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Opportunities and institutions: A co-creation story of the king crab industry

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ABSTRACT

If entrepreneurs are constrained and shaped by existing institutions, how? If entrepreneurs products and services, how can institutions remain unchanged? This paper explores this theoretical conundrum empirically through the examination of the actions of entrepreneur Lowell Wakefield. Contrary to previous work that suggests that it is institutional entrepreneurs that bring about institutional change as a means of advancing their social interests, this paper shows that a profit-seeking entrepreneur without prior institutional affiliation or experience can create an opportunity along with the supporting industry standards and regulations.

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1. Executive summary

There is growing interest in the relationship between institutions and entrepreneurship (Aldrich and Fiol, 1994; Greenwood and Suddaby, 2006; Hardy and Maguire, 2008). While traditional views consider institutions to be constraining forces on the actions of actors within a specific context (Scott, 1987; 2001), recent scholarship on "institutional work" has focused on understanding how actors may use deliberate purposeful practices to change and even create institutions (Jepperson, 1991; Lawrence and Suddaby, 2006). Such actors, termed institutional entrepreneurs, envision changes in institutions as a means of advancing their social interests that have been suppressed by current institutional rules and norms (DiMaggio, 1988). However, this current designation of institutional entrepreneurs seems disconnected from the traditional notion of what entrepreneurs do—that is, enact opportunities in the pursuit of wealth creation (Alvarez and Barney, 2004; Shane and Venkataraman, 2000).

Work on entrepreneurial action and decision-making suggests that opportunities are not pre-determined but instead the outcome of a socially constructed iterative enactment process between entrepreneurs and other actors under conditions of uncertainty (Alvarez and Barney, 2007; Alvarez et al., 2013; Garud and Karnoe, 2003; Sarasvathy, 2001; Wood and McKinley, 2010). However the formation of opportunities has been examined mostly in isolation, and even less examined is how the actions of profit-seeking entrepreneurs that are forming opportunities may modify, even create, institutions as part of the entrepreneurial process (Demsetz, 1967, 1968; Wright and Zammuto, 2013).

Research that considers the profit-seeking entrepreneur's actions as if their response to institutions is pre-determined hinders our understanding of the effects this type of entrepreneur may have on the origins of institutions. Indeed, though institutional theory

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contends that institutional pressures and expectations place demands on actors to conform (Scott, 1987, 2001), entrepreneurs do not conform when the goal of the unfolding opportunity formation process is to bring about new products and services. This leads to a theoretical contradiction: If entrepreneurs are constrained and shaped by existing institutions, how do they bring about new products and services? If entrepreneurs bring about new products and services, how can institutions remain unchanged? This paper addresses the question: can the accumulated actions of profit-seeking entrepreneurs, in the process of forming an opportunity, co-create new institutions?

This paper investigates this question empirically using an in-depth historical case study method (Eisenhardt, 1989; Tripsas and Gavetti, 2000; Walsh and Bartunek, 2011; Yin, 2009), examining the actions of entrepreneur Lowell Wakefield and his team as they create new industry standards and government regulations in order to support the for-profit king crab opportunity. Using an historical approach allows for an event driven explanation (Van de Ven, 2007), as the process of co-enacting the opportunity and the corresponding institutions unfold over time.

This paper fully brings the profit-seeking entrepreneur into the process of institutional work (Lawrence and Suddaby, 2006). The paper contributes to both entrepreneurship and institutional theory by providing a detailed description of precisely how a profit-seeking entrepreneur in the process of creating an opportunity also co-creates the institutional standards that govern their environment. Contrary to previous work that suggests individuals must be embedded in the industry and have prior industry affiliation and experience in order to frame an emerging industry (Brenner and Tripsas, 2012; Garud et al., 2002), this paper shows that the creation of new standards can be led by a pioneering entrepreneur without prior industry affiliation and experience.

2. Introduction

There is growing interest in the relationship examining institutions and entrepreneurship (Aldrich and Fiol, 1994; Greenwood and Suddaby, 2006; Hardy and Maguire, 2008). This scholarship uses entrepreneurship to reintroduce agency, and thus change, into existing institutions and calls these change agents institutional entrepreneurs (Aldrich and Fiol, 1994; Garud et al., 2007; Greenwood and Suddaby, 2006; Navis and Glynn, 2010; Santos and Eisenhardt, 2009). These institutional entrepreneurs are actors who envision changing institutions as a way to advance interests suppressed by current institutional norms (DiMaggio, 1988; Waldron, 2015-in this issue). However, less examined are the actions and practices of profit-seeking entrepreneurs forming opportunities that may concurrently require the modification or creation of institutions as part of the entrepreneurial process (Demsetz, 1967, 1968; Lawrence and Suddaby, 2006; Wright and Zammuto, 2013).

In the field of entrepreneurship, scholarship on entrepreneurial action and decision-making is increasingly interested with entrepreneurial agency in the formation of opportunities (Alvarez and Barney, 2007; Sarasvathy, 2001). This work suggests that opportunities are not pre-determined, but instead the outcome of a socially constructed iterative enactment process under conditions of uncertainty, between entrepreneurs and their stakeholders that result in new products and services (Alvarez and Barney, 2007; Alvarez et al., 2013; Garud and Karnoe, 2003; Sarasvathy, 2001; Wood and McKinley, 2010). Yet, despite the theoretical richness on the opportunity perspective, with few exceptions, the formation of opportunities has been examined absent the institutions in which they are embedded (Wright and Zammuto, 2013).

Research that considers the profit-seeking entrepreneur's actions as if their response to context is pre-determined hinders our understanding of the effects this type of entrepreneur has on the origins of institutions. Institutions are not just background noise to entrepreneurial action (Bruton et al., 2010;Meyer et al., 2009)entrepreneurs do not just blindly respond to what exists, their purposive actions and practices are aimed at change. The competing contradiction—of institutions as rational formal structures that emphasize continuity and conformity, and entrepreneurship that emphasizes innovative action and practices by individuals resulting in change and unintended consequences—has been described as a paradox (DiMaggio, 1991; Garud et al., 2007). This tension between institutional theory and entrepreneurship theory suggests two equally unanswered sides of a coin (Garud et al., 2007). If entrepreneurs are constrained and shaped by existing institutions, how do they bring about new products and services? If entrepreneurs bring about new products and services, how can institutions remain unchanged? Do the actions of profit-seeking entrepreneurs forming an opportunity change institutions? Can the accumulated actions of these profit-seeking entrepreneurs co-create the institutions in which they are ultimately embedded? This is the question this paper seeks to answer.

This paper investigates the question of how accumulated entrepreneurial action can co-create opportunities and institutions empirically using an in-depth historical case study method (Eisenhardt, 1989; Tripsas and Gavetti, 2000; Walsh and Bartunek, 2011; Yin, 2009). An historical approach to opportunity creation allows for an event driven explanation (Van de Ven, 2007) as the process of co-enacting the opportunity and the corresponding institutions unfold. Lowell Wakefield and his team, the earliest entrepreneurs to successfully commercialize king crabmeat in the United States, co-created the opportunity for the mass consumption of king crabmeat over three decades, together with the institutional standards and regulations that governed the new market and industry. Research questions that study adaptations and changes in social life—brought about by individual actions that unfold and evolve over time—are well suited to process research, particularly in areas of nascent theory (Bresman, 2013; MacKay and Chia, 2013; Van de Ven, 2007; Yin, 2009).

This paper shows how Wakefield formed an opportunity while concurrently setting quality standards and fishing regulations as the industry coalesced and new competitors entered the emerging king crab market. Wakefield worked together with government agencies to shape government policy and regulations creating the king crab market. This paper brings the profit-seeking entrepreneur into institutional work.

The next section outlines the theoretical orientation.