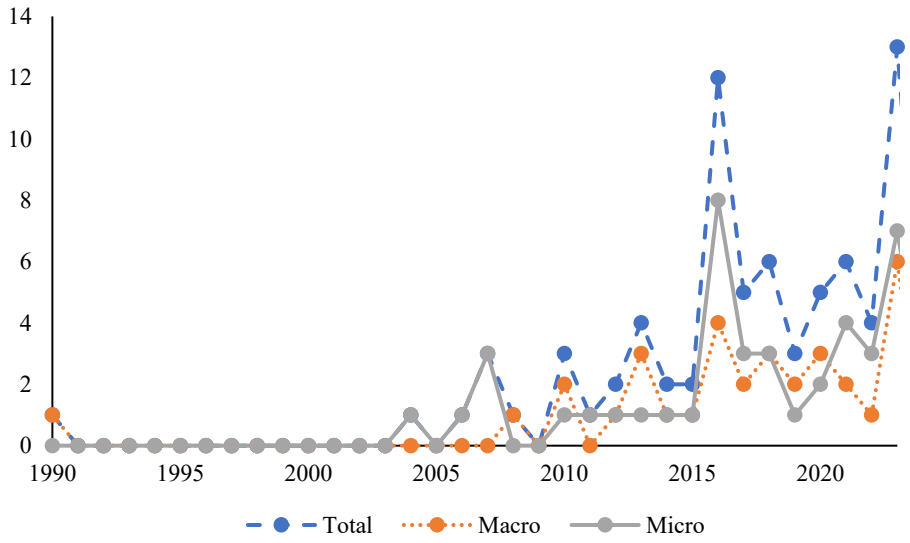


Figure 3: A Destructive Entrepreneurship Framework

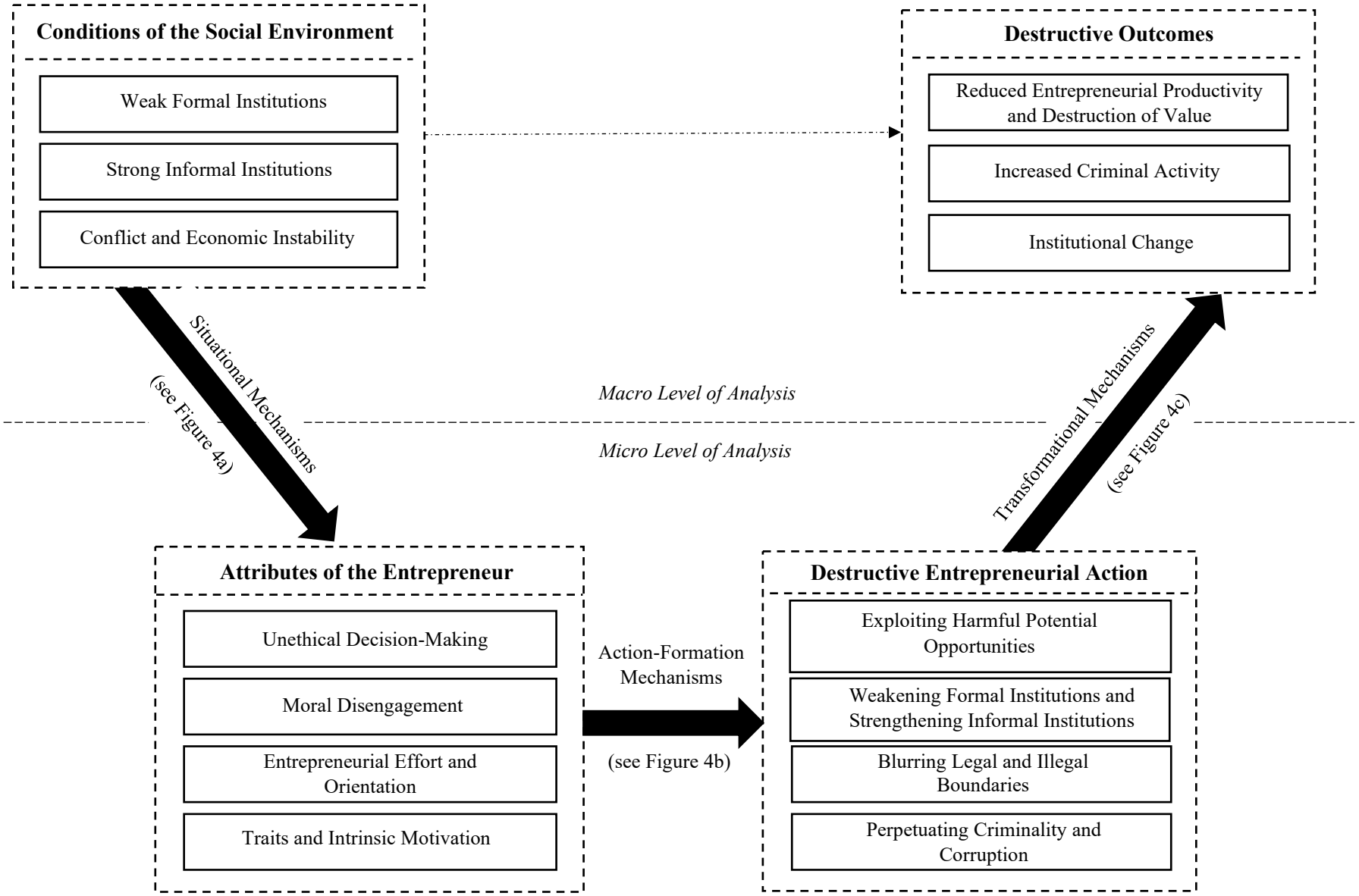


Figure 4a: Macro-Micro Linkage (Situational Mechanisms)

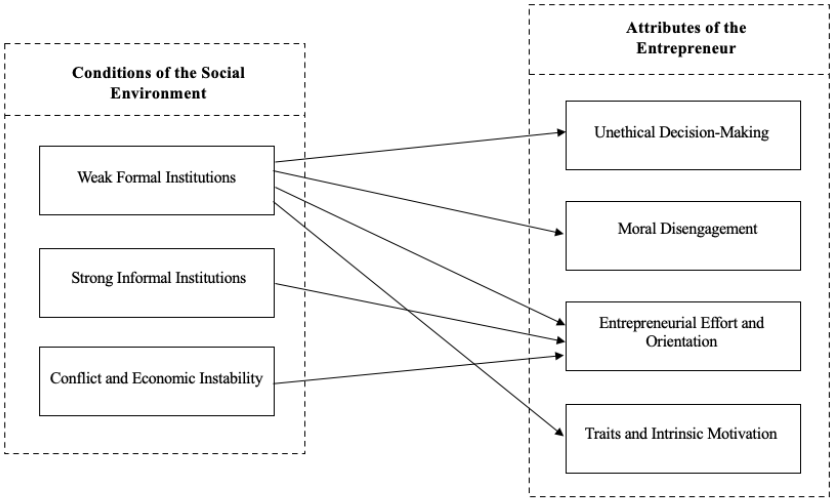


Figure 4b: Micro Attributes-Action Linkage (Action-Formation Mechanisms)

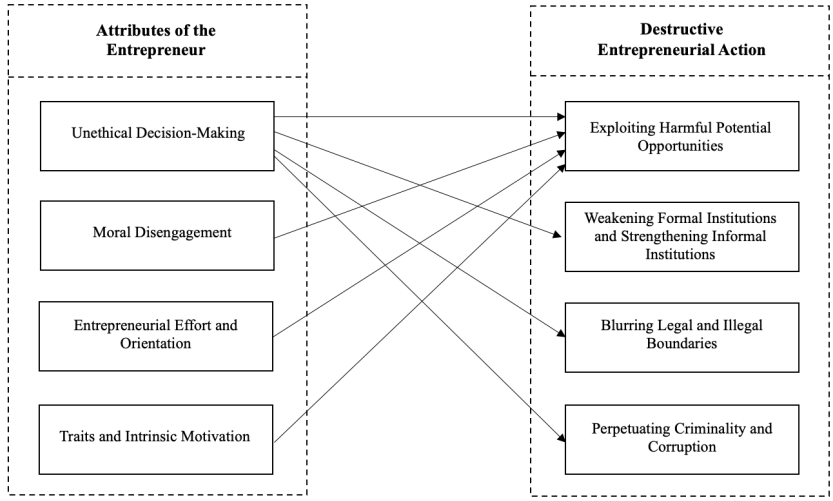


Figure 4c: Micro-Macro Linkage (Transformational Mechanisms)

