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A case study of the embeddedness of illegal entrepreneurship in a closed ethnic community

Robert Smith and Gerard McElwee

ABSTRACT

Purpose: There is an emerging body of literature driven by entrepreneurship scholars which attempts to differentiate between the conceptual and theoretical aspects of legal, illegal, amoral and immoral entrepreneurial practice. Many such studies are based of necessity on individual cases and attempt to develop typologies, models and theories. Legal and illegal entrepreneurship are regarded as separate spheres of study but seldom do we pause to consider the actual human consequences to individuals, communities and places which arise from illegal enterprise. Consequentially, in this invited paper we examine a powerful case of embedded illegal enterprise in a closed ethnic community, exposed through a fatal explosion in an illegal alcohol still in Boston, Lincolnshire. Boston or 'Bostongraad' as it is ironically relabelled is a classic example of an ethnic enclave in which legal and illegal entrepreneurial practices are embedded. We also develop a typology of legal-illegal entrepreneurial actions.

Design/methodology/approach: This study combines a literature review on illegal entrepreneurship with observations based on documentary research methodology. From such readings and findings we develop a typology of enterprise orientated crime committed by a variety of enterprising individuals in an ethnic community.

Findings:

Research limitations/implications: This paper demonstrates the embeddedness of illegal entrepreneurial activity in an entrepreneurial community and outlines a typological schema for differentiating between the informal economy, illicit and enterprise, illegal enterprise and criminal entrepreneurship.

Practical implications: Policy and practical implications for this scheme and the need to develop sustainable entrepreneurial communities are discussed.

Originality/value: The novel aspect of the paper is that it crosses the boundaries between research into entrepreneurship and crime.

Keywords: Organized crime groups; Criminal Entrepreneurship; Illegal entrepreneurs; informal economy.

Introduction

It is helpful to define what we mean by the term illegal. Illegal' activities are those which are: 1) not legally permitted or authorized and therefore unlawful, unlicensed or prohibited; or 2) disapproved of or not permitted for moral or ethical reasons. Typically, those responsible for such activities consciously and pragmatically seek to avoid any form of official recognition by governments or governmental agencies, which may expose them to public scrutiny (McElwee, Smith and Sommerville, 2011). We have chosen to begin this exploration of the concept of illegal enterprise with a powerful narrative of illegal enterprise, which we narrate below:-

“Bostongraad: A case study”.

Around midnight on 13th July 2011, a deadly explosion wrecked an industrial unit in the sleepy market town of Boston in Lincolnshire. Until that moment, it had been a still night. Such incidents, rare as they are do on occasion occur. Was it merely another ‘bad day at the office’ for the business owner? On the contrary, all was not as it appeared. The inevitable enquiries by the Police and Fire Brigade established that this was no ordinary SME, no typical industrial accident, or illegal insurance claim because the particular business in question was wholly illegal and operating an illicit vodka still. Five Lithuanian men died in the explosion and a sixth Lithuanian man was horribly maimed. The exact cause of the explosion is still being determined and the police are still trying to trace an apparently shadowy Eastern European Businessman who paid the lease. As our research revealed this illegal activity is but a small cog in the well oiled machine that is organised crime which preys on enterprising individuals and communities across Europe.

As a joint Police and Customs investigation is still ongoing into the dramatic events, legally the case is still ‘sub-judice’. As researchers our understanding of it can only be gleaned from published accounts in the media and from secondary research. The story told above is clearly one of interest to criminologists, but it is also of interest as an extreme example of illegal enterprise.

From extensive research into illegal enterprise in the United Kingdom, we can categorically state that scenarios such as the one narrated above are becoming increasingly more common. The paper therefore develops our earlier work into illegal and illicit forms of enterprise in entrepreneurship (Smith, 2004; Frith and McElwee 2008, 2009b; Smith, 2009; Smith, 2011; and McElwee, Smith and Sommerville, 2011). We have argued elsewhere that with any form of entrepreneurial activity in a given society, inevitably, there will also be evidence of related criminal activity which will seek to delegitimize, or exploit established practice for pecuniary gain. Moreover, consideration of moral and ethical dimensions of entrepreneurship is increasing (see Anderson and Smith, 2007). An appreciation of criminal entrepreneurship is also increasing (Venkatesh, 2002; Frith and McElwee 2008, 2009b; Gottschalk, 2009; Smith, 2009; Gottschalk, 2010; Gottschalk, 2010a; Gottschalk and Smith, 2011; and Smith, 2011). Despite this growing awareness of the importance of illegal entrepreneurship, little research has been conducted in the area of illegal entrepreneurship. Of this research, the majority has focused on comparing and contrasting the similarities between legal and illegal ventures (Sinclair, 2008).

This paper as well as presenting a fascinating case study of illegal enterprise in a closed ethnic community also examines the differences between illicit enterprise, illegal enterprise, criminal entrepreneurship and activities within the informal economy (which can either be opportunistic and relatively small-scale or exemplified by organized criminal activity). Illegal Enterprise Crime (IRC) such as the activities discussed herein requires a modicum of business enterprise, whereas ‘Criminal Entrepreneurship’ as a term has become so conflated with gangsterism and organized crime. There is an overlap in that although bootlegging and counterfeiting etc are clearly criminal acts synonymous with organized criminal activity they also require a

working knowledge of business processes. Understanding the difference between Illegal Enterprise Crime (IRC) and Organized Crime (OC) is important, hence the importance of this paper because policy makers appear to have great difficulty in understanding the impact of the informal economy in the UK. There is also clearly recognition that Illegal Enterprise exists but there is little clarity on how it is measured, or what should be done to either restrict it or encourage its practitioners out of it.

The paper is built around the triangle of licit, illicit and illegal. Despite the growing interest in relation to morality, ethics and criminal forms of entrepreneurship these are treated as if they are separate entities. We argue that such separation of these practices means that the true scale of the interconnectedness of such activity is not understood, either by policy makers or enforcement agencies such as the Police Service, HMRC, HMCE and Trading Standards. Moreover at the regional level, the scale of illegal activity tends to be under-appreciated. All illegal activities have social and economic costs which are often hidden from view. The Boston Still explosion brought these costs in public view and in particular how these social and economic costs affect communities.

The paper is structured as follows. We first provide issues from the literature we then describe our methodological approach. We provide a legalistic typology which delineates and emphasises the differences between different categories of entrepreneurial behaviour, we will explore the dimensions that can be used to consider the impacts of such activities. We then present a case study of an illegal still in Lincolnshire in England which offers fresh insights into illegal enterprise initiating a discussion suggesting that entrepreneurial activity can have its illegal facets. Finally, we conclude by asking some questions about policy.

Reviewing the complex literature of illegal entrepreneurship

This section is not a review of the extensive literature of illegal entrepreneurship. To do so would encompass several voluminous texts. Nor is it its purpose to review the myriad themes and nuances of criminal entrepreneurship. The primary purpose of this brief review is to outline the complex nature of illegal entrepreneurship to provide a theoretical underpinning to allow us to make sense of the case study.

First of all it is necessary to distinguish between illegal entrepreneurship and informal Entrepreneurship (Bureau and Fendt, 2011) or what (Williams, 2006; 2008) refers to as ‘Off the books enterprise’. Williams (2008), differentiates between ‘necessity-driven’ entrepreneurs pushed into entrepreneurship because other options for work are absent or unsatisfactory; and ‘opportunity-driven’ entrepreneurs who engage in entrepreneurship out of choice. However, this does not take cognisance of the distinction between illegal (and thus criminal) and licit entrepreneurship. We argue that illegal entrepreneurship is the process whereby entrepreneurs supply customers with illegal products and services; or legal services or products, using illegal means. The customers need not be aware of the illegal nature of the transaction, service or product concerned, or the illegal means by which the otherwise legal products or services are provided.

The literature on illegal entrepreneurship is spread across the literatures of Sociology; Anthropology; Criminology, Organized Crime; Psychology; Ethics; and Management. Theorists have long appreciated the existence of illegal entrepreneurship. It is possible to split this into five separate areas of the literature:-

Early Theorists: Early theorists such as Max Weber appreciated the parasitical and unethical aspects to Free Enterprise (Weber, 1908). Likewise Veblen (1899)

highlighted the issue of conspicuous consumption associated with the entrepreneurial classes. Rueschel (1895) discussed the need for a moral crusade against illegal entrepreneurial practices; and Josephson (1934) likened entrepreneurs to the Robber Barons of old.

Criminological Theorists: This era was characterised by an upsurge of sociologically based criminological research. A seminal article was that of Edwin Sutherland (1949) who posited the theory of White Collar Criminality ostensibly to explain the crimes of rich and powerful entrepreneurs. Another theorist was Robert Merton who posited Strain Theory (Merton, 1957; Cloward & Ohlin, 1960) which argues that social structures within any given society may pressure citizens to commit crime as a method of social advancement.

Mafia Entrepreneurship: During the 1970's there was an extensive period of research into aspects of Mafia Entrepreneurship (Blok, 1972; Hess, 1988; Arlacchi, 1983, 1986; Bourgois, 1995) which developed an awareness of how Criminal Mafias were utilising entrepreneurial skills to grow their criminal empires. This work was carried out by Sociologists, Anthropologists and Mafiologists and largely took the form of large scale monographs based on extensive academic research. The gist of this research demonstrated that entrepreneurship was a valuable tool for organized criminal groups to exploit civil society.

Criminal Entrepreneurship: Interest in Criminal Entrepreneurship expanded and the studies of the Criminologist Mike Levi (Levi, 2008) and Sociologist Dick Hobbs (1988, 1996) sparked an interest in what became labelled Criminal Entrepreneurship.

Since then a myriad of articles too numerous to mention have appeared in which the term is used loosely. The problem with such studies is that none of the authors sought to define exactly what Criminal Entrepreneurship was, or was not. As such it has come to encompass everything and nothing because it can be applied to a wide range of criminal and entrepreneurial behaviour. To Criminologists and Sociologists, documenting the existence of Criminal Entrepreneurship *per se* was enough.

Business School Scholarship: During the 1990's Economists and Business School Scholars began to take an interest in Criminal Entrepreneurship and thus Illegal forms of Entrepreneurship. The seminal article in this era was that of Baumol (1990) into productive, unproductive and destructive entrepreneurship. This was echoed by entrepreneurship scholars such as Mark Casson (1980) and Elizabeth Chell (1985) who accepted the existence of Mafia and Criminal Entrepreneurship. During the past decade a growing body of work by Business School Scholars into illegal entrepreneurship has developed as intimated above in the introduction. This will be further discussed below.

The combined effect of these streams of work was to set up a disjointed literature.

This appreciation can be plotted along a timeline. See Figure 1 below:-

Figure 1 – a timeline of seminal studies into illegal entrepreneurship.				
Early Theorists	Criminological Era	Mafia Entrepreneurship	Criminal Entrepreneurship	Business School Scholars
Weber ; Rueschel; Veblen; Josephson	Sutherland (White collar Crime); Merton (Strain Theory);	Block; Hess; Arlacchi	Hobbs; Levi etc	Baumol; Smith; Gottschalk; McElwee & Firth
Circa 1880-1940	1940's- 1960's	1970's-1980's	1980's- 1990's	2000 – present date

A major theme in this stream of work is to differentiate between legal and illegal forms of entrepreneurship and between moral, amoral, immoral and illegal

entrepreneurship. See figure 2 below for a representation of these dimensions of entrepreneurial activity by degree of legality.

Figure 2 – Dimensions of entrepreneurial activity by degree of legality

Illegal (Organized Crime)	Illegal (White Collar Crime)	Illicit (Crimino-Entrepreneurial)	Informal (Immoral)	Legal (Amoral)	Legal (Moral)
ILLEGAL (CRIMINAL) ENTREPRENEURSHIP				LEGAL ENTREPRENEURSHIP	

If these legalistic dimensions were to be upended it would illustrate an ‘Iceberg effect’ whereby legal entrepreneurship was merely the visible part of the mass. It is necessary to explain the significance of this figure in further detail. See table 1 below for an explanation:-

Table 1 – The legal dimensions of entrepreneurial activity explained

TYOPOLOGY	AN EXPLANATION OF THE ENTREPRENEURIAL BEHAVIOUR
Illegal (Organized Crime)	At the extreme end of the continuum illegal entrepreneurship as an activity is associated with organized criminal groups. The actors are invariably serious and organised criminals / gangsters who possess criminal social capital. The crimes are invariably crimes we traditionally associate with gangsters – drug dealing, armed robbery etc. One is normally dealing with entrepreneurial criminals. We are dealing with Baumols Destructive Entrepreneurship.
Illegal (White Collar Crime)	As an activity this type of illegal entrepreneurship is associated with entrepreneurs of a criminal disposition. The crimes are normally those associated with white collar criminality and corporate crimes such as Fraud, Counterfeiting, Tax evasion or clear breaches of the law. One is normally dealing with entrepreneurs. Again we are dealing mainly with Baumols Destructive Entrepreneurship.
Illicit (Crimino-Entrepreneurial)	In this category of entrepreneurial activity the distinction between criminality and entrepreneurial behaviour becomes more blurred. Illicit entrepreneurial activity encompasses behaviours which are criminal but are considered less serious by society and particular communities. Thus we have examples of smuggling and counterfeiting as well as the distillation of illicit alcohol. In illicit enterprise there is an assumption that the participants are ordinary people engaged in small scale localised activities on a craft like basis. There is an intention to defraud the Revenue but not to cause harm to anyone. The classic example is the production of ‘Moonshine’ alcohol in rural America. The recent British activity of cigarette and alcohol smuggling between Britain and France ‘ostensibly for personal consumption’ is a classic example. The actors need not be entrepreneurs, merely enterprising individuals. In Baumolian terms it is an example of unproductive entrepreneurship.
Informal (Immoral)	In this type of entrepreneurship we are dealing with two separate types of entrepreneurial activity. Firstly we may be dealing with an activity that is merely unregistered and thus illegal. In every other respect it may have been considered legal if laws were complied with. Thus professionals moonlighting or tradesmen doing ‘homers’ are both excellent examples of this type of activity. The use of unregistered illegal workers is another example. In this case we are dealing with Baumols unproductive entrepreneurship. The other form of informal entrepreneurial activity is more complex in that it is often based on

	an activity that is illegal and thus cannot be declared. Conducting an enterprise using the resources of one's employer is an interesting example.
Legal (Amoral)	Semi-legal or grey entrepreneurship is legal but may be considered by many people as immoral. Thus gambling, legal forms of prostitution or involvement in the sex or pornographic trade whilst legal may cause the entrepreneur to be held in a lesser esteem. Other examples of amoral entrepreneurship are scams where there is a misrepresentation of facts which can not be proven to be criminal. Whilst the activity is deemed legal it is not always widely accepted. In terms of Baumols typology of moral entrepreneurship it is difficult to position such activity. One may be dealing with entrepreneurs or criminals. crime held in high esteem. This is an example of Baumols Productive Entrepreneurship.
Legal (Moral)	At this end of the continuum any entrepreneurial activity is deemed legal and thus moral because it complies with the criminal laws, rules, regulations of the host societies. The entrepreneur is held in high esteem. This is an example of Baumols Productive Entrepreneurship. However, even within legal entrepreneurship there exists sharp practice which although legal may be considered reprehensible by the public. The actors possess entrepreneurial social capital.

Business School Research into illegal entrepreneurship.

There is an implicit assumption that entrepreneurial activities will be conducted legally, ethically and morally (Anderson and Smith, 2007) and because of this very little research has been conducted specifically in relation to illegal entrepreneurial activity. Nevertheless, it is clear that illegal enterprise activity is widespread (Bauchus 1994) and crime and entrepreneurship are often intertwined (Casson, 1980). According to Buckley and Casson (2001: 314) entrepreneurship is a morally ambiguous pursuit which of necessity often entails a degree of exploitation.

The seminal study of the Economist William Baumol's (1990) into the distinction between productive, unproductive and destructive entrepreneurship can be regarded as the beginning of the era of Business School research into illegal entrepreneurship. However, Baumol's typology encompass a wide variety of behaviors spanning a continuum from illegal (and clearly criminal) through to immoral and amoral actions that are not always illegal. All these behaviors can be encompassed under the rubric of the term 'illegal. Serious consideration of destructive forms of entrepreneurship or what Harris, Sapienza and Bowie (2009) refer to as socially unproductive

entrepreneurship is growing (see Davidson, 1994; Desai and Acs, 2007; Minniti, 2008; Aidis, Estrin and Mickiewicz, 2008; Sobel, 2008; Desai, Acs and Wietzel, 2010; and Douhan and Henrekson, 2010). Douhan and Henrekson (2010) suggest that the foundation of Baumol's classification scheme fails to appreciate the true impact of entrepreneurship in real-world circumstances characterized by institutions and, we suggest, applications and settings, which are suboptimal.

Not all illegal entrepreneurship can be located within what Williams (2006, 2011) refers to as the informal economy. If one ignores the moral implications and safety issues of illegal business ventures it is apparent that they often operate in much the same manner as traditional entrepreneurial ventures (Paoli, 2002). Many require business processes such as employees, managers, and even supply chain management. That is why it is important to study these types of entrepreneurs (Baumol, 1990; Davidsson, 2004). In studies of Urban entrepreneurial activity, research has focused on illicit or illegal activities, thus begging (Adriaenssens and Hendrickx, 2011), prostitution, (Hubbard, 2004), drug dealing (Hubbard, 2004), women trafficking, illegal club land and the normalisation of counter culture, (Talbot, 2004).

Research into illegal entrepreneurship has sought to explore why certain groups and individuals, despite not fitting the conventional description of the entrepreneur, have managed to engage in enterprise and entrepreneurship. As an academic discipline, entrepreneurship has always been concerned with understanding how entrepreneurs work at and beyond the boundaries of what is known and, occasionally, of what is accepted in the pursuit of profits. The majority of research exploring illegal entrepreneurship, however, has tended to focus on criminality rather than on illegal entrepreneurship *per se*. Cases of entrepreneurship involving minority entrepreneurs (Galloway, 2007), illegal enterprises (Rehn and Taalas, 2004; Smith, 2004, 2007;

Williams, 2008, 2009), drug dealers (Frith and McElwee 2008, 2009b) and other such marginal activities (Storr and Butkevich, 2007) have been the most common instantiation of this type of research to date. The individuals involved in these enterprises have been commonly portrayed as deviant and often as social outcasts who operate at the margins of society. However, minority entrepreneurs, illegal enterprises and other marginal activities are not necessarily criminal, although criminality is a theme in the literature. This type of research has, by and large, documented cases of entrepreneurship that mainstream, and more widely accepted entrepreneurship research, has tended to ignore.

Illegal enterprises are not isolated from legal enterprises and have similar networking opportunities and business support as their legal counterparts – factors which are critical for business growth. It is just that these opportunities may tend to be hidden. Illegal enterprises can be very similar to legal types of businesses (Smith, 2008). However, we acknowledge that there are exceptions. Theoretically there should be little difference between an illegal and legal enterprise other than perhaps in respect of organisational structure, settings and the ways in which it is operationalized¹.

A major problem with researching illegal entrepreneurship is that it covers a wide gamut of activities (Smith, 2004). Illegal entrepreneurs exhibit characteristics, such as strategic awareness, opportunity spotting and networking, shared by licit entrepreneurs (McElwee, 2008). Frith and McElwee (2008) suggest that illegal entrepreneurs may well have multiple business interests that generate employment

¹ Before one can tackle illegal enterprise we need to know how to spot it; how to recognise subtle differences; how to establish if a business is legal or not. Police and Trading Standards are not routinely trained in such issues and take everything at face value. It is often complained that legal businesses are tied up in red tape but these laws, rules and regulations protect workers. There is a need to build such knowledge into an investigative framework.

creation and economic development. This is important because standard definitions of entrepreneurs ignore both the multiple interests and the social entrepreneurialism of the illegal enterprise. At present there is still a paucity of knowledge about which factors trigger the start-up of entrepreneurial activities of illegal entrepreneurs.

Hubbard (2004) identifies the major problem with goods and services supplied via illegal entrepreneurship is that of a lack of redress. Hubbard also pointed out the scarcity of resources in enforcing contractual relations in legitimate markets and preventing the pursuance of illegal trades. Consumers are disadvantaged due to problems of cost in prosecuting sellers of legal products; and the enforcement authorities will be constrained, due to resources and information shortages, from preventing every illegal trade from taking place (Cameron, 2004). The illegal entrepreneur or vendor of illegal goods is aided by the fact that there is “some penumbra of doubt, in the buyer’s mind, about what is legal and what is not” (Cameron, 2004).

There is a growing awareness (Smith, 2004; Wempe, 2005; Fadahunsi and Rosa, 2002) on the characteristics of illegal economic activity:-

- It is not a purely marginal activity of marginal entrepreneurs;
- It is connected to the formal, modern, economy and to communities and places;
- It is available to any who have the entrepreneurial capability and choose to engage in it;
- Those who work in the illegal economy may receive fewer benefits and protections than those who work legally;
- Some elements of illegal entrepreneurship may benefit from a government attitude of tolerance;

- Illegal enterprise is an entrepreneurial process which may on occasion be similar to legal entrepreneurial processes. Illegal enterprise is similar to legal entrepreneurial processes. There are similarities but there are also differences;
- Many products or services can be part of the illegal economy;
- It normally, but not always, operates in cash or in kind;
- It can be a pluriactive illegal venture i.e. the entrepreneur may operate a number of illegal activities.
- Those who work within the illegal economy may receive less benefits and protections than labour in the formal sector;

Methodology

The primary source of our research data is derived from material available in the media, particularly the press. We thus combine desk based research with case study methodology (Yin, 2008) and documentary research (Platt, 1981; Scott, 1991; Mogalakwe, 2006). Documentary research involves an analysis of available documents such as newspaper articles, books, photographs, using analytic techniques such as content or semiotic-analysis to identify relevant themes. For Mogalakwe (2006) documentary research makes difficult to research topics such as this one accessible.

Bostongraad: A Case Study

The picturesque British town of Boston in Lincolnshire is a coastal town surrounded by vast areas of farmland. As such, it has a high demand for casual labour. Boston

was formerly a 'typical English Market Town' but since 2004 has undergone considerable changes due to migration and economic forces. Officially, Boston's population is 61,000, but the borough council believes the true figure is more like 75,000 (Hitchens, 2011). Since the A8 accession treaty in 2004 the majority of international migrants to Lincolnshire have arrived from Eastern Europe. The first waves of migrant workers were mainly Polish but now Latvia and Lithuania are currently the county's largest source of migrant workers. This trend is due to recent conditions in their economies. In 2009 Latvia and Lithuania had some of the highest unemployment rates in the EU. Boston now has the biggest pocket of Eastern Europe migrants in Britain hence the Bostongraad label. 1 in 4 of the population is estimated to belong to the migrant communities². This unprecedented mass migration has resulted in an escalating situation where thousands of hard-working young men and women are gainfully employed in the fields and factories of Lincolnshire; where local landlords have no trouble in renting property; and a small housing boom has led to the building of new blocks of flats and housing estates Hitchens (2011).

Furthermore, Hitchens (2011) reports on the obvious manifestations of entrepreneurial growth in the form of a half a dozen independent shops selling Baltic, Polish and Russian food; an internet cafe used mainly by Eastern Europeans; a Russian Restaurant; and a Polish Restaurant; as well as a Latvian pastry and cake shop.

Hitchens (2011) also reports on the growth of dispiriting caravan encampments close to the farms; and of the stress on the local school system in which over half of the pupils do not have English as a first language. Hitchens does not blame race

² Background to Migration in Boston.

<http://resources.cohesioninstitute.org.uk/Publications/Documents/Document/DownloadDocuments/File.aspx?recordId=49&file=PDFversion>

arguing that the locals and migrants are merely separated by culture, upbringing, manners, tastes in food, history and language. Hitchens is highly critical of the uncontrolled policy of mass migration which has swamped the local Bostonian culture.

Furthermore, Hitchens (2011) reports on the complaints of anti-social behaviour levelled at east European youths such as the use of illegal hooch; rowdy behaviour; street drinking; and public urination in the street. Hitchens (2011) places the blame on immigration policy, not the migrant arguing that it is difficult to blame the “*poor person from Lisbon, Riga or Bucharest, with a family to house and feed, tempted to uproot his or her life by the promise of wages unthinkable at home*”. Here we have echoes of entrepreneurial mythology.

A study of migrant workers in East Lincolnshire by Zaronaitė and Tirzite (2006: 9) remarked that “Although demand for migrant workers is high and supply even higher, legal opportunities for migration are limited”. In Lincolnshire, in 2006 nearly 94.5 % of employers used casual labour, and of these 98 % are migrant workers (Zaronaitė and Tirzite, 2006: 10). Nevertheless, it is difficult to put a figure on the number of migrant workers in South Lincolnshire at any one time because of its rurality and because workers can travel long distances to where they work. People living in Cambridgeshire, Suffolk, Norfolk and the Midlands are taken to work by bus in South Lincolnshire on a daily basis (Zaronaitė and Tirzite, 2006: 11). A shortcoming of the Zaronaitė and Tirzite study is that it does not consider the aspects of illegality. They did however, interview migrant workers in respect of their views on crime:-

- 58 % of migrant workers do not know how to report crime;
- Nearly 10 % of migrant workers who became victim of a crime didn't report it to the police.

Some of the reasons for not reporting the crime are:

- ¾ Did not know how to report it.
- ¾ were scared of immigration services.
- ¾ were afraid to lose job or to become a victim too.
- ¾ intimated that they sorted the problem themselves.
- ¾ Did not trust police.

This mistrust of the police has various roots:

- ¾ of respondents intimated that this stemmed from their experience in migrant workers' country of origin.
- ¾ reported negative experience with police in the UK.
- ¾ blamed a lack of information about migrant workers' rights.

This creates tension with the police and local communities. Figures published in the Spalding Guardian indicate that 32 per cent of convicted drink-drivers in Lincolnshire are migrant workers predominantly from Spalding and Boston; and that 180 foreign national drivers were found guilty of drink-drive offences in 2010. Those convicted were of Polish, Latvian and Lithuanian decent and live mainly in Spalding and Boston (De Santis, 2011). From a socio-cultural and legal standpoint the mass migration has caused social stress.

The brief story narrated in the introduction is worthy of academic inquiry. As was narrated in the introduction, five Lithuanian nationals died in the inferno and one other was seriously injured³. Wainright (2011) describes “*a horrendous scene, with smoke choking a brick box nine metres (30ft) deep by five metres wide where bottles*

³ The men killed in the blast were named in the Press as being - Vaidas Krupenkinas (39); Laimutis Simkus (32); Ovidijus Mejeris (26); Ricardas Gecas (24); and Erlandas Duzinskas (18). It is difficult to tell whether those involved were members of an Organized Crime Group or whether they are merely illegal immigrants or migrant workers.

and cartons were strewn around the victims' bodies". This is indicative of a commercial activity (albeit illegal) having been conducted in an unsuitable and unventilated building in breach of UK health and safety regulations. The avoidable loss of life rocked the local Lithuanian Community and shocked the local and business communities in Boston and nearby Peterborough in Cambridgeshire. A Lithuanian national interviewed by the Press, Dadas Mikurtus (28), remarked - "*It's crazy. It's dangerous not just for themselves but for the people who are living nearby*". Mr Mikurtus further argued that the practice is common in his native land and said that "*It would not have been a surprise in Lithuania*". This comment highlights the differences in cultural attitudes towards the production of illegal alcohol between Britain and Lithuania.

However, angry neighbours claimed the illegal operation was run by east Europeans. These individuals pointed to empty spirit bottles and used needles in the lane near the factory unit. This suggests that the workers allegedly being drug users. It was also suggested that some of the workers also slept in the cramped factory; and reported that there was activity outwith normal working hours. The police confirmed that they had found chemicals used in the illicit production of alcohol as well as the component parts of the manufacturing process. Academic research into the illegal and illicit distillation of alcohol and the crime of bootlegging is not uncommon (see for example Haworth and Simpson, 2004) particularly in sociological and criminological circles. There is a tendency to treat it as a victimless, folk crime but this attitude does not extend into bootlegging by Organized Crime Groups. However, it must be noted that there is a big difference legally and morally between illicit 'non-branded' alcohol (Howarth and Simpson, 2004) made by skilled brewers / craftsmen who care about the quality of their brew and the fake alcohol being distilled in the Boston Still. The

criminals, businessmen and shopkeepers involved who knowingly trade in fake alcohol know that their product may result in the death of any individual consuming them knowingly commit a crime⁴. Production often takes place in unhygienic conditions.

What has characterised the investigation into the inferno is the silence from friends and families of the victims. Moreover, Wainright (2011) stresses that none of the victims were carrying anything giving their names - this is a modus operandi of organized crime groups to thwart police investigations. This is not a study of Lithuanian organized crime – for a detailed overview see Gutauskas, 2011). Nevertheless, changes to the dynamics of organized crime in the post-socialist era and the lure of entrepreneurial opportunities across the EU led to an exodus of organized criminal groups from Lithuania and other east European countries as the groups migrated across Europe under the cover of the migrant workers (Gutauskas, Juska, Johnstone and Pozzuto, 2004). During the early 1990s organised crime in Lithuania began to metamorphose from illegal manufacturing to opportunistic criminality. Changes to the policing practices in East European states as the police became more effective also contributed to this migration of the criminal population (King, 1998; Gutauskas *et al*, 2004). The production of illegal alcohol and associated counterfeiting activity are both staple crimes of the East European Organized Crime groups. Van Duyne (2003) identified an extensive organised crime-networks in the form of a Northern European ``trade belt' stretching from the Baltic to the British Isles. Culturally, Lithuanian entrepreneurs may have experience of illegal

⁴ Counterfeit alcohol is generally much lower in price than genuine branded products; the labeling will often be low quality, may not be straight and may contain spelling mistakes; bottles of the same product may look different; the bottles may not be filled to the same levels and the contents when opened may smell of nail varnish (Baxter, 2011).

entrepreneurship. Indeed, Aidis and Van Praag (2007) argue that young Lithuanian entrepreneurs usually gain their first entrepreneurial experience in illegal spheres and go on to significantly out perform those without such prior experience; and are more motivated.

The backdrop to the drama is that the explosion is believed to have been part of an ongoing investigation by the police and HM Revenue and Customs into organized crime in the U.K. During April 2011 a joint Police, Customs and Trading Standards operation in Boston led to fake brands of spirits being seized from six "*international shops*" (as described above by Hitchens, 2011) which serve the east Europeans communities in Boston and surrounding areas (Wainright, 2011). The searches led to one shop losing its licence to sell alcohol and another having it suspended. The raids also uncovered illegal cigarettes on which duty had not been paid. Three retailers had sold fake vodka containing Isopropyl alcohol, widely used as a solvent and found in cleaning fluid. All six had alcohol or cigarettes on which duty had not been paid.

Contraband cigarettes are an integral part of the money generating activities of the Polish, Lithuanian and Russian Mafias (Van Duyne, 2003; Gutasukas, 2011). Mawby and Gisby (2009) report on the media use of moral panic in relation to their reporting of public perception of East European Organized Crime Groups whose members are stereotyped as entrepreneurial petty crooks and mafia type organizations.

The illegal trade in fake alcohol can have fatal consequences. Bird (2011) reported on the death of Rebecca Dickson (42) and the horrific blinding of her friend Ann Ray (47) in Mussleburgh in July 2011 from illicit alcohol. Dickson had bought the spirits from a door to door vendor and Ray from a car boot sale. Both incidents were connected as suspicion fell upon the vodka labelled 'Original Vodka Russia Export

Quality'. Forensic tests later revealed that the two bottles were the same consignment of vodka. Both bottles contained lethal levels of methanol a common ingredient of the organised crime gangs from Eastern Europe who are suspected to run networks of bootleg distilleries across Britain⁵.

The Boston Still scenario has many levels of entrepreneurial activity. In reality, it may well have been a front for an ethnic organised crime gang which makes it of interest to the literature of Organized crime. Visually very little separates the legal and the illegal enterprise. However, it is possible to determine some of the elements that separate the two. Legal businesses have to have insurance, Health and Safety and other such certificates and policies in place. This takes us into the policy literature. Illegal alcohol production also involves potential breaches of Public Health legislation (Walsh and Grant, 1985). Thus we have moral and legal dimensions.

The production and distribution of fake alcohol is not confined to the migrant east European Community. It is a wider social problem which affects all communities nationally and globally. During 2011, HMRC closed down three illegal stills and prosecuted six men for producing counterfeit vodka. Tens of thousands of counterfeit bottles of alcohol were seized in raids in Glasgow; Manchester, Nottingham; Derby; London, Surrey; and Worcestershire. Trading Standards officials are on record as saying that up to a quarter of all licensed premises in parts of the UK had been found to have counterfeit alcohol for sale. Alcohol fraud costs the UK about £1bn a year in lost revenue, including £300m from illegal spirit sales, according to government estimates.

⁵ Methanol is a highly toxic and volatile form of alcohol. Drinking just two teaspoons can render you blind.

From an analysis of the case study above it is apparent that there are several layers to the illegal entrepreneurial activity of the east European organized crime gangs. Firstly, the closed multi-ethnic enclaves and communities created in Boston and other towns across the UK give the organized crime groups a host community to operate from within. It is a community closed to the British authorities through language, custom, cultures and a climate of fear. This ensures the compliance of the ethnic groupings because of a climate of fear which extends from the enclave back to their homelands where many have relatives still under the thrall of the organized crime groups. The organized crime groups operate a system of violent entrepreneurship (Volkov, 1999). Within these enclaves, or closed communities, the east Europeans and other ethnicities provide a source of labour for the legal entrepreneurial system of the area. Simultaneously, they provide a source of criminal labour too for the organized crime groups. The ethnic community is both a resource and a market for the organized crime groups. Those that become inveigled in the scams or who become indebted or addicted are drawn into the ongoing criminal conspiracy. The migrants are both customers and a shield against the authorities. The illegal entrepreneurial activity at this level is drug dealing, prostitution, and trafficking in other commodities such as cigarette smuggling and the manufacture of illicit alcohol. The contraband products of illegal entrepreneurship are sold in pubs, clubs, door-to-door and at car boot sales. These are examples of legitimate markets used for illegitimate purposes. Moreover, Organized Criminal gangs deliberately spread their distribution and sales networks to disguise their activities to dupe the authorities into believing that the individual operation is a 'small, local fiddle.

Secondly, the presence and the critical mass of different ethnic groupings creates an entrepreneurial market, which is exploited by the enterprising migrants. Thus there

is a thriving ethnic entrepreneurial community of shop keepers and restaurateurs who on the surface are legitimate and legal businesses servicing the cultural needs of the communities by providing food and other luxury items from their homelands. This is classic ethnic enterprise theories (Waldinger, 1986; Aldrich, and Waldinger, 1990; and Waldinger, Aldrich and Ward, 1990) in which the ethnic entrepreneurs emerge from their communities. In terms of illegal enterprise the case study above indicates that illegal entrepreneurial activity appears to mirror the ethnic model of enterprise. However, anecdotally the shops and business premises in such areas are often fronts for organized crime groups. The entrepreneurs who operate them may either be fronts for organized crime groups or pay protection to them and in turn are forced to act as conduits for the sale of illegal commodities. They are forced to pay protection money and also stock counterfeit alcohol or cigarettes. Cameron (2004) discusses the practice of 'turning a blind eye' whereby an illegal activity is either tolerated on the premises or even facilitated by turning a blind eye. In some cases they may also act as a front for prostitution and for money laundering. Again this is classic parasitical entrepreneurial modus operandi for gangsters. This is a complex area morally and legally in that the entrepreneurs themselves may be moral and ostensibly honest but forced by circumstance to be dishonest. Nor can one ever be certain that all the entrepreneurs are under the thrall of organized crime groups.

The organized crime groups are also allegedly involved in Gangmaster activity and the crimes and illegal practice associated with this activity. There are legal registered Gangmasters who operate a legitimate business but there are also illegal unregistered players with connections to East European organised crime groups who recruit the workers direct from east Europe. These illegal operatives are said to act in a predatory and merciless manner towards the migrant workers paying low wages and

taxing them by providing housing; food from their own shop; vodka or hard drugs, or prostitutes (Mo, 2007). Such individuals are forced to pay for their travel and accommodation and receive low wages being treated as 'Off-the-books' workers.

See figure 3 below for a visual representation of the illegal entrepreneurial revenue streams generated by organized crime groups.

Insert figure 3 here please.

A discussion on developing sustainable entrepreneurial communities

This case study of illegal entrepreneurship set in the context of closed ethnic communities is interesting for many reasons, but in particular because it raises questions in relation to the sustainability of UK immigration policies. Developing sustainable and entrepreneurial communities requires careful planning by politicians, policy makers and Council officials. We refer to the definition on sustainable communities adopted by the UK Government:-

‘Sustainable communities are settlements which meet diverse needs of all “existing and future residents; contribute to a high quality of life; and offer appropriate ladders of opportunity for household advancement, either locally or through external connections. They also limit the adverse external effects on the environment, society and economy.’ (Kearns and Turok, 2004:1-6)

From the case study presented above it is debatable as to whether Boston is a good example of a sustainable community at present. Nevertheless, sustainability is a recurrent policy theme. For example, the Department for Business, Innovation and Skills (BIS) launched a ‘Strategy for Sustainable Growth’ in July 2010 which identified three strategy areas as priorities for government support:

1. Promoting the efficient operation of markets;
2. Smarter public and private investment in the economy including the creation of a highly skilled workforce; and
3. The encouragement of entrepreneurialism and individual engagement in the economy.

The absence of any consideration on the informal or the illegal is noticeable despite the fact that all communities manifest informal and illegal activity. Granted this case study is an extreme example. Political rhetoric tends to ignore this side of the economy. What is clear is that there are significant dimensions to understanding the effects of illicit and illegal enterprise. We have merely scratched the surface. We suggest that there are four significant dimensions which need to be considered to further our understanding of illegal enterprise. Governments and regional policy makers need to understand the extent to which such forms of illegal enterprise can create economic distortions in markets and that these in turn can create social distortions. In table 2 below we discuss these dimensions in relation to the Boston case study.

Table 2 – Dimensions of illegal enterprise	
Dimensions	Description
Economic	The examples of illegal entrepreneurship discussed in this case study are manifestations of organized criminal activity and can occur in any community. However, illegal enterprise and illegal entrepreneurship manifest themselves not only in the criminal milieu but in the entrepreneurial milieu too. Entrepreneurial criminals capitalise on the political, social, and cultural aspects of any society. Thus wherever one finds legitimate, legal enterprise it is not uncommon to find parasitical criminal elements. The economic and political elements which gave rise to the mass migration in this scenario led to a greater than expected influx of migrant workers. The fact that many were from former Russian controlled countries has led to a situation that despite there being separate Russian, Polish, Lithuanian and Latvian communities in Boston. They are capable of unification via the Russian language. Strategically this gives the organized criminals a major advantage due to the language and cultural barriers. In effect the economic situation has led to the creation of a closed multi cultural Eastern European Community. The police and authorities are at a disadvantage operationally and ideologically. The policy measures which require to be

	implemented include developing more enterprising and legitimate communities; and training police and investigators in how to deal more effectively with organized crime.
Fiscal	The illegal community feeds upon the legal fiscal economy. It is difficult to determine where illegal and legal entrepreneurial activity begins to merge, let alone measure it in terms of economic performance. The illegal businesses must be targeted and the entrepreneurs who operate them. This entails being more punitive in terms of the Proceeds of Crime Acts.
Social	The social distortions created by this example of Mass Migration are easier to measure than the economic and the financial. Large parts of Boston are becoming ghettoised. However, these are not the unitary ghettos of past migrations because of the large number of different ethnicities and languages represented. The large numbers of migrants involved when combined with modern media and technology means that there is not the same pressure on the migrants to integrate and assimilate into British culture. The migrants are here in such numbers that they can retreat into their own cultures and converse with each other easily in person and via social and technological media. The pressures are on the local police, education and health authorities to make the system work. High levels of crime including race and hate crime are inevitable. In the meantime organized criminals can only benefit from the ensuing chaos.
Ethical and Moral	There are obvious ethical and moral implications to be tackled including changing public attitude to turning a blind eye and to knowingly purchasing fake goods.

In this paper, we have taken the view that research into illegal entrepreneurship should be concerned with all types of entrepreneurial activities in which current laws, norms and rules of behaviour are challenged, reconsidered, redefined, and, in certain circumstances, rewritten. Not all entrepreneurial activity is capable of classification in terms of compliance with legalities. Illegal entrepreneurs are more likely to identify opportunities in which they have a particular and, as is often the case, vested interest. Such opportunities need not be legal. Entrepreneurs, in such instances, are at the forefront of societal change and do much to expedite periods of transition.

There are, however, criminals and entrepreneurs whose activities slow, or even retard, the development of social welfare by engaging in activities that do not benefit the wider community. In such instances, there is a clear rupture between individual and social perspectives such that the moral viewpoints of the entrepreneurial individual are exposed as being misaligned with prevalent ethical parameters and indeed the extent to which entrepreneurs add economic and social value. These individuals perpetuate and compound this fundamental tension between individual

moral standpoints and use the space thereby created to exploit opportunities that other individuals, with differing moral opinions, would find objectionable.

There is an assumption in the literature that entrepreneurs are engaged primarily in value-adding activities and that value-extracting forms of entrepreneurship are conducted in a legal and ethical manner and that illegal dimensions can be eradicated from the economic landscape by increasing the level of punishments and chances of detection. However, such an approach may well deter the types of entrepreneurship and enterprise that enterprise policies seek to nurture. Recognizing the integrative and dynamic nature of entrepreneurial behaviours is, therefore, more than simply a matter of academic interest. A fuller and more nuanced understanding of illegal entrepreneurial behaviours is crucial to developing a robust enterprise culture and to enable such entrepreneurs to legitimize their business ventures.

Illegal entrepreneurship is a difficult concept to qualify and/or quantify, and hence to define. Because the activities are heterogeneous, it is not possible to characterize illegal entrepreneurs as a class and hence determine their properties – for example, being entrepreneurial. The illegal-legal dimensions of entrepreneurial activity discussed herein help us to better understand the phenomenon of illegal entrepreneurship.

The dimensions of illegal entrepreneurial activity discussed in this paper illustrate the linkages between illegal entrepreneurship and business in the more formal economy. Further work is necessary to develop these dimensions into a typology and a practical theory. This will prove difficult due to the problems of gaining research access and data to illegal enterprises and entrepreneurs. More in-depth research is necessary in order to exploit this area of research and to understand the phenomenon.

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