

ARTICLES

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This invited article aims at encouraging submissions to a special issue.

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More details are presented at the end of the article.

STRATEGIC SHIFT OF DEVELOPING ECONOMIES TO PRODUCTION AND INDUSTRIALIZATION: THE ROLE OF INFORMAL INSTITUTIONS

A mudança estratégica das economias em desenvolvimento para a produção e a industrialização: O papel das instituições informais

Cambio estratégico de las economías en desarrollo a la producción e industrialización: El papel de las instituciones informales

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ABSTRACT

Developing economies (DEs) in the Global South account for a significant amount of consumption than production. A continuation of this trend portrays persistent under-development of the nations in these economies, and it also highlights a challenging task for actualizing the United Nation's year 2030 goal of a sustainable developed world. The Management and Organization Studies literature abound with explanations about the roles of formal institutions for developing the production capacities and industrialization of economies. Yet, these studies are dominated in US-led Global North. Meanwhile, explanations about how informal institutions in general, and, in particular, formal institutions proposed by Global South developing economies, function to enable and advance production and (re)industrialization has received limited attention. This paper doubles as a research note and a call for papers for a special issue to contribute to the emerging discourse on the strategic shift of developing economies to production through a deeper understanding of the role of informal institutions in economic development.

Keywords: production, (re)industrialization, Global South, developing economies, informal institutions.

RESUMO

As economias em desenvolvimento (EDs) no Sul Global são responsáveis por muito mais consumo do que produção. A continuidade dessa tendência mostra o subdesenvolvimento persistente dessas nações e também destaca uma tarefa desafiadora para alcançar a meta das Nações Unidas de um mundo desenvolvido e sustentável até o ano 2030. A literatura na área de Estudos de Organização e Gestão está repleta de explicações sobre os papéis das instituições formais para o desenvolvimento das capacidades de produção e industrialização dos países. No entanto, esses estudos são dominados por análises do Norte Global, especialmente dos EUA. Enquanto isso, são poucas as pesquisas sobre como as instituições informais em geral e, em particular, as instituições formais propostas pelas economias em desenvolvimento do Sul Global fazem para facilitar e promover a produção e a (re)industrialização. O presente artigo funciona como uma nota de pesquisa e uma chamada de trabalhos para uma edição especial que visa contribuir com o discurso emergente sobre a mudança estratégica das economias em desenvolvimento para a produção, por meio de uma compreensão mais profunda do papel das instituições informais no desenvolvimento econômico.

Palavras-chave: produção, (re)industrialização, Sul Global, economias em desenvolvimento, instituições informais.

RESUMEN

Las economías en desarrollo en el Sur global responden por una cantidad mucho más significativa de consumo que de producción. La continuidad de esta tendencia retrata el subdesarrollo persistente de las naciones con estas economías, y también destaca una tarea desafiante para concretar la meta de las Naciones Unidas para el año 2030 de un mundo desarrollado sostenible. En la literatura sobre Estudios de Gestión y Organización abundan explicaciones sobre los roles de las instituciones formales para el desarrollo de las capacidades productivas y la industrialización de las economías. Sin embargo, estos estudios están dominados por análisis del Norte global, principalmente de Estados Unidos. Mientras tanto, las explicaciones sobre cómo las instituciones informales en general y, en particular, las instituciones formales propuestas por las economías en desarrollo del Sur global, funcionan para permitir y promover la producción y la (re) industrialización han recibido una atención limitada. Este artículo funciona como una nota de investigación y una convocatoria de artículos para una edición especial que contribuya al discurso emergente sobre el cambio estratégico de las economías en desarrollo a la producción, a través de una comprensión más profunda del papel de las instituciones informales en el desarrollo económico.

Palabras clave: producción, (re)industrialización, Sur Global, economías en desarrollo, instituciones informales.

INTRODUCTION

A characteristic of many developing economies (DEs) in the Global South has been the steady pattern of consumption (and importation) surpassing production (and exportation), accounting for up to 85 per cent of global consumption (Gruss & Nabar, 2017). This peripheric condition within the modern capitalist world system, long sustained by structures of colonial differentiation championed by the increasingly heterogeneous and unequal US-led Global North, highlights the need for developing societies all over to foster transformative institutions and policies, and embrace scholarship traditions which move beyond North-South and development-underdevelopment divides (Bhambra, 2020; Furtado, 1964; Ndlovu-Gatsheni, 2020; Santos, 1970). The field of Management and Organization Studies also needs to move beyond this dichotomous divide (Alcadipani *et al.*, 2012; Faria, 2023; Jammulamadaka *et al.*, 2021; Nkomo, 2015; Wanderley & Barros, 2019). Such reframing of this production/consumption design embodies transformative possibilities that move beyond the contemporary institutionalization of injustices, inequalities, and impossibilities on a global scale as the only way towards development, especially one that is sustainable. The ability of nations and firms to prioritize production and exports over consumption and imports signifies economic growth and development.

THE NEED FOR INCREASING PRODUCTION CAPACITY AND INDUSTRIALIZATION IN DES

According to WorldData (2022), DEs account for 6.69 billion, about 85.33 per cent of the world population, and comprise the entirety of Central and South America, the whole of Africa, many Asian countries and numerous other island states. Recent studies grounded on unequal exchange theory show that from 1990 to 2015, the Global North drained from the Global South a total of \$242 trillion, equivalent to a quarter of Northern GDP (Hickel *et al.*, 2022). Within an era of growing authoritarianism, these countries hold great potential to change the North-South structural design and contribute significantly to the global Gross Domestic Product (GDP) for all by redirecting their economic activities to production and (re)industrialization. Firms as pivotal socio-economic actors for transformative exploration, conversion and dissemination of productive resources are critical in this DEs agenda.

Existing studies from North and South have analyzed a large and diverse body of themes in relation to DEs production capacity and orientation, and (re)industrialization (e.g., Brankov *et al.*, 2021; Chang & Andreoni, 2021; Ibidunni *et al.*, 2019; Kruse *et al.*, 2022; Matthes & Kunkel, 2020; Pochmann, 2021; Zhang, 2011). While it may be apparent that a nation is experiencing GDP growth, there may be more noticeable underdevelopment resulting from the contested institutionalization of North-South material and epistemic differentiation, enduring economic transformation gaps, and a lack of inclusivity across the various economic sectors of a nation (Calabrese & Tang, 2022; Feldman, Hadjimichael, & Lanahan, 2016; Pochmann, 2021). Previous studies have been limited in

explaining the transformation of DEs from perspectives that shape economic transformation (that is, beyond promoting GDP growth) to achieve inclusive development and diversification across critical sectors and increase job creation beyond traditional sectors into highly industrialized sectors. Consequently, recent studies have been calling for increased production and (re) industrialization for the development of DEs beyond mere economic growth (Chang & Andreoni, 2021; Kruse *et al.*, 2022; Pochmann, 2021). With the so-called East-South development turn (Pieterse, 2021), Asian countries such as South Korea, Taiwan, and, more recently, China, have risen on the back of increased production capabilities (Chang & Andreoni, 2021), enabling them to increase their output, exports, and overall economic growth. This highlights the significance of continuing and expanding from above and from below designs of transformative development governance (Habib & Huque, 2021). Institutions play a crucial role in shaping a society's political, economic, epistemic and social interactions, thereby influencing its developmental trajectories. Extant research has established that institutions, “the rules of the game in a society” (North, 1990:3), or more specifically, “the humanly devised constraints that structure political, economic, and social interaction” (North, 1991: 97) are fundamental to developmental growth that improves the quality of life beyond mere GDP growth (Acemoglu & Robinson, 2013; De Soysa & Jutting, 2006; Rodrik, Subramanian, and Trebbi, 2004; Rodriguez-Pose, 2020; Shirley, 2005).

Despite numerous studies exploring the impact of institutions on socio-economic development; the majority have focused solely on formal institutions, most of them historically controlled by the US-led Global North (Dau *et al.*, 2022; Feldman *et al.*, 2016; Rodriguez-Pose, 2020). The role of informal institutions in development of Global South developing economies is scarcely studied (Beugelsdijk & Klasing, 2016; Beugelsdijk, Klasing, & Milionis, 2019; and Cortinovis, *et al.*, 2017, are exceptions). More specifically, how informal institutions in general, and, in particular, formal institutions proposed by Global South DEs, function to enable and advance production and (re)industrialization has received limited attention. The focus of most studies on formal institutions shaped by Northern countries and respective systems of knowledge seems also to suggest that formal institutions are more important to developmental transformation than informal institutions (Feldman *et al.*, 2016; De Soysa & Jutting, 2006; Rodriguez-Pose, 2020). Even still, few studies have focused on understanding the role of informal institutions, connected or not to formal institutions proposed by the Global South, in advancing forms of organized and manageable production, (re)industrialization and development. Moreover, even within the wider context of formal institutions, the mechanisms through which institutions enable development is still lacking (Rodriguez-Pose, 2020).

Consequently, our understanding of the role of informal institutions and how they interact with formal institutions to drive production and shape development needs to be improved, especially in DEs. This is particularly problematic in the context of Des, where formal institutions are weak and informal institutions play a prominent role in business and the economy (Dau *et al.*, 2022; Khanna & Pelepu, 2010).

The United Nations' Sustainable Development Goals (SDGs) place a strong emphasis on sustainable consumption and production (SDG 12) and reducing inequalities both within and

among countries (SDG 10). While there have been commendable efforts by many developing economies to enhance their contribution to the global supply value chain, especially in terms of exporting of goods, the effects of global economic and health-related shocks in recent years (for example, Covid and the Russia-Ukraine conflict) has caused significant setbacks for these developing economies. Therefore, it has become indispensable to embrace growing epistemic calls from the Global South and encourage researchers, scholars, and industrial practitioners to brainstorm and develop possible solutions for the accomplishment of a Strategic Shift of Developing Economies (DEs) towards Production and (re)Industrialization, contributing to transformative development and socio-economic growth for all.

Aims and Scope of the Special Issue

This Special Issue aims to contribute to the emerging discourse on the Strategic Shift of Developing Economies (DEs) to Production through a deeper understanding of the role of informal institutions in economic development, also a recent discourse. The Scope of the Special Issue will also cover the broad areas of micro- and macro-level analysis, and theoretical and policy investigations about the transitioning of DEs to production. This call invites contributions from management and business economics research within the context of developing economies and beyond. The Editorial team welcomes quality scholarly research that can either be **conceptual, theoretical, or empirical (both quantitatively and/or qualitatively approached)**. For this *RAE Special Issue*, we accept original research from interested scholars, experienced and early career researchers, and practitioners and participants at the International Conference on Africa's Sustainable Development (ICASuD) seeking to explore any of the following research strands:

- Evolution and nature of informal and formal institutions in DEs
- The interactive (divergent, convergent and otherwise) relationship between formal and informal institutions, especially in promoting production and (re)industrialization
- Types of informal institutions and their role in building individual and collective productive capabilities, such as entrepreneurial and management capabilities
- Institutions (formal and informal) and international partnerships in achieving regional production
- Theorization for the utilization of indigenous capabilities in DEs production economy
- The roles of informal economy in DE production-orientation
- Demystifying DEs inefficiency challenges

- The roles of industrial sectors and industrial capital
- The effects of knowledge and technology spillover and transfer in cross-border relationships
- The roles of knowledge exchange among local networks
- The roles of public-private partnerships

TIMELINES

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ABOUT THE JOURNAL

RAE was launched in 1961 and is one of the most prestigious journals published in Latin America. The journal is currently ranked as level 1 in AJG ABS and indexed by several indexers and databases such as Elsevier's Scopus, SciELO, IBSS, HAPI, Spell, and JCR/Clarivate (WoS). Accepted articles are published in English and also in either Portuguese or Spanish to reach a wide global audience. RAE is an open-access journal and does *not* charge publication fees.

SUBMISSION OF PAPERS

Papers submitted must not have been published accepted for publication or presently be under consideration for publication elsewhere. To be eligible for review the manuscript must be according to the RAE's guidelines, click [here](#). The submission must be made through the ScholarOne system at <http://mc04.manuscriptcentral.com/rae-scielo>. All the received manuscripts for this Special Issue will go through a double-blind review process. For more information, write to: raeredacao@fgv.br

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CONFLICTS OF INTEREST

The authors have no conflicts of interest to declare.

AUTHOR'S CONTRIBUTIONS

Ayodotun Stephen Ibidunni: Conceptualization, Writing – original draft; Writing – review & editing.

Ebes Esho: Writing – review & editing.

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Alexandre de Almeida Faria: Writing – review & editing.