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# **Entrepreneurship as Institutional Change: Strategies of Bridging Institutional Contradictions**

## **Abstract**

This paper responds to calls to make more explicit linkages between institutional theory and entrepreneurship research through studies on how entrepreneurs navigate and work with institutions. The research examines the micro-strategies and activities through which small-scale entrepreneurs maneuver between and exploit the multiple, potentially contradictory institutional logics of the different spheres in which they operate. While much research has elucidated how institutional entrepreneurs effect change, this study illustrates how effective entrepreneurs managing and exploiting institutional contradictions engage simultaneously in practices of maintaining and changing institutions to establish a balance between the poles on which their ventures depend. We illustrate this by two cases of small-scale entrepreneurship bridging institutional contradictions from an ethnographic study conducted under the ongoing efforts to implement liberal democracy in Malawi. This transition comprises attempts to build stronger pillars for democratic governance such as the development of a market economy.

## **Introduction**

How reforms of institutions are accomplished by nations, organizations and individuals has become of increasing importance with the current financial and economic downturn (Battilana *et al.*, 2009). This is not only the situation for modern economies, but also for developing countries where international and local actors face challenges in reforming institutions that hamper market activity and participation and thereby social development (Mair and Martí, 2009). While market functioning is based on certain institutions and rules, some developing countries and transition economies are characterized by weak formal institutions that support market activity and ‘institutional voids’ (Puffer *et al.*, 2009). Developing countries may lack some of the formal institutions supporting a modern market economy, yet be rich on informal institutions which may potentially, through various social sanctions, inhibit market participation (Mair and Martí, 2009). In such situations entrepreneurs are often faced with balancing different formal and informal institutions (Puffer *et al.*, 2009).

By elucidating how entrepreneurs in a developing country navigate and interact with institutional pluralism expressed in co-existing formal and informal institutions during a societal change process, this paper responds to recent calls for making more explicit linkages between institutional theory and entrepreneurship research (Garud *et al.*, 2007; Phillips and Tracey, 2007). These two bodies of knowledge have, as observed by Tolbert *et al.* (2011: 1332), ‘generally remained distinct literatures, with the connections made more implicit than explicit’. Relatively little research has accounted for how entrepreneurs interact with the wider

institutional environments and logics with which they are bound up. However, as noted by Marquis and Lounsbury (2007, p. 801), it is of high importance to recognize that ‘sensing of “entrepreneurial opportunities” is not a neutral, objective occurrence but one perhaps embedded in broader institutional dynamics involving competing logics’. There is a void in research on how individual entrepreneurs manage and exploit different, potentially contradictory institutional arrangements. Hence, the purpose of the present paper is to examine the following question: *How do entrepreneurs employ different strategies to navigate and exploit multiple, potentially contradictory institutional logics of the different spheres in which they operate in order to facilitate entrepreneurial venturing?* The intent is thus to give illustrative examples of the strategies of individual entrepreneurs in maneuvering across contradictory institutional logics on which their ventures are based in a developing country and thereby affect the institutional framework.

We suggest that one fertile line of inquiry in the emerging area of research at the interface of institutional theory and entrepreneurship research comprises the mundane, everyday micro-activities and strategies of entrepreneurs venturing amid multiple, potentially contradictory logics and how they are influenced by and, in turn, shape institutional processes. This line holds promise to bridge two converging trends in the different, yet increasingly intersecting fields. Thus, such a line of inquiry may enable cross-fertilization between studying entrepreneurship as an everyday practice of recombining resources enfolded in broader societal contexts in the entrepreneurship literature (Steyaert and Katz, 2004; Tillmar, 2006; Sarasvathy, 2007), and the movement in institutional theory from focusing on the institutional entrepreneurship of powerful macro-actors to elucidating individuals' mundane, often ‘invisible’ day-to-day work with institutions at the micro-level (Battilana and D'Aunno, 2009; Powell and Colyvas, 2008; Hallett *et al.*, 2010; Bechky, 2011; Lawrence *et al.*, 2011; Smets *et al.*, forthcoming).

Moreover, since DiMaggio's and Powell's (1991) reintroduction of change agency to institutional theory paved the way for a burgeoning stream of literature on institutional entrepreneurship (Battilana *et al.*, 2009), much research has concentrated on the efforts of actors with accomplishing changes that deviate from the established institutions in a field of action (Battilana *et al.*, 2009). Yet, drawing inspirations from literature on strategies of navigating and exploiting institutional contradictions (Hargrave and Van de Ven, 2009), we employ a conceptualization of institutional entrepreneurship that complements the predominant one. Hence, we propose that effective entrepreneurs venturing across potentially contradictory logics from multiple spheres are likely to undertake activities to simultaneously both stabilize and

change institutions to sustain a balance between the poles on which their ventures depend, namely, through a creative embrace of contradictions (Hargrave and Van de Ven, 2009).

This paper is based upon an ethnographic field study conducted under the ongoing efforts to implement liberal democracy in Malawi and promote a market economy as one pillar for democratic governance. This gave rise to a situation characterized by co-existing, potentially contradictory upcoming market institutions and established informal cultural and social institutions constraining and enabling the creation and circulation of value. Research has examined how larger organizations in developing countries such as NGOs act as institutional and social entrepreneurs in promoting social change in the face of institutional voids and thereby enable market participation for poor people (Martí and Mair, 2009). The perspective of the present study focuses attention on how the individual entrepreneurs themselves act as institutional entrepreneurs in dealing with co-existing institutions in situations with extreme resource scarcity. This research illuminates how informal customary practices that together with weak formal market institutions seemingly constitute institutional voids and inhibit alternative profit making practices may as well serve as an opportunity for value generation and change. The uses of customary practices, norms and traditions are thus multiple, contradictory and may serve new purposes in change processes. The study illustrates how institutional change and maintenance takes place through the micro-activities of numerous entrepreneurial actors (Czarniawska, 2009). We thus compare the strategies employed in two cases of individual entrepreneurs who cope and work with institutional contradictions during a societal transition phase.

The remainder of the paper first provides a literature review of the conceptual parts of this investigation; theories on institutional entrepreneurship amid institutional contradictions and theories of the role of entrepreneurship in social change and stability. This theoretical underpinning is succeeded by a method section that delineates the research approach. Then, our theoretical argument is illustrated by an ethnographic field study. Finally, we discuss our findings in terms of implications and limitations.

### **Conceptual background: strategies of managing contradictions of structural overlaps**

The theoretical underpinnings of this study draw inspiration from the theory of how actors navigate contradictions of multiple institutional logics and on the role of entrepreneurship in institutional change and continuity. A long tradition of research conceives of institutional structures as the foundation for economic systems rather than the rational maximizing individual

(Polanyi *et al.*, 1957). Hence, to avoid rational economic explanations, change has in this tradition been explained on the basis of change in structural forms rather than as being founded in individual choice. Economic activities are in this perspective seen as embedded in broader institutional spheres and logics which impose various constraints and opportunities on entrepreneurial ventures and market activity (Malinowski, 1922; Polanyi, 1944; Polanyi *et al.*, 1957; Parry and Bloch, 1989).

Following Berger and Luckmann, an institution can be understood as social practice justified by a corresponding norm, thus, 'institutions posit that actions of type X will be performed by actors of type X' (Berger and Luckmann, 1966: 72). Recent conceptions convey a more elaborate understanding of institutions as:

more-or-less taken-for-granted repetitive social behavior that is underpinned by normative systems and cognitive understandings that give meaning to social exchange and thus enable self-reproducing social order. Institutions are characterized by lack of overt enforcement, their survival resting upon relatively self-activating social processes. (Greenwood *et al.*, 2008)

Various formal and informal institutions enable and constrain exchange within and across spheres of value circulation (Bohannan and Dalton, 1965; Barth, 1967). When formal institutions supporting market activity are weak they can be considered as 'institutional voids' (Mair and Martí, 2009). The notion of 'institutional voids' does not denote an absence of institutions, but an absence of formal institutions that enable market participation and activity (Mair and Martí, 2009). Informal social or cultural institutions may fill such voids and potentially hamper market activity by sanctioning norm-deviating behavior and are thus something that some actors may change (Mair and Martí, 2009). Early contributions on the institutional embeddedness of economies by explaining economic change with change in structural form provided less insights into how an institution's taken-for-granted repetitive social behavior can be changed by actors that is, how an agent, both being part of the system and outside the system, can affect it (Seo and Creed, 2002).

To account for how entrepreneurs manage and exploit institutional contradictions and thereby capitalize upon and influence institutional change and stability, the present research draws inspiration from the notions of (1) structural overlaps between spheres, (2) strategies of institutional entrepreneurs and (3) bricolage as part of a broader historical process (Thornton *et al.*, 2005). As noted by Thornton *et al.* (2005), more research is needed on the micro-processes through which these mechanisms of institutional change work.

Navigating institutional contradictions: structural overlaps, entrepreneurs and bricolage

To analyze how micro-processes of institutional change and stability play out through the activities of entrepreneurs venturing amid institutional contradictions, inspiration can be drawn from Barth's (1967) theory of entrepreneurship in social change and stability. Barth provided an account of entrepreneurship that integrates both institutional structures and individual actions in change and continuity. Entrepreneurs maintain and change social forms through their practice. Economic practice is based on given institutional patterns and conceptions of value. Institutional entrepreneurs act through alternative, innovative profit-generating practices in relation to this social pattern and generate social and cultural change in economy and society by manipulating and mobilizing actors and resources in the entrepreneurial process (Barth, 1967). Barth's approach to entrepreneurship may be seen as a precursor to practice theory, which conceives of everyday practice as a form of improvisation where people more or less strategically work with rules, norms and institutions using knowledge and resources at hand to pursue their interests (Wilk and Cliggett, 2007). Hence, Barth's efforts to combine social and material value, action and structure, continuity and change in an account of the entrepreneurial process speak to recent work with balancing the reciprocal relationship between institution and individual agency and integrate oppositional categories (Barley and Tolbert, 1997; Jarzabkowski *et al.*, 2009; Lawrence *et al.*, 2011).

A shift in institutional logics is likely to take place when institutional entrepreneurs and structural overlap occasion or reveal discontinuities in the meaning of institutional logics of different societal sectors (Thornton *et al.*, 2005). Hence, structural overlaps between spheres expose actors to multiple institutional logics (Thornton *et al.*, 2005). Such logics can be considered as 'toolkits' (Swidler, 1986), available for actors to elaborate on (Friedland and Alford, 1991; Thornton and Ocasio, 2008). Institutional logics consist of organizing principles that spell out the vocabularies of motive and are based on different conceptions of value (Friedland and Alford, 1991; Thornton *et al.*, 2005). An institutional logic refers to the cultural content of institutions (Thornton and Ocasio, 2008). It denotes a means-end relationship (Boxenbaum and Battilana, 2005), namely, the appropriate means to achieve a given goal in an institutional sphere. When institutions promote logics that are characterized by a dynamic tension between polar opposites that are interdependent they constitute institutional contradictions (Hargrave and Van de Ven, 2009). An example of such a structural contradiction is a tension between a logic emphasizing individual freedom and a collectivistic logic (Hargrave and Van de Ven, 2009). In such situations actors may devise different strategies to manage institutional contradictions (Hargrave and Van de Ven, 2009).

Yet, much extant research has examined how institutional entrepreneurs make use of institutional logics to promote change within a field by transposing institutional elements or logics between fields (Martí and Mair, 2009). Comparatively less research has illuminated the strategies of those actors that operate in different spheres simultaneously where they, according to Martí and Mair (2009), at the same time have to juggle and navigate multiple and often contradictory logics. However, there is a need for more research on the challenges faced and skills needed by actors operating across societal spheres and contradictory logics (Martí and Mair, 2009). This is often a characteristic of entrepreneurship, which in the words of Barth:

frequently involves the relationship of persons and institutions in one society with those of another [ . . . ] and the entrepreneur becomes an essential “broker” in this situation of culture contact. But in the most general sense, one might argue that in the activities of the entrepreneur we may recognize processes which are fundamental to questions of social stability and change, and that their analysis is therefore crucial to anyone who wishes to pursue a dynamic study of society (Barth 1967: 3).

Broader historical processes shape how actors become exposed to structural overlaps (Sewell, 1992; Ortner, 2006). Such historical processes thus affect how structural overlap provides access to different institutional logics, which institutional entrepreneurs through different strategies may transform into actions that maintain stability or initiate change. When actors are exposed to the logics of multiple sectors they have the opportunity to hybridize institutions (Thornton *et al.*, 2005). This notion of the potential generative capacity of entrepreneurship in institutional change conveys a notion of innovation that echoes Joseph Schumpeter's (1934) seminal conception of entrepreneurship (Hwang and Powell, 2005; Sarasvathy, 2007; Mair and Martí, 2009). For Schumpeter (1934: 68), ‘development consists primarily in employing existing resources in a different way, in doing new things with them, irrespective of whether those resources increase or not’.

In summary, in the practice-based perspective taken here, social continuity and change is the product of an articulation process occurring at the macro-level of structuring structures as well as at the level of entrepreneurs' transformative praxis (Comaroff, 1985; Sewell, 1992). Social continuity and reorganization takes place through a dialectical articulation process of institutional structure and action which may create a syncretistic bricolage (Lévi-Strauss, 1966; Comaroff, 1985). Such a bricolage includes both a reproduction of existing institutions and a change with the introduction of new elements, that is, a joining together of distinct systems – themselves dynamic orders of practice and meaning. By using and recombining the institutional logics and resources at hand (Baker and Nelson, 2005), brokers positioned in structural overlaps

in this articulation process may partake in the construction of new institutional forms of legitimate social and economic action. This dialectic of social systems and entrepreneurial practice continuously reproduces or transforms spheres of value circulation and channels of conversion and thereby shapes the strategic agency of the entrepreneur (Barth, 1967).

The approach outlined is grounded on a concern to decipher social patterns-in-the-making, portraying society as a continuous accomplishment and connecting different levels of analysis (Gluckman, 1955; Velsen, 1967; Barth, 1981; Comaroff and Comaroff, 1999; Burawoy, 2009). In the following sections we illustrate the value of this perspective by use of an ethnographic field study of the strategies through which small business entrepreneurs cope with and exploit the institutional contradictions forming the basis for social and economic changes in the wider societal context. The study illuminates the micro processes of structural overlap, entrepreneurship and emergent new structures (bricolage) as part of broader historical processes. This is done by examining individual entrepreneurs' strategies of balancing two co-existing, yet potentially inconsistent logics on which their ventures are based during a societal transition phase, namely, a social logic of redistribution and a market logic of accumulation and individual profit making.

## **Methodology**

The ethnographic field study is a near insider approach that allows researchers to gain a deep understanding of a social setting. Only scant research in the entrepreneurship field uses ethnographic methods (Lindh de Montoya, 2000). However, the approach is highly useful for the purpose of this study as it allows us to portray entrepreneurial actions not merely as illustrative of identified institutional patterns but as constitutive of such patterns (Barth, 1967; Velsen, 1967; Evens and Handelman, 2006).

### *Data collection*

Ethnographic studies generally use a combination of different data sources such as participant observation, semi-structured interviews and text material.

An ethnographic approach is generally open to findings that could not be anticipated in an out-of-context situation. Hence, the research started out with very general questions on the strategies of entrepreneurs in situations where competing logics exist, such as western capitalism vs. local redistribution structures. During the course of the study, more specific questions concerning local



production and trade as well as the role of witchcraft developed from conversations with villagers.

The study relied heavily on participant observation generally understood as attentive involvement in the daily life of the community. When using participant observation the ideal for the researcher is to reach the ability to recognize and understand the social organization of interaction. This provides an opportunity to register processes producing and reproducing social categories applied at the scene (Brubaker, 2002). Villagers were told that the researcher was interested in the entrepreneurial activities. Through observation and participation, research questions were developed, changed or focused upon, in relation to the informants. For example, the particular role of occult forces in entrepreneurial activities was not anticipated. Participant observation also included informal conversation and questions that arose spontaneously during daily interaction. Another purpose of participant observation was to gain the trust of the villagers without which many questions, such as the ones regarding witchcraft, would not be answered correctly.

To supplement observations, semi-structured interviews were conducted with most families of the village and with individual key informants (Bernard, 1995). All in all, more than 100 individuals contributed to the data material. The interviewer generally tried to guide the conversations based on a standard set of questions. However, informants were encouraged to raise and discuss a variety of additional, related topics as well. Physically, the interviews took place in open spaces or in villagers' houses and lasted between one and two hours. To minimize the effects of the setting, in order to avoid elite bias, individuals from different levels of the small society were interviewed.

Early results were continuously discussed and cross-checked with different key informants. Two interpreters were used to assist during the interviews. Due to their social contacts and local knowledge they had a substantial influence on the final results. The interpreters' statements and explanations, however, were continuously cross-checked. Hence, interviews were used to discuss activities observed in the village as well as to register the different voices of various members of the local setting <sup>1</sup>.

### *Data analysis*

Analysis of the data was guided by the notion that it is the connection with empirical reality that permits the development of a relevant and valid theory (Van Maanen, 1988). Thus, the aim was

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<sup>1</sup> 'Data used in the article was available from the field report by Inge Pasgaard (2004): Ndalalama ndi moyo. Aarhus University'.

to tell a story based on the analysis of central themes. The analysis followed the steps described by Spradley (1980) and involved detailed close reading and coding of field notes, interview transcripts and documents, which led to the development of relatively rich descriptions of the research site.

#### *Research site and socioeconomic context*

The research project was finalized in 2005 while most of the data collection was carried out in 2002 under the ongoing efforts to implement liberal democracy in Malawi which were initiated in 1995, and hence during a fragile institutional transition process. This transition comprises attempts to build stronger pillars for democratic governance such as the development of a market economy. From 1891 Malawi came under the British Empire. In 1964 it had its first election after which it became independent. Hastings Kamuzu Banda was absolute president and dictator from 1964. However, during the famine in 1992, the church and many Malawians increasingly criticized the system. In 1994 the first free election was held. In 1995 Malawi passed a new constitution which ensured multi-party democracy (Larney, 2001). Ninety percent of Malawi's population lives in rural areas (Larney, 2001). Like many other development countries Malawi is rich on informal institutions, but less so on formal institutions that support a modern market economy (Mair and Martí, 2009). Malawi's democratization project is characterized by institutional fragility. The country has practically come under the administration of international actors who influence the formulation of national policies and programs, and the international development industry is strongly present in the country.

The village of Muzigo was chosen due to knowledge about the social and political situation and the local language ChiThawu. Previously, work for a nearby poverty alleviation organization operating micro-credit programs showed that the organization believed that local, customary practices, norms and myths impeded economic and social development by, for instance, restricting women from participation in value-generating activities outside the house and demotivating people from undertaking innovative value-generating activities. Hence, from the perspective of the NGO, economic practice was impeded by institutional voids expressed in occult forces which functioned as a leveraging sanction and maintained the established social order. Behavior associated with the accumulation of wealth and power is deemed anti-social according to the established social logic of rights and obligations requiring redistribution and increases the risk of being exposed to witchcraft as a result of jealousy. Witchcraft is thus a sanction that is activated by the observation of a practice of exchange that breaks with the logic of the conventional distribution structure. Witchcraft has a leveling character in relation to the power and resource distribution. Coming back to the area a few years later to carry out the

ethnographic study, it was deliberately chosen not to gain access to the field through this social entrepreneur in order to be able to break with its representations of the local economic practices and institutions governing them. This was decided in order to get closer to the actual perceptions and strategies of the poor informing their economic practice. Moreover, being associated with an NGO could limit the access to certain kinds of information among the poor. According to several informants, access to start-up capital and hence market participation is hampered by a long history of western intervention comprising 50 years of British colonial administration, western support to the dictator during the cold war and the international development industry which is currently numerous present in Malawi leading to a lack of belief in their own resources and abilities. The field worker partly stayed with a family in Muzigo. However, due to a situation with extreme resource scarcity and a death per week it was decided to partly stay with a comparatively wealthier family in the outskirts of Muzigo as well.

Out of the 500 inhabitants in the village of Muzigo, the majority belonged to the Thawu tribe. However, migrations from other parts of the country and from Zimbabwe or Mozambique lead to an increasing number of outsiders settling down in the area. Traditionally, the distribution of land has been guided by societal structures of inherited status and following social obligations as leveling mechanisms – wealthy inhabitants were obliged to assist relatives, friends and neighbors. Through his power to distribute land, the chief traditionally was the top administrator of the exchange of value. In recent years this position has increasingly been replaced by market forces. More land is now available on the financial market, and government institutions are continuously taking over larger parts of authority previously held by the chief. In addition, villagers are feeling less obliged to follow the tradition of financially supporting the less fortunate households and relatives in the immediate surroundings. Hence, these developments occasion a structural overlap of the market logic of individual profit making and accumulation and a social logic of redistribution and loyalty to social reproductive needs (Friedland and Alford, 1991; Thornton *et al.*, 2005).

The primary income of the villagers comes from maize production, but due to the scarcity of land, additional sources of income are necessary for most inhabitants. First, this can be seasonal farm labor, often paid in provisions such as maize. Second, it can be trade of handiwork or prostitution in the city, as an example. Third, it can be the production of goods such as bricks, beer, etc. There are, however, certain types of trade and production that are especially nurturing entrepreneurial ventures in Muzigo – such as the trade of meat, wood, hardware, foreign medicine or credit, and the production of Mango, furniture and textiles. These types of

businesses generate a relatively larger surplus compared to the conventional small-scale business, but also assume a more substantial start-up capital and a higher risk.

### **Results: strategies of navigating contradictory logics in entrepreneurial venturing**

The market logic of accumulation has been gaining in strength and is increasingly replacing the established social logic of rights and obligations in redistribution. Hence, money is achieving a steadily more central position in Muzigo's system of value circulation. This is both conditioned by and results in changes in the local power and distribution structure as the market is being distanced from local power institutions. As explained by a local villager:

Nowadays, I tell you, there is no one who doesn't like money. Everybody is working to have money. Everyone is looking for money. I tell you. [. . .] And people kill each other for money, I tell you. Not only by magic. Even killing, reality killing.

In order to create a space for exchange in the system of value circulation, the entrepreneur must act as a broker between the opposing logics in the articulation process, which serves as a basis for the changing position of money and market in the system. Through the interaction between macro-institutional structures and entrepreneurial practice, different spheres of value circulation are maintained and changed. Questions of importance to social stability and change are thus highly reflected in the entrepreneurial process.

#### *The Mango entrepreneur: a strategy of legitimization through social engagement*

Mr. Tamula is the only farmer making a living from growing Mango. This is the reason for people in the village to call him 'Mango Man'. He is Thawu, born in Muzigo, and in accordance with tradition, he has inherited his land from his mother's brother. The Mango Man is retired from a job at a large commercial Mango plantation, which provided him with a knowledge of growing Mango which is uncommon in Muzigo.

Being a local farmer, the Mango Man attracts capital to the village and distributes it through social obligation and a demand for labor. In addition, Mr. Tamula is very active in the local community. He is a member of the Catholic Church, the government party UDF, connected to the chiefdom as a substitute for his brother and founder and an important financial contributor to the Muzigo school. The Mango Man is the only person in Muzigo who is a member of all authoritative institutions, and he has achieved these positions mainly due to strategic financial investments in important social relations. In the afternoon, the Mango Man could be observed

walking through the villages in order to nurse his local contacts having conversations with other important members of institutions in the area.

By growing Mango, Mr. Tamula is bridging the present divide between commercial large-scale plantation farming and the common local subsistence farming. Consequently, he is able to save money in the bank, which is rather unusual in the local area. In Muzigo private land is usually only used for growing maize and other food crops, but after changes, due to the democratization and privatization process after 1994, he was able to utilize the openings between the authority of the chiefdoms and the new, emerging market economy.

Through his specialized production, which is based on his education and experience from previous employment as well as the changing economic conditions on a national level, the Mango Man is bridging different institutional domains, since he utilizes the new opportunity of exchanging money for positions in the powerful institutions. Thereby, the Mango Man is trying to integrate market forces into the traditional hierarchy – and building a bridge between the traditional, social logic of rights and obligations requiring redistribution and the new logic of market exchange and accumulation. Based on the new rules of privatization, he is now able to grow Mango; generating profit that can be invested to acquire power in relation to the traditional hierarchy, the Church and the government party.

The Mango Man, according to himself, is not being an entrepreneur to generate wealth solely to make life easy for himself. On the contrary, he is sharing his economic surplus with the family and the different social institutions. Mr. Tamula has all his relatives living in Muzigo and highly prioritizes his financial obligations to them. During interviews none of his relatives expressed any negative emotions toward him – which was rather uncommon, when speaking of wealthy family members. Thereby, he is still subordinating himself to traditional normative patterns of rights and obligations to add legitimacy to economic action. Yet, in order to follow the social logic of redistribution, he must require profits from Mango production and embrace the logic of accumulation. His success as an entrepreneur thus demands that he can embrace the interdependent, yet contradictory logics on which his venture is based.

*The business credit and housing entrepreneur: a strategy of local social distancing*

As a member of the Mnuti tribe in Zimbabwe, Tamula was an outsider to Muzigo. In the 1980s he left his home country and most of his relatives in search for new opportunities in Malawi. In Muzigo he asked the chief for a piece of land that he paid for from his own account. As described by an individual close to the chief:

You know, he got all his land from paying money. A large area. This land was supposed to be passed on to someone else, but the chief gave it to him.

This transaction was possible only because Tamula was a newcomer and because he hid the transaction with the chief. By using concealment along with money to acquire a resource traditionally only available through the local hierarchy of inherency and social obligations, Tamula was bridging different normative spheres.

Tamula is solely supporting his own children, his mother in law and his wife's brother, and he does not engage in social obligations outside the immediate family. Accordingly, as an outsider, he is able to put priority on new investments at the expense of financial obligations to his kinsmen. Tamula thus, has a different approach to this practice compared to the Mango Man. As a consequence of his entrepreneurial activities, he is the wealthiest inhabitant of Muzigo. He has much land, a car, a motorcycle and a large house with a fence and an iron gate, and he owns several apartment houses in the village and in the nearby town.

The main part of his surplus Tamula generates from credit business and from rental housing. This is unique to the area, since it is highly unusual to generate profit from relations to people with less resources than oneself. Traditionally, the system of social obligations is directing the flow of money the other way around.

Tamula, however, is not interpreting the norm of social obligation the way it has usually been conceived in Muzigo. When people ask him for money, he, instead, offers them a loan and thereby actively utilizes the tradition of social obligation to expand his business area. Hence, Tamula tries not to discourage the hardworking individuals, thus promoting entrepreneurial activities throughout the village. In this way Tamula is integrating the existing logic of rights and obligations into the new market economy and thereby brokering between two oppositional, institutional structures of value distribution.

Tamula's strategy is made possible due to the fact that he actively distances himself from social relations in the area. He does not give in to people's 'begging' and he only opens the large iron gate for very few of his fellow villagers. As a villager argues: 'He will not make any friends here because he loves money and he is afraid they will ask him for something'. Accordingly, it could be observed that every day he would take his motorbike and drive to the nearby town where he had his friends.

The two entrepreneurs are bridging social and economic spheres in the sense that they operate across the embedded contradiction of the social and economic change processes. Experiences

(from an earlier job and a foreign background) of the entrepreneurs are the basis of a knowledge differentiation and an understanding of new logics of value and exchange. This knowledge is used in the exploration of the already initiated changes of the value circulation in Muzigo. Linked to opportunities and financial surplus, however, is also the risk of envy and social sanctions. In contrast to the entrepreneurial activity of the Mango Man who holds established, powerful positions within different institutions and is thus highly embedded within them, but is still both a curator and creator of institutional order, Tamula's entrepreneurial practice has relatively limited change capacity as it is not to the same degree integrated into the different social fields.

### *The role of witchcraft in maintaining and transforming social structure*

Witchcraft is an example of how established social structures may affect the entrepreneurial process making it a dialectical rather than a linear process including broader societal structures. Confronted with the notion of witchcraft, all informants to begin with deny its existence, but after being assured that the researchers do not find it ridiculous or unchristian to acknowledge the powers of the supernatural, all informants can describe situations where friends or relatives have used or been affected by witchcraft. As one local inhabitant argues, witchcraft or occult forces are real:

Magic is science. Because, if we talk of magic, we talk of something that is there. But for one to understand it, he has to use all his wisdom and all his intelligence to understand it or to discover it. [ . . . ] Africans have their own science, the *azungus* (white people) have their own science, the *azungus* have their own magic.

Behavior associated with the accumulation of wealth and power is deemed anti-social according to the established social logic of rights and obligations and increases the risk of being exposed to witchcraft as a result of envy. Witchcraft is thus a sanction that is activated by the observation of a practice of exchange that breaks with the institutional logic of the conventional distribution structure. Witchcraft has a leveling character in relation to the power and resource distribution. In different terms, the risk of envy is particularly high when individuals accumulate power and material resources that are in opposition to the established normative sphere of rights and obligations. Hence, if one owns a car in an area where people are starving, it is seen as a proof that he is not facing his social obligations. Instead, he should share his property with relatives and others in need. As noted by a villager: 'Jealousy comes from the way you handle people. We share with people when they have problems, so we don't have to be afraid of jealousy'.

*Mankwala* can be described as a witchcraft prophylaxis that can protect against all risks. Access to *Mankwala*-protection, however, is dependent on finance and relations to a trustworthy *Singanga* or witch doctor. Apart from protection through counter-witchcraft, altruistic behavior and concern for social relationships is also believed to provide protection.

Entrepreneurs obviously are highly exposed to witchcraft as a result of envy and need strong protection. Tamula's norm-breaking venture is conditioned by and maintains a need for social relations outside the local area. He consciously excludes himself from interaction with the other villagers by building iron walls around his house. He explains that because many villagers cannot pay back what they owe him, they might try to harm him through witchcraft. To Tamula, *Mankwala* is the most important protection from witchcraft, even though it is expensive because he has much property to protect and it heightens the need for individual profit making. The protective devices that Tamula is using against witchcraft (*Mankwala*, secrecy and social distance) all need access to money. With money he can buy himself *Mankwala* and free himself of social relations in Muzigo while nursing his friendship with more wealthy friends and business contacts in town. Tamula himself is also frequently suspected of using witchcraft in his prospering venture.

To a much higher extent the Mango Man follows a strategy of attending to his social obligations in accordance with the established institutional logic of value circulation in order to legitimize his alternative profit-generating practice and reduce the risks of jealousy and witchcraft accusations. He is socially active in the local community. He shares his wealth with relatives, supports the school and has no walls around his house. To face his social obligations he needs money, which is why he, according to himself, produces Mango. But that alone does not totally free him from envy. He is making a fine surplus on his Mango production and people have started to wonder why he cannot afford a car. A number of informants even mention that they suspect he is spending his money on witchcraft by employing zombies to work for him, which explains why he can generate such unusual wealth. As a neighbor expresses it: 'He had a job and he could easily have bought a vehicle, but instead he bought *ndondoches*[zombies to work for him]'. Another villager states that 'everyone knows it. Even the children know that he is keeping four or five *ndondoches* in his house'. The Mango Man is thus dependent on continuously legitimizing his entrepreneurial practice in relation to the social logic of redistribution to gain access to labor and local resources. Likewise, people believe Tamula only thinks about profit and employs numerous *ndondoches* that work at night in his fields. The consequence of such jealousy is that people may move away from him or not undertake work for him.



The Mango Man and Tamula legitimize their interest in individual profit by a concern for social relationships and by basing their ventures on the established logic of social rights and obligations. They thus use the established logic and value conception on which the traditional system of value circulation is based to legitimize their alternative profit-making practice. Tamula justifies his lack of assistance to the villagers by arguing that they need to learn how to take care of themselves. The Mango Man, on the contrary, legitimates his motive for generating profit through alternative practices by a social interest and an urge to support his relatives, the school and other institutions in Muzigo. The entrepreneurs, however, do not achieve full social acceptance of their ventures in the local area. Due to legitimacy concerns, they face suspicion or envy in their social surroundings. In consequence, they are accused of being concerned with individual material needs at the expense of the responsibility for social relations in accordance with the established logic of the system of rights and obligations. Furthermore, they are accused of using witchcraft to reach their needs.

The two local entrepreneurs mention jealousy as an explanation for the resistance they face in the local community. To them, jealousy indicates traditionalism, ignorance and inactivity. Yet, there is a substantial difference in the way the entrepreneurs and villagers interpret and use the witchcraft terminology to handle the conflictual structural contradictions in the change process. Hence, it is used both as a measure to resist change and as a measure to integrate new forms of exchange and value conceptions depending on the positions of actors in relation to the structural overlap between the systems. To the entrepreneurs, witchcraft is a way to explain the resistance they meet in the village. According to the entrepreneurs, jealousy is the foundation for social exclusion and is a reason for non-entrepreneurs to direct evil forces against those who know how to integrate changes in their economic and social practices. They use their social interest as well as possible exposure to evil forces to explain and legitimize their need for alternative profit making. The risk of witchcraft and the measures to reduce that risk increase the demand for individual economic profit and integrating market forces. The villagers, on the contrary, use the term witchcraft to explain the entrepreneurs' unusual ability to create profit by use of *ndondoche*s. Hence, witchcraft operates on both sides of the contradictory relationships of the change process in Muzigo through the different ways people experience and use the new structural conditions.

The relation between entrepreneurship, the established logic of social obligations and the upcoming logic of market exchange and witchcraft is interrelated. The two cases show how the entrepreneurs through their alternative profit-oriented practice contribute to integrating new institutional structures of exchange with regard to social rights and obligations into the existing

system of value circulation. Thereby, the traditional informal system of social leveling and sanctions is slowly changed. Hence, entrepreneurship in Muzigo is conditioned by the entrepreneurs being able to base their ventures on existing institutional structures and logics and at the same time building bridges to upcoming institutions. The entrepreneur, in other words, has to bridge the paradoxes that form the basis for changes in the context – also in relation to the perception of witchcraft that is integrated into such a process.

## **Discussion**

This paper sets out to examine how individual entrepreneurs cope with and exploit institutional contradictions to facilitate entrepreneurial venturing that draws upon and generates institutional change and maintenance. The study answers calls for more research on how entrepreneurs interact with the broader institutional environments and logics with which they are bound up with and thus research at the intersections of the institutional and entrepreneurship literatures (Hwang and Powell, 2005; Tillmar, 2006; Marquis and Lounsbury, 2007; Phillips and Tracey, 2007; Sarasvathy, 2007). The cases serve to shed light on entrepreneurial processes that are not purely restricted to business but pertain to societal issues (Steyaert and Katz, 2004; Steyaert and Hjorth, 2006; Klein *et al.*, 2010). Moreover, the research illuminates the relatively under-researched role of individuals in institutional change and continuity (Battilana, 2006; Reay *et al.*, 2006; Battilana *et al.*, 2009). The study articulates calls for more research on how actors cope and work with institutional multiplicity in micro-practice (Zilber, 2011). More particularly, the study illustrates how institutional change and maintenance takes place through the micro-activities of numerous entrepreneurial actors on which institutions depend (Czarniawska, 2009).

This study responds to calls for research on the micro-processes and strategies through which institutional entrepreneurs exploit structural overlaps between spheres and logics and generate bricolage (Thornton *et al.*, 2005). Hence, the findings illustrate how institutional and stability change occur in the nexus of structural overlaps and entrepreneurs' strategies of managing contradictions between logics. Situated in the structural overlap between spheres, the entrepreneurs presented in this paper are brokers between the logic of accumulation characterizing market capitalism and the social logic of redistribution which sanctions deviating accumulative practices (Thornton *et al.*, 2005). These processes of brokering between different logics and conceptions of value are part of a broader historical articulation that reaches beyond the local community (Comaroff, 1985; Thornton *et al.*, 2005). The Mango Man, in contrast to Tamula, used his central positions and embeddedness within different institutions to facilitate social change and entrepreneurship. The findings thus contribute with insight into how embeddedness of actors (Seo and Creed, 2002), in established positions in institutions not merely

works as a possible constraint to be overcome but may potentially serve as a resource to be drawn upon in facilitating entrepreneurship and effecting change (Reay *et al.*, 2006). Hence, they elucidate the significance of social dimensions to entrepreneurs such as embeddedness in local communities and broader spheres (Dahl and Sorensen, 2009; Marquis and Battilana, 2009).

Much previous research has suggested that much previous research has suggested that institutional entrepreneurs create institutions and incumbents maintain them (Lawrence and Suddaby, 2006; Hargrave and Van de Ven, 2009). Yet, the present research supports the observation by Hargrave and Van de Ven (2009) that successfully navigating institutional contradictions, actors must likely engage simultaneously in practices of institutional stabilization and change. Hargrave and Van de Ven (2009: 129) note that ‘the simultaneous embrace of contradictory poles can stimulate creativity and innovation’. Thus, negating one pole of a contradiction, they argue, can lead to adverse consequences by generating pressure to satisfy the contradictory pole. The entrepreneurs developed strategies to keep a contradictory positioning in mind between poles by a ‘both/and approach’ to managing contradictions (Hargrave and Van de Ven, 2009). The contradictions constitute the foundation for their entrepreneurial ventures. The entrepreneurs thus strive to maintain a balance between poles as both are necessary for sustaining their ventures. Their entrepreneurial practice serves to maintain institutional forms through social redistribution and change institutions by integrating new value conceptions and practices. Yet, while the Mango Man, as both a curator and creator of institutions, attempts to embrace and exploit the tension between the two contradictory logics by, for instance, reinvesting some of the economic profit in social relations, Tamula to a higher extent tends to negate the social logic of redistribution and seals himself off from local social relations. Both of them, however, continuously need to legitimize and balance their entrepreneurial practice in relation to both logics of individual profit and collective responsibility and convert resources between them. Entrepreneurial venturing amid contradictory logics may thus be said to involve the creative embrace and exploitation of dynamic tensions between contradictory institutions (Hargrave and Van de Ven, 2009). Moreover, the study illustrates how effective institutional agency involves mutually reinforcing efforts at various levels as proposed by Hargrave and Van de Ven (2009). The Mango Man, for instance, is brokering between the two logics not only through the day-to-day interactions in his entrepreneurial venturing of generating profit from Mango production but also in relation to friends and family, the church, the traditional hierarchy and the political party.

The entrepreneurs are institutional brokers in the articulation of the oppositions forming the basis for the changes in the context. As shown in the case, the relation between entrepreneurship, social obligations and cultural institutions – in this case witchcraft – is dialectical. The two

entrepreneurs, through their alternative profit-oriented practices, contribute to the integration of new structures of exchange with regard to social rights and obligations into the existing system of value circulation. Thereby, the traditional system of social leveling and sanctions is changing. The entrepreneur, in other words, has to bridge the contradictions that form the basis for changes in the context – also in relation to the perceptions of witchcraft that are integrated into such a process. The entrepreneurial ventures are conditioned by operating in the current institutional structures of exchange (logics of redistribution through social relations and networks) as well as in upcoming spheres (logics of independent market forces). Thereby, the entrepreneur is actively reproducing and transforming the social structures in the surroundings.

Thus, on the one hand, the field study shows that the two entrepreneurs are faced with inertia and frictions in the institutional setting in which they operate. On the other hand, the two entrepreneurs do not take inertia and barriers in the institutional setting for granted. They actively use contradictory logics, separating different social and economic spheres, to create new channels of exchange. They convert barriers of exchange to channels of exchange through their bridging of contradictions. Sánchez and Ricart (2010) report that entrepreneurs in emerging markets such as larger corporations either rely on a strategy of developing simple products that require no ecosystem or create the ecosystems themselves by integrating and linking parts of the missing ecosystem. As illustrated by the present study, the strategy of integrating and linking missing parts of the ecosystem may be common to both larger corporations in emerging economies as well as individual, small-scale entrepreneurs.

From Barth (1967, 1981) we learn that entrepreneurship is a process of bridging existing institutional structures and upcoming structures. His focus on the dialectical movement between societal structure and micro agency provides an account of the entrepreneurial process including both individual entrepreneurial actors and social structures in a dynamic and dialectic fashion. Rather than merely impeding economic action as institutional voids, established informal institutions and customary practices were also used to legitimize alternative value generation. A local micro-credit organization held beliefs that customary practices and myths impede economic development and practice, as occult forces, such as witchcraft, through social control maintain an egalitarian social structure. Yet, the study illustrates how customary practices and beliefs not merely served as constraints but held a capacity for individual value generation. Hence, the study illustrates that norms and beliefs associated with witchcraft are not merely traditionalistic and retrospective resistance to change but multiple, dynamic and part of modern and global developments (Geschiere, 1997).

This study is not without limitations. It is an explorative investigation of institutional entrepreneurship in one country, in one location. Moreover, the study is undertaken in a developing country and in a situation of extreme resource scarcity and poverty that may differ from industrialized nations in many respects. Hence, the findings of this study may be less generalizable to such industrialized forms of institutional entrepreneurship. Yet, comparative studies of how entrepreneurs navigate institutional contradictions constitute a fertile venue for further research that may yield new insight into the underexplored intersection of entrepreneurship research and theories of institutions.

Practical implications for (institutional) entrepreneurs may be somewhat premature due to the exploratory character of the study. Nevertheless, increasing the awareness of challenges connected to entrepreneurship in developing countries may be a first step toward addressing them. The findings suggest that entrepreneurship cannot be taken as a neutral and value-free process but may become subject to institutional sanctions. Participating in entrepreneurial processes may therefore require multiple institutional or social skills in order to mobilize or gain legitimacy from other actors to initiate norm-challenging entrepreneurship as well as, for instance, establishing new forms of legitimate practice in society. Moreover, to handle the contradiction between stability and change, entrepreneurs navigating institutional contradictions must also be able to ‘embrace the contradictions ‘between principle and spontaneity, planning and emergence, acceptance and control’ (Hargrave and Van de Ven, 2009: 121).

Implications for further research are obvious since both replicating and extending this exploratory investigation may be a fruitful approach. While there is a general lack of research on institutional entrepreneurship in the developing world (Mair and Martí, 2009; Martí and Mair, 2009), comparison of different types of settings could be investigated to assess possible differences and similarities between modern market economies and developing countries in relation to the ways in which institutions interact with the entrepreneurial process (Tillmar, 2006).

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