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The opportunity not taken: The occupational identity of entrepreneurs in contexts of poverty☆

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ABSTRACT

Innovative entrepreneurship is an essential but often missing outcome of poverty alleviation efforts. This qualitative study set in rural Ghana explores the occupational identity of entrepreneurs, the institutions that shape it in isolated "island networks", and how it influences entrepreneurs' practices and decisions. We find that the institutional forces of "collectivism" and "fatalism" feature prominently. Being an entrepreneur in such settings means being a mentor, market link, and community safety net, and the types of opportunities entrepreneurs pursue are largely seen as pre-destined and inherited rather than individually chosen. As a result, the pursuit of innovative opportunities may be significantly limited.

Executive summary

Poverty is considered to be among the world's most intractable global challenges (Alvarez and Barney, 2013; Bruton et al., 2013). This intractability is often attributed to a confluence of various factors that hinder economic growth, including structural features (e.g., poor transportation and communication infrastructure), and institutional features (e.g., a dearth of formal market institutions). Development organizations have begun to focus significant effort on market-based interventions to achieve sustainable solutions to longstanding issues of poverty and precariousness, with a particular emphasis on entrepreneurial training programs and microfinance as a means of nurturing entrepreneurs to "jump start" economic growth. However, many of these efforts may have attempted to "shoehorn" a Silicon Valley model of entrepreneurship into contexts where entrepreneurs are constrained from pursuing this western ideal. While nongovernmental organizations (NGOs) have attempted to address human and financial capital constraints on entrepreneurship, less attention has been focused on the dense web of informal institutional norms that entrepreneurs must navigate which are less obvious, but may be equally constraining. As a result, many NGO interventions to stimulate entrepreneurship in contexts of poverty have failed to produce the hoped-for results (Alvarez and Barney, 2013; Stenholm et al., 2013).

In this paper, we investigate informal institutions affecting entrepreneurship to understand why projects designed to stimulate entrepreneurship in contexts of poverty often fail to produce the kind of growth-oriented, innovative entrepreneurship that creates substantive (and less precarious) value. We focus on informal institutions for three primary reasons. First, impoverished communities typically lack formal market institutions, resulting in a reliance on informal institutions to guide behavior (Mair et al., 2012). Second, they are typified by dense social clusters, tightly connected internally but with few links to outside groups, or what we refer to as "island networks". This island network configuration amplifies the reliance on informal institutions, as the geographic or social

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isolation inherent in this configuration results in a lack of external templates for action. Finally, the resource constraints associated with poverty further exacerbate the effects of these island networks, as individuals are often reliant on each other to a degree that can make social sanctions a matter of life and death.

Interviewing entrepreneurs and other community members in rural villages in Ghana, we began by asking "what does it mean to be an entrepreneur here"?, thus focusing on the occupational identity of an entrepreneur. The notion of "entrepreneur" as an occupation, with its own identity and role prescriptions, shaped by informal institutions, has not received much scholarly attention. This theoretical lens provides an opportunity to understand entrepreneurs' behaviors and decisions not from an individualistic perspective but from a more socially constructed and socially embedded lens. Specifically, we studied entrepreneurs' occupational identities in order to better understand why entrepreneurs consistently perceived and acted on some types of opportunities and not others, and the obligations and normative constraints they faced within rural villages.

Our findings suggest that the informal institutions of collectivism and fatalism together shape the occupational identity of entrepreneurs in the rural Ghanaian context as one of primarily obligation and constraint rather than primarily opportunity, as is more typical in western contexts. Entrepreneurs are expected to act as a social safety net within communities by providing timely loans, provide a consistent supply of specific goods and services and mentor new entrant competitors. They also face limitations on agency associated with fatalistic acceptance of traditional or spiritually appropriate paths, and bounds on how successful they can be without attracting illegitimacy. We show the link between the obligations and constraints of the occupational identity and the largely imitative and not growth-oriented ventures that entrepreneurs pursue. We note that outsiders to the community are less constrained by informal institutions, reinforcing the notion that the degree of embeddedness of entrepreneurs is a key factor. Whereas prior research studying the "broken link" between individual-level entrepreneurship and large-scale economic development within impoverished regions has pointed to a lack of capital or weak formal institutions as the main barriers, our study suggests that informal institutions are prominent factors that can inhibit the pursuit of more innovative opportunities.

Our findings contribute to the entrepreneurship literature by showing how informal institutions affect entrepreneurial innovation, diverting resources and constraining agency. In this we emphasize that entrepreneurship is a socially constructed phenomenon and some social contexts impose more obligations and constraints on entrepreneurship than others. We also contribute to theories of whole networks, contending that the constrained entrepreneurship we observed in remote parts of Ghana is likely to also be seen in other contexts with similar "island networks", featuring dense interconnections within clusters and few connections outside clusters. These conditions are not limited to the developing world, but can also be found in the developed world, for example in ethnic enclaves, immigrant communities, rural areas, remote regions, or Indigenous communities. Like inhabitants of small islands, these groups are often more directly affected by obligations to one another, and have limited access to external norms or templates for behavior, further strengthening the effects of informal institutions. When combined with the resource scarcity associated with poverty, the network-strengthened informal institutions we observed have a particularly negatively effect on entrepreneurial growth and innovation. Finally, we contribute to the development literature by challenging the appropriateness of interventions which are based on disembedded Western conceptions of entrepreneurship, and point to the importance of attending to informal institutions which prescribe and proscribe the behavior of entrepreneurs. These findings promise substantial practical implications for entrepreneurial interventions in contexts of poverty.

1. Introduction

Poverty is considered to be among the world's most intractable global challenges (Alvarez and Barney, 2013; Bruton et al., 2013). This intractability is often attributed to a confluence of various factors that hinder economic growth, including structural features (e.g., poor transportation and communication infrastructure), and institutional features (e.g., a dearth of formal market institutions). Stimulating entrepreneurship is a favored approach used by nongovernmental organizations (NGOs) and their funders (London, 2007; Kistruck et al., 2013) to address poverty, particularly in rural villages where poverty is nearly universal (Yunus, 2007). Development organizations have begun to deliver training programs and microfinance to build entrepreneurial capacity, however many of their efforts have failed to produce the hoped-for results (Alvarez and Barney, 2013; Stenholm et al., 2013). Existing programs often introduce specific, replicable business templates, under the assumption that broader entrepreneurial activity will follow (Bradley et al., 2012). Contrary to assumptions, efforts of this kind often result in over-entry in these specific businesses, resulting in imitation and excessive competition, rather than the pursuit of a broader range of opportunities for innovation and growth.

One reason for these marginal results may be a lack of understanding by interveners of what it actually means to be an entrepreneur in such environments. This would be ironic, given that this "teach a man to fish" approach to development was itself a response to a more antiquated "top down" style of aid. Yet without a robust understanding of what "entrepreneur" means in such contexts, these well-intentioned efforts may paternalistically attempt to "shoehorn" an ill-fitting Silicon Valley model of entrepreneurship into impoverished contexts.

In this paper, we take a step back from the growing body of literature that describes the processes and strategies that NGOs and other social entrepreneurs use to successfully shape markets and institutions (see, e.g., McKague et al., 2015; Mair et al., 2012; Mair and Marti, 2009), to investigate why projects designed to stimulate entrepreneurship often fail to produce the kind of growth-oriented, innovative entrepreneurship that creates substantive (and less precarious) value. While prior work has examined barriers to entrepreneurship associated with human capital (Alvarez and Barney, 2013), financial capital (Bradley et al., 2012) and formal institutions (De Castro et al., 2014; De Soto, 2000; North, 1990), our inductive empirical work led us to question how *informal* institutions affect innovative entrepreneurial behavior in poor rural contexts. We focus on informal institutions for three primary