



Unwrapping Institutional Change in Fragile Settings: Women Entrepreneurs Driving Institutional Pathways in Afghanistan

HOLLY A. RITCHIE*

Erasmus University, The Netherlands

Summary. — This paper elaborates on critical processes of *institutional change* and the implications for local economic development in fragile settings. Drawing on empirical research in Afghanistan, the discussion looks specifically at how local actors interact to reshape the “rules of the game” in women’s enterprise. The research has highlighted diverse actor negotiation in the transformation of (heterogeneous) *purdah* norms and development of enterprise institutions. This has crucially influenced the scope of norm development, and women’s engagement in business. The study shows that external actors (such as NGOs) may be able to both initiate and guide institutional change and development. Yet in challenging environments such as Afghanistan, there may be limitations to their endeavors, with strong resistance from local power holders, unpredictable entrepreneurs and disruptive (local) events. The use of liberal cultural/religious narratives has proved fundamental in permitting change processes. Emerging open-minded beliefs have unleashed a more democratic “narrative” on women, particularly if championed by progressive leaders, or credible outsiders in “receptive” local conditions. This has led to the evolution of new attitudes and preferences, with potential effects beyond the market, including increasing girls’ education and women’s property rights.

The research has generated a micro-social perspective of institutional change, identifying key actors and conditions that may shape grassroots institutional processes in enterprise development. In emerging outcomes, the paper presents insights into the role of *dominant entrepreneurs* in driving (nested) *institutional pathways*. This may promote inclusive opportunities for (new) power and wealth through open institutions, in “productive institutional pathways.” Yet it can equally foster distorted economies if exclusive institutions are allowed to prevail in more “destructive institutional pathways.” To further develop micro-institutional theory, the paper argues for a greater appreciation of culture, religion, and fragility.

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1. INTRODUCTION

In 2010, *World Development* published a special issue on formal and informal institutions and Development, drawing attention to the importance of institutional change. In particular, Savoia, Easaw, and McKay (2010) discussed the links between inequality and democracy, and their effects on institutions. Reversing the arrow of causation, they called for more investigation into the “distributional impact of economic institutions” on inequality and democracy. This article looks more closely at the process of institutional change in the construction of new (evolving) economic institutions, and the implications for local economic development, gender equality and inclusion. Due to the complexity of the environment in developing contexts, informal social institutions such as norms tend to guide economic behavior (Harriss-White, 2010; Steer & Sen, 2010). In such settings, there may often be resistance to change, since prevailing practices are perceived to permit the smooth functioning of the economic system. Yet when changes do occur, through for example new preferences or beliefs (Hodgson, 1997, 2003, 2004a), or experiences (North, 2003), there can be a significant impact on economic systems (Koford & Miller, 1991). In the introduction of new norms (or in their reconfigurations), the literature indicates that “institutional entrepreneurs” may be key drivers in initiating and participating in such processes (Battilana, Leca, & Boxenbaum, 2009; DiMaggio, 1988; Li, Feng, & Jiang, 2006).

Adding empirical and theoretical depth to the discourse on institutional change and entrepreneurship, this paper discusses the transformation of *purdah*¹ norms in the initiation of three women’s enterprises in the challenging context of Afghanistan. Contrary to expectations, Afghanistan has a fairly vibrant

economy, if fragile and turbulent. After many years of war, instability appears to be (almost) “institutionalized”, with persisting conflict having a limited impact on the general prevalence of enterprise activity (Ciarli, Parto, & Savona, 2009, p. 2). And with little, or weak regulation, markets remain largely informal, and still dominated by traditional players, with gender-prescribed roles. With the assumption that all entrepreneurship is positive, a great deal of aid effort has recently been channeled into enterprise development to broaden market participation, with varying degrees of success (Ritchie, 2012). Theoretical and empirical studies have indicated that women’s entrepreneurship can potentially foster social change, both at the household and community level (e.g., Calás, Smircich, & Bourne, 2009; Hanson, 2009). Taking a more cautious approach, Baumol (1990) suggests entrepreneurship may in fact have varied outcomes for local development. Unpacking the “institutional black box” (Naude, 2011), this paper looks closer at the underlying nature of emerging women’s enterprise through a “nuanced” institutional lens. This generates new insights into institutional processes and entrepreneurship, particularly in fragile contexts, adding depth to the notion of female empowerment as a “core driver of democratic development” (Wyndow, Li, & Mattes, 2013).

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The article is organized as follows. Section 2 expands upon the concept of “institutions” as both constraining and enabling human behavior. It emphasizes the significance of institutional change, with a particular focus on more evolutionary perspectives. Section 3 looks closer at social norms as informal institutions, and draws attention to the women’s norm of *purdah*. Bringing in entrepreneurs as “agents of change”, the concept of “institutional entrepreneurship” is discussed, and relevant experience and insights are highlighted from developing country contexts. Section 4 turns to empirical evidence from Afghanistan and presents three women’s business cases. In the cross-case analysis in Section 5, the paper examines critical aspects of the transformation of *purdah*, permitting the engagement of women in business, and the roles of key actors (and their strategies). It emphasizes the influence of such processes on local attitudes and beliefs, and women’s power and cooperation. It then looks at resulting outcomes in terms of emerging new orders, and institutional trajectories, influencing both the women’s businesses and beyond. Section 6 reflects on such processes of institutional change, particularly for women’s economic development.

2. AN EVOLUTIONARY APPROACH TO INSTITUTIONAL CHANGE

(a) *Institutional change and development*

While central to human societies, there is still little consensus on a common definition of institutions or how we may do institutional analysis (Hollingsworth, 2002). Academic disciplines have tended to develop their own approaches to discussing and examining institutions, with little collaborative learning. This includes several approaches by economists (e.g., Hodgson, 1998, 1999, 2003, 2004, 2007; North, 1989, 1990; Williamson, 1985); political scientists, sociologists, and historians (e.g., Campbell, Hollingsworth, & Lindberg, 1991; Chang, 2002; Hall & Taylor, 1996; Ostrom, 1990; Powell & DiMaggio, 1991); and anthropologists (e.g., Geertz, 1995). Douglass North famously defined formal institutions (i.e., laws, constitutions and regulations) and informal institutions (i.e., unwritten norms, customs, conventions and moral codes of conduct) as the “rules of the game” (North, 1990, p. 4). Viewing institutions as “constraints”, he described these as the framework structuring human interaction, and the incentives and disincentives to behave in certain ways. Taking a more sociological approach, Fligstein (2001, p. 108) described institutions as both “rules” and “shared meanings” that both define and shape social relationships, and guide actor interactions in providing pre-existent cognitive frameworks. Incorporating evolutionary ideas, as well as notions of embeddedness (Granovetter, 1985, 1992), and toward a more balanced perspective, Hodgson (2004b, p. 424) has defined institutions as “durable systems of established and embedded social rules that structure social interactions. . . [that] both “constrain and enable behavior”.

Institutional discussions have traversed wide-ranging topics to better understand the role of institutional change in economic development. A major contribution to economic thinking has been in the insights generated into the role of “habit” (Hodgson, 1997, 2002, 2003, 2004, 2007). In vein with Veblen and Commons, Hodgson expounds on the influence of habits, and describes individuals creating and shaping institutions, as much as institutions molding individuals, shaping individual motivations, and broader preferences (Hodgson, 2000, p. 326). Such actor-oriented perspectives re-challenge main-

stream economist views in arguing that economics cannot be separated from the social, political and cultural systems in which they are embedded. And beyond just “efficiency” outcomes in the reduction of “uncertainty”, Chang (2005) highlights three critical functions of institutions in promoting more balanced economic development: learning and innovation, income redistribution and social cohesion. Yet arguably more significant, institutional change may also trigger and foster new cultural values, attitudes, and practices (Hodgson, 2002), with broad implications for democratic and inclusive development.

3. THE DYNAMICS OF SOCIAL NORMS AND CHANGE

(a) *Socio-cultural influences and religion*

There has been increasing discussion of the complex role of social institutions in less developed countries, particularly related to gender (Branisa, Klasen, & Ziegler, 2013; Elson, 1999). The influence of social institutions and social relations, and the role of social regulation (as a result of gender, ethnicity and caste) in causing “exclusion” (Kabeer, 2000) or “adverse incorporation” (Wood, 2003) are indeed critical factors to assessing economic participation. Morrisson and Jutting (2004) argue that social institutions are the single most important factor determining women’s freedom of choice in economic activities outside the household, directly and indirectly influencing women’s access to markets and resources. The notion of “institutional voids” has often been used to describe situations where key market institutions such as property rights are absent or weak. Yet such voids should be re-understood as institutionally “complex”, with conflict or contradiction in different (informal) spheres (e.g., political, community, and religious), resulting in market exclusion (Mair, Marti, & Ventresca, 2012).

Embedded in values, beliefs, and cultural experience, and relative to specific socio-cultural settings, social institutions or norms are described by sociologists as being informal institutions that govern and guide human behaviors in social encounters (Parsons, 1951), permitting socialization in groups. Norms tend to generate uniformity of behavior within social groups, but can vary across groups (Peyton Young, 2007). Social norms usually relate to “situations in which there is an inherent conflict between individual and collective interests” (Bicchieri, 2010, p. 298). “Descriptive norms” pertain to people’s perceptions of typical behavior in specific situations, while “injunctive norms” refers to people’s perceptions of behavior that is commonly approved or disapproved of within a particular culture (Cialdini, Kallgren, & Reno, 1991; Schultz, Nolan, Cialdini, Griskevicius, & Goldstein, 2007). In examining the scope of entrepreneurship, and going beyond a focus on cultural “values” (e.g., Hayton, George, & Zahra, 2002), Stephan and Uhlener (2010) argue that it is social norms, in particular “cultural descriptive norms”, that best reflect outcomes in terms of their “normative influence” on individuals within a certain setting. The women’s norm of *purdah* in this paper more or less fits into this “descriptive” category, pertaining to women’s expected behavior in the private and public realm (although there are judgmental undertones), common in Middle Eastern and Asian societies.

In studying social norms such as *purdah* and change, it is useful to explore deeper links to culture and society (Hechter & Opp, 2001; Platteau, 2000). In particular, religious beliefs and values have been shown to have a strong influence on

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