Title:
Institutional Theory and Entrepreneurship: Promise and Pitfalls

Organizers / Moderators:
Robert J. David (McGill University)
Wesley D. Sine (Cornell University)

Panelists:
Howard Aldrich (University of North Carolina)
Kathleen Eisenhardt (Stanford University)
W. Richard Scott (Stanford University)

Sponsors
Organization and Management Theory Division
Entrepreneurship Division
1. OVERVIEW

In one of the earliest papers arguing for an institutional approach to studying organizations, Meyer and Rowan clearly spelled out the relevance of institutional theory for understanding entrepreneurial processes (1977: 345):

The growth of rationalized institutional structures in society makes formal organizations...both easier to create and more necessary. After all, the building blocks for organizations come to be littered around the societal landscape; it takes only a little entrepreneurial energy to assemble them into a structure. And because these building blocks are considered proper, adequate, rational and necessary, organizations must incorporate them to avoid illegitimacy.

Yet, subsequent work from this perspective has rarely studied entrepreneurship, but instead has focused on the diffusion of forms and practices at the field level rather than on the generation of new organizations (Tolbert and Zucker, 1983; Davis, 1991; Lounsbury, 2001). Recently, a vibrant literature on “institutional entrepreneurship” has arisen, but again, this work largely concentrates on explaining why change occurs in existing firms rather than on how institutions shape entrepreneurial activity (Holm, 1995; Maguire, Hardy, and Lawrence, 2004; Greenwood and Suddaby, 2006).

Early research on entrepreneurship, meanwhile, focused on personal traits and dispositions of founders as keys to explaining entrepreneurial outcomes (Aldrich and Wiedenmayer, 1993; Gartner, 1988).1 A second, related stream of research focused on the opportunities these entrepreneurs seek to exploit, the types of organizations that are founded, and their structures (Eckhardt and Shane, 2003; Aldrich and Ruef, 2006). But most work on entrepreneurship has paid little attention to how social norms, value systems, identities, taken for granted beliefs, and explicit and implicit regulatory

---

1 While definitions vary, we use the term entrepreneurship to mean, broadly, the process of founding new organizations (Aldrich and Ruef, 2006).
exigencies shape opportunities and affect whether or not individuals choose to engage in entrepreneurial activity.

Recently, however, an institutional-theory perspective on the study of entrepreneurship has begun to take shape (for reviews, see Hwang and Powell, 2005; Bruton, Ahlstrom, and Li; 2010; Sine and David, 2010; Tolbert, David, and Sine, 2011). While diverse, this literature focuses on how institutions affect entrepreneurship, and conversely, how entrepreneurs shape institutions. It examines how the regulative, normative, and cultural-cognitive dimensions of the environment (Scott, 1995) shape entrepreneurial processes, such as identifying, creating, and exploiting opportunities. Empirically, this translates to questions such as: How do broad cultural forces shape entrepreneurial conceptions of opportunity? Similarly, how do shifts in normative and regulatory institutions create new types of entrepreneurial opportunity? This perspective also examines how entrepreneurs navigate and shape institutions. For example, Khaire (2010) studied how symbolic resources helped new firms grow even in the absence of material resources. And Glynn and Navis (2010) showed the importance of “institutional leadership” – the infusion of symbolic value – for entrepreneurship in nascent market categories.

This proposed symposium is an attempt to: 1) take stock of studies of entrepreneurship from an institutional-theory perspective to date and identify gaps in the current literature; 2) identify the payoffs of the approach for both institutional theory and entrepreneurship studies, and 3) elaborate on the pitfalls and limitations of the institutional perspective on entrepreneurship. We believe that a more explicit articulation of the points of intersection of these two literatures offers a number of potential advances for both literatures. Institutional theory’s key premise, that normative expectations and socially-shared assumptions often drive organizational
decision-making and practice, draws attention to factors that are apt to be important to understanding entrepreneurial behavior, factors typically ignored by studies that are framed around more rationalistic, economic perspectives. At the same time, research on newly formed organizations and their founders offers important opportunities to study the emergence of nascent institutions in a context that is apt to be useful for both extending and clarifying the limits of arguments advanced by institutional theorists.

We propose a highly interactive panel discussion on the topic of institutions and entrepreneurship involving three prominent scholars: a founder of neo-institutional theory, W. Richard Scott, and two prominent entrepreneurship scholars, Howard Aldrich and Kathleen Eisenhardt. The topics that the panelists will speak to are: 1) opportunities for advancing institutional theory by studying entrepreneurship; 2) how institutional theory can advance our understanding of entrepreneurship; 3) limits to this approach and pitfalls to avoid. Each participant will speak about one of these themes for 10 minutes; following each panelist’s presentation, the other two panelists will be asked to comment on the presentation for about 2 minutes each. This will be followed by 10 minutes of audience questions and discussion for each theme. A more detailed agenda is provided below.

2. POTENTIAL SPONSORS

We expect that, as a whole, this symposium would be of interest to scholars in both the Organization and Management Theory (OMT) and Entrepreneurship (ENT) divisions. First, organizational theorists have increasingly viewed entrepreneurship as a phenomenon of interest. Even if not interested specifically in entrepreneurship, members of OMT will be interested in how studying entrepreneurship can help build
institutional theory (Topic 1). Members of the ENT division will naturally be interested in the discussion of how institutional theory can inform studies of entrepreneurship (Topic 2). And both groups of scholars will be interested in the pitfalls and limitations of the approach (Topic 3). We thus expect considerable attendance from members of both divisions.
3. PROPOSED AGENDA (90 minutes)

I. Introduction: Institutions and Entrepreneurship (5 min)
   a. Basis of the approach: what is an institutional approach to entrepreneurship and how does it differ from studies of institutional entrepreneurship?
   b. Summary of what we have learned so far
   c. Gaps that require study

   Robert David, McGill University and Wesley Sine, Cornell University

II. Benefits for institutional theory (10 minute presentation; 5 minute panelist comments; 10 minute audience discussion)
   a. How can using an institutional theoretic lens to study entrepreneurship advance institutional theory?
   b. What can studies of entrepreneurship not help us understand?

   W. Richard Scott, Stanford University

III. How can institutional theory inform what we know about entrepreneurship? (10 minute presentation; 5 minute panelist comments; 10 minute audience discussion)
   a. What is missing from studies of entrepreneurship and how can an institutional approach help?
   b. What kinds of studies are needed next?

   Kathleen Eisenhardt, Stanford University

IV. Limits to this approach (10 minute presentation; 5 minute panelist comments; 10 minute audience discussion)
   a. Where is the entrepreneur in the institutional approach to entrepreneurship?
   b. Common design flaws in this emerging research stream.
   c. Pitfalls to avoid

   Howard Aldrich, University of North Carolina

V. Summary and Conclusion: Where do we go from here? Wrap up and audience discussion (10 minutes, all participants).
4. REFERENCES


