Journal of Business Research 89 (2018) 87–98

Contents lists available at ScienceDirect

Journal of Business Research

journal homepage: www.elsevier.com/locate/jbusres

Institutional entrepreneur strategies in emerging economies: Creating market exclusivity for the rising affluent☆

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ARTICLE INFO

Keywords:
Institutional entrepreneurship
New organizational form
Emerging economies, logics, legitimacy

ABSTRACT

We study how institutional entrepreneurs strategize to legitimate market exclusivity for the rising affluent in emerging economies. We propose that pluralistic logics and logic contradictions can trigger novel institutional spaces that are leveraged by institutional entrepreneurs to promote new organizational forms. We shed light on the struggles of opportunistic institutional entrepreneurs who juggle capitalizing on the emerging novel institutional spaces within emerging economies juxtaposed against country specific cultural nuances of high power distance and low generalized trust. Using a case based analysis of the luxury hospital organizational field in India, we present a comprehensive framework of legitimation strategies for new organizational forms in emerging economies. Our study provides important insights into institutional entrepreneurs' legitimation strategies in emerging economies and underscores the importance of studying contextual bases of institutional entrepreneurship.

How do institutional entrepreneurs legitimate new organizational forms in emerging economies (EEs)? Institutional entrepreneurs are actors who leverage resources to solve institutional problems by propagating novel institutional arrangements or transforming existing ones to create value through their innovations (Battilana, Leca, & Boxenbaum, 2009; David, Sine, & Haveman, 2013; Fligstein, 1997; Greenwood & Suddaby, 2006; Maguire, Hardy, & Lawrence, 2004; Rao, Monin, & Durand, 2003). How institutional entrepreneurs diffuse new ideas is a question of enduring interest and has attracted research attention (Battilana et al., 2009; David et al., 2013; Maguire et al., 2004). Common to these conceptualizations are framing problems and implementing change projects. Institutional entrepreneurs strategically frame grievances, mobilize support, and legitimate change (Fligstein, 1997; Rao et al., 2003). However, field characteristics are important enablers of change since what is strategic in one context may not be so in another (Battilana et al., 2009; Greenwood, Hinings, & Suddaby, 2002). Field characteristics can range between emerging fields with lower levels of institutionalization and higher uncertainty (Garud, Jain, & Kumaraswamy, 2002; Lawrence & Phillips, 2004; Maguire et al., 2004) and mature fields with higher levels of institutionalization and lower uncertainty (Greenwood & Suddaby, 2006). Although emerging and mature field characteristics attracted considerable research attention (David et al., 2013; Garud et al., 2002; Greenwood & Suddaby, 2006; Lounsbury, 2007; Maguire et al., 2004; Tracey, Phillips, & Jarvis, 2011), research on alternative fields such as institutional voids inhabited by pluralistic and conflicting institutions (Ahlstrom, Bruton, & Yeh, 2008; Doh, Rodrigues, Saka-Helmhout, & Makhija, 2017; Hoskisson, Eden, Lau, & Wright, 2000; Khanna & Palepu, 2006; Mair, Marti, & Ventresca, 2012; Meyer, Estrin, Bhaumik, & Peng, 2009; Meyer & Peng, 2016; Olsen, 2017; Wright, Filatotchev, Hoskisson, & Peng, 2005) as enablers of institutional entrepreneurship has attracted scarce attention. For instance, expanding economic opportunities due to globalization and technological advances in EE countries such as India produced an affluent middle class that aspires for luxury. This exclusive *affluent* population in EEs that provide opportunities for institutional entrepreneurship has been ignored thus far.

The institutional entrepreneurship research proposes specific activities to implement change. These activities involve developing a vision for the change, mobilizing people, and motivating them to rally behind the vision (Battilana et al., 2009). These interrelated activities help institutional entrepreneurs to persuade field level actors to endorse and legitimate the change through theorization (Greenwood et al., 2002). Research on the specific activities involving framing the problem and theorization for legitimation of change in developed countries (David et al., 2013; Maguire et al., 2004; Tracey et al., 2011; Tracey & Phillips, 2011) with well-developed institutional infra structure may

☆ We gratefully acknowledge the *Research* & *Publications grant* support by Indian Institute of Management Bangalore.
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https://doi.org/10.1016/j.jbusres.2018.03.039
Received 25 January 2016; Received in revised form 28 March 2018; Accepted 30 March 2018

not generalize to EEs with pluralistic and conflicting institutions. Additionally, change implementation in EEs may be influenced by national culture since institutional entrepreneurs depend on the larger cultural context for resources (Kim & Li, 2014). For instance, cultural values of hierarchical relations (Brockner et al., 2001; Robert, Probst, Martocchio, Drasgow, & Lawler, 2000; Saini & Budhwar, 2008) and low dispositional trust (Fukuyama, 1995) may impact the success of institutional entrepreneurship strategies in EEs. This "blind spot," (Micelotta, Lounsbury, & Greenwood, 2017, p.1893) coupled with the view that "the activities involved in motivating actors … to institutionalize change, have been studied the *least* in the literature on institutional entrepreneurship" (Battilana et al., 2009, p.86), signal the need to understand specific activities that institutional entrepreneurs undertake to theorize and legitimate divergent change in EEs. In summary, given the institutional voids and cultural nuances of EEs, we examine how and through what specific activities institutional entrepreneurs in domestic markets theorize and legitimate institutional change.

We use a case-based design involving in-depth, qualitative analysis of a luxury hospital, a new organizational form in India developed by a domestic institutional entrepreneur. This research context was chosen because as an emerging economy, India has seen a substantial increase in affluence of its middle class, creating novel institutional spaces for innovation (BCG Report, 2017) and a case based methodology allows a rich understanding of the strategic responses to the new economic realities of India (Lee, 1999) as well as help explore theory building within an exploratory context (Yin, 2003).

We make three contributions to the literature on international business in general and institutional entrepreneurship literature in particular. Theoretically, we intersect the literature on institutional entrepreneurship in developed economies (David et al., 2013; Fligstein, 1997; Garud et al., 2002; Maguire et al., 2004; Tracey et al., 2011) with that of institutional challenges faced by domestic firms within alternate fields such as EEs (Ahlstrom & Bruton, 2006; Hoskisson et al., 2000). We propose that inconsistent demands imposed by pluralistic logics can trigger novel institutional spaces that are leveraged by institutional entrepreneurs to promote new organizational forms (Alvarez & Barney, 2014; Mair et al., 2012; Puffer, McCarthy, & Boisot, 2010; Tracey & Phillips, 2011). Next, we extend the agency perspective in neo-institutional theory by elaborating on the subject positions and struggles of opportunistic institutional entrepreneurs who juggle capitalizing on the emerging luxury institutional space within EEs juxtaposed against national culture nuances of high power distance and low generalized trust. Our final contribution pertains to developing a guidepost for managers of innovative ventures in EEs by providing a framework of specific legitimation strategies in EEs.

1. Institutional entrepreneurship in emerging economies: creating market exclusivity for the rising affluent

Institutional theory is known to explain unique processes that play a role in early stages of market emergence (Hoskisson et al., 2000; Wright et al., 2005) and inform transitional challenges in EEs due to its focus on context (Kim & Li, 2014; Meyer & Peng, 2016; Rivera-Santos, Rufín, & Kolk, 2012). As discussed earlier, alternative field characteristics such as institutional voids enable divergent change implementation activities that are influenced by national culture. The implementation activities help legitimate institutional change (Battilana et al., 2009) in EEs. We discuss each one of these characteristics within an EE context next.

1.1. Institutional voids seed EE institutional entrepreneurship

Institutional voids are characterized by formal institutional constraints such as absence of specialist intermediaries, regulatory systems, standards for quality control, and contract enforcing mechanisms (Inoue, Lazzarini, & Musacchio, 2013; Khanna & Palepu, 2006; Manikandan & Ramachandran, 2015; Meyer & Peng, 2016; Stephan, Uhlaner, & Stride, 2015) that create informational asymmetries and risk for institutional actors. In contrast to this view of institutional voids as *empty* institutional spaces, emerging research treats institutional voids as analytical spaces inhabited by pluralistic and conflicting institutions (Mair et al., 2012). Our research extends this inhabited institutional view to institutional entrepreneurship.

We propose that institutional voids inhabited by pluralistic and conflicting institutions (Ahlstrom et al., 2008; Doh et al., 2017; Hoskisson et al., 2000; Khanna & Palepu, 2006; Mair et al., 2012; Meyer et al., 2009; Meyer & Peng, 2016; Olsen, 2017; Wright et al., 2005) seed institutional entrepreneurship. Institutional logics provide organizing principles and symbolic vocabularies that structure organizational values, beliefs, and action (Friedland & Alford, 1991; Thornton & Ocasio, 1999). As such, logics refer to a meta-theory that focuses on the mechanisms that link micro-level strategy with the macro-level institutional routines. Pluralistic logics with distinct symbolic meanings often impose inconsistent demands on managers (Singh & Jayanti, 2013). Past research in developed economies demonstrates that pluralistic logics are pervasive in several markets such as healthcare (science and care logics, Dunn & Jones, 2010), micro finance (development and banking logics, Battilana & Dorado, 2010), and thrifts (moral and progressive logics, Haveman & Rao, 1997). We extend this literature by presenting compliance and customer care as coexisting logics within the domain of patient management in EEs. We suggest that given the institutional imperfections within an EE context, pluralistic logics may facilitate institutional spaces for novel organizational forms that institutional entrepreneurs exploit for value creation.

Past research identified several nuances regarding institutional voids and entrepreneurship that involve powerful actors such as state agencies, business incubators, or science parks as enablers of institutional entrepreneurship. Heavy involvement of state facilitated institutional entrepreneurship in EEs such as China (Child, Yuan, & Tsai, 2007), Brazil and Mexico (Olsen, 2017). Additionally, business incubators fulfilled the role of institutional intermediaries in certain EEs such as Asia Pacific and Middle East (Dutt et al., 2016) whereas science parks assumed similar role in China (Armanios, Eesley, Li, & Eisenhardt, 2017). Extant research does not inform about EE contexts where interventions from powerful actors are not available or how individual actors as catalysts for institutional change embrace subject positions that are novel in an organizational field (David et al., 2013; Maguire et al., 2004).

1.2. Change strategies implemented by institutional entrepreneurs

As change agents, institutional entrepreneurs undertake specific activities to frame and legitimate the change that they advocate. Battilana et al. (2009) propose two interrelated activities of creating a vision and mobilization of allies behind that vision for implementing change. Creation of a vision by institutional entrepreneurs involves framing the problem to the influential publics, which can be a challenging proposition in EEs since changes promoted by institutional entrepreneurs may clash with the taken for granted routines in the field. Battilana et al. (2009) propose framing in terms of problem resolution (diagnostic), superiority of the solution to existing options (prognostic), and compelling reasons (motivational), the types of framing used by institutional entrepreneurs in EEs is an open question for study.

Mobilization of allies behind the vision involves discursive strategies that theorize and legitimate the proposed change. Legitimacy refers to the social acceptance of strategic practices (DiMaggio & Powell, 1983) and is defined as a "generalized perception that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, beliefs and definitions" (Suchman, 1995, p. 574). Legitimacy is socially constructed by an organization's stakeholders based on their evaluation along multiple dimensions including (1) pragmatic legitimacy or the degree to which the organization