



The Conception of Institutional Business: Research Directions and Methods

Alexander K. Prosekin^{1*}, Violetta K. Shkuropatskaya²

¹Far Eastern Federal University, Vladivostok, Russian Federation, ²Vladivostok State University of Economics and Service, Vladivostok, Russian Federation. *Email: info@dvfu.ru

ABSTRACT

Institutional business is a component of business activity directed on the improvement of already existing and also the creation and introduction of new social and economic institutes. The creation of conditions for business, especially in the sphere of material production, is the main purpose and a component of the economic policy for any transitional economy. The paper presents an analysis of the main researches of the conception of institutional business, published in academic scientific magazines over the period from 2002 to 2015. Stages of the development of the conception were revealed during the research, the main directions of researches of institutional business, and also areas of scientific researches in which the action of theory of institutional business were not yet studied. As a result the priority directions in the research of institutional business from the point of view of scientists-researchers of this area were defined. The authors have considered data collection methods in researches of the conception of institutional business on the basis of the article case. The received conclusions will help to continue the study of institutional business from a position of concrete disciplines: Macro and microeconomics, management, psychology, institutional economy, business and others.

Keywords: Institutional Business, Institutional Theory, Business, Institutes, Institutional Economy

JEL Classifications: M21, M49, N8

1. INTRODUCTION

The relevance of this topic is caused by that the conception of institutional business attracts more and more attention within several discourse: New institutional theory, theory of the social capital, organizational researches, evolutionary economy and strategic management (Sidenko, 2012). Nevertheless, most of the papers are devoted to organizational researches. Many papers are written on the example of spheres of finance, science and health care. The empirical papers investigating institutional business in the agriculture, the social sphere, IT, power, coastal and sea business, ecology, education, social services, journalism, the industry of fashion, production and other branches are widely met.

A deep interview, personal polls, focus groups, case-study, an analysis of books, papers, business plans and professional blogs are often met among the studied methods of the collection and an analysis of information. These facts show that at the moment there

is the accumulation of information in different areas, the conception of institutional business is between the research of qualitative and quantitative data. Therefore, it is necessary to continue the accumulation of qualitative information in various spheres.

In this research by institutional business we will understand the ways by which the subjects create new or allocate with powers already existing institutes: New institutes appear when the organized group of subjects with a certain set of resources considers them as a possibility of their own interests' realization (DiMaggio, 1988). By institutional businessmen we will understand the subjects who create new or change already existing institutes so that they will deviate from the existing status quo (DiMaggio, 1988; Fligstein, 1997; Maguire et al., 2004; Rao et al., 2000).

The following methods were used for the solution of the paper's objectives: A theoretical analysis of literature on institutional business, methods of the study and the synthesis of existing

experience. General scientific methods were applied to the achievement of good results of the research; methods of a historical and logical, systemic-functional, comparative analysis, induction and deduction. The application of the hermeneutical philosophical method allowed adapting a great amount of foreign literature, as the theoretical base for research realization.

2. LITERATURE REVIEW

Most of the foreign papers on institutional business were studied within the research. The classification of researches for the allocation of the most popular directions and the detection of the main characteristics of analyzed publications was developed for the analysis of publications. A conducted analysis of literature allowed to define the current state of researches of institutional business theory and to define possible directions of future researches. The geography of the research of English-language publications was created the following way: The USA - 10 papers, Great Britain - 6 papers, Sweden - 5 papers, the Netherlands, Australia, Finland and Brazil - by 3 papers, Belgium and Canada by 2 papers, Indonesia, Taiwan and India - by one paper.

The theoretical basis was created by publications of these scientists: Sidenko, Aldrich, Wright and Zammuto, Battilana, Bockhaven et al., and other.

3. RESEARCH

3.1. The Basic Provisions of Institutional Business Theory

The first mention of institutional business appears in DiMaggio's work in 1988.

A scientist involved a conception to characterize the players owning resources and using them for the creation of new institutes. If as the reason of innovations and changes were specified exogenous (being outside the subject) calls, the conception of institutional business allowed to return again to an analysis of endogenous (internal) factors of institutional changes.

In introduction to DiMaggio's and Powell's (1991) work "The new institutionalism in organizational analysis" have urged to the development of action theory of capable to explain changes, to open a role of players and actions in creation, change and stabilization of the institutes.

In theoretical terms complexity presents the answer to the question how organizations and individuals make innovations if their belief and actions are defined by the institutional environment which must be changed.

It is obvious that no one can by oneself to change anybody the existing institutions and to provide legitimacy of new institutional agreements. Dorado (2005) puts a question of coordination between the subjects. He emphasizes that institutional changes are the complex social process involving various even conflict interests and prospects. Such innovations demand a collective action - The integrated activity of wide groups of actors on the basis of multiple

interests. Also in literature we meet the definition that institutional businessmen is an influential group of people or organizations who throw down a challenge to the existing institutes and initiate the creation of new ones. The thought seems to be important that institutional business assumes the leadership.

Moreover, Pacheco et al. (2010), believe that business theory (business activity theory) can improve understanding of institutional business by the study of mechanisms influencing recognition, study and creation of opportunities for institutional changes that claims the need for more detailed study of exogenous and endogenous prerequisites and mechanisms of enterprise activity for the best understanding of institutional business.

Among the factors disturbing to institutional changes the authors point out individual interests, expectation of the actors of that the others will assume the leadership function, disbelief in success and awareness of insignificance of their own contribution to a common deal can put obstacles in the way of cooperation generating a collective inaction.

One of the key research questions within the study of institutional business is subject to which conditions (external and internal) a player can carry out institutional changes and how the process proceeds.

The way how the subjects become institutional businessmen is explained by the assumption of the leading role of conditions generating opportunities (Child et al., 2007).

Contrary to a traditional paradigm, a decision-making based on effectuation logic consists of the following elements (Greenwood et al., 2002):

- A certain set of existing means.
- A set of achievable effects.
- The restrictions in receiving possible effects.
- Criteria of a choice between alternative effects.

There are 2 kinds of the conditions generating opportunities. The first ones are the spheres of activity, or a field. First of all, it is instability, crisis phenomena, uncertainty (Holm, 1995; Fligstein, 2001; Clemens and Cook 1999; Garud et al., 2002). The second ones are endogenous factors and the actors' position. So, Greenwood et al. (2002) has assumed that great social changes, technological gaps, inconsistent tendencies, changes of regulation can promote institutional business owing to the established consensus erosion and the increasing susceptibility of new ideas. Such characteristics of a field (organizational field) as the degrees of heterogeneity and institutionalization causing institutional contradictions are extremely important. Seo and Creed (2002) have assumed that the experience of activity within inconsistent institutional agreements acts as the basis of changes of collective consciousness that can change the actors from passive participants of reproduction of the existing institutional agreements into institutional businessmen.

Dorado's (2005) typology has made an important theoretical contribution. Dorado's typology assumes that institutional fields

from positions of an assessment of opportunities of an action and, as a result, institutional business can accept one of three main forms: The fields with a high degree of institutionalization and/or isolated from the potential influence of other fields (a field of closed opportunities); the fields with the considerable level of institutionalization and coexistence of heterogeneous institutional agreements (a field of “open opportunities”); the fields with the minimal level of institutionalization and a set of heterogeneous models of practices (a field of “unclear opportunities”).

Social positions of actors play an important role in institutional business along with characteristics of a field (Fligstein, 1997, Rao, 1998, Pacheco et al., 2010). Social positions are the key factor determining both the actors' perception of a field (Bockhaven et al., 2015) and their access to resources necessary for institutional business. The authors also refer legitimacy of made decisions and a player's position in a field to important factors (Maguire et al., 2004).

Among the properties characterizing institutional businessmen are noted: The ability to autonomous reflection and social skills (stays and strengthening of collective identity, expression of group interests, some kind of social empathy and the ability to prove the need for cooperation and to offer the rational bases for it that allows offering ambitious projects). DiMaggio and Powell (1983), Fligstein (2001), Rao (1998) are quite justified in representing institutional business as the complex political and cultural process in which institutional businessmen have to use the social skills necessary for the offered project implementation.

Besides, it is specified that institutional business success in many respects is defined by available resources, such as financial assets, the social capital, legitimacy, official power (Maguire et al., 2004, Aldrich, 2010, Fligstein, 2001).

The question of mechanisms and a strategy of institutional business take a special place in researches. As a result, three main directions of the study of institutional business theory in the studied literature were pointed out: The influence of institutional business on various spheres and areas, mechanisms of institutional business and prerequisite or condition of institutional business emergence. Within the last direction we managed to consider a number of theoretical models (Table 1).

Today many researchers recognize an essential role of institutional business in creation of institutes and their updating. There is a favorable idea expresses expediency of the conceptual integration within two key directions: Sociological institutional theory and institutional economy.

Pacheco et al. (2010) consider that researches in the field of institutional theory based on institutional business are mainly conducted within a concrete organization or the industry. These researches will be more substantial if they would be conducted in addition within institutional economy. The authors believe that such researches can begin with (a) expansions of institution types which are usually studied in the field; (b) estimates of these institutions evolution; (c) the study of a role of markets and the

competition within institutional initiatives of business and (d) the study of various types of institutional business - deliberate or inadvertent, collective or private.

The authors also consider that distinction which the institutional economy creates between formal and informal institutions can help with the study of conditions under which institutional businessmen support an advance of this or that type. The questions which must be answered are the following: Which conditions are necessary for institutional businessmen to support the creation and advance of informal institutions? What changes in the environment can force them to advocate for formal institutes? The answers to these questions can help with understanding of a role which institutional business in evolution and change of a character of institutions plays.

Thirdly, thanks to the institutional economic approach integration the authors consider that institutional business based on institutional theory can develop the further relations with the markets.

And, at last, institutional theory can only benefit from the further research of the results and consequences of institutional changes -areas, representing the greatest interest for the institutional economy.

Khan in his paper “Negotiating financial systems and Poverty Alleviation Logics in Microfinance: Macro and Micro Level Dynamics” (2011) specifies that in connection with more large-scale study of various organizations the extensive field of activity for more detailed study of the microfinancial economy area was created. For this purpose it is possible to pay attention to the movement and introduction of special practices both at micro and macro-organizational levels. For example, the most well-known practice in the field of microfinancing, group lending, was worldwide accepted by commercial and non-profit organizations. The study of activity of microfinancial organizations in the world can help to apply this practice at the level of local microfinancial organizations and to oppose it to the microfinancial policy in the world.

The other business owners and organizations were institutional businessmen in the field of microfinancing, for example, John Hetch and his FINCA international. As Khan says, it is necessary to study a role of such organizations and to compare them to Yunus. Such comparison will help to shed a light on financial institutions of different types in the organizational environment which is created thanks to various players in the financial market. The author has studied one organization - A program of microfinancing of a commercial bank. Within the further research it is possible to make a comparative analysis of the microfinancial organization with the use of various analysis of concrete situations (Fligstein 1997).

Bockhaven et al., in the paper “Empowering the underdog: Soft power in the development of collective institutional entrepreneurship in business markets” (2015) write that at more detailed study of interaction of tactics of the use of noneconomic

influence methods with collective institutional business, the further research can also analyze the influence of interrelations which are variable within the research work.

The authors write that it can be interesting how at some moment in the development process a collective can pass on from the network to an organizational mode, therefore, there is a refusal from organizational control levers. Future researches can also help with the study of that how and why “subjectification” mechanisms are the reason of fundamental change of members’ of a concrete sphere sense of self (Dacin, Goodstein and Scott, 2002).

Wright and Zammuto in their paper “Creating opportunities for institutional entrepreneurship: The Colonel and the Cup in English County Cricket” (2011) write that it is necessary to investigate the factors inducing institutional businessmen to use collective approaches.

Riddle, Brinkerhoff in their paper “Diaspora entrepreneurs as institutional change agents: The case of Thamel.com” (2011) point out that it is necessary to consider the influence of business on institutes or on the process by means of which this influence can happen, in particular, overcoming geographical boundaries.

Moreover, Pacheco et al. (2010) believe that business theory (enterprise activity theory) can improve the understanding of institutional business by the study of mechanisms influencing recognition, study and creation of opportunities for institutional changes.

3.2. Data Collection Methods on the Basis of a Case of Institutional Business

As the paper for the description of its case we have taken the research collective institutional entrepreneurship and contestations in wind energy in India (Jolly and Raven, 2013).

The authors of the paper describe the history of institutional business in wind power industry of India. Wind power industry arose in India in 1986 from the installation in 2 MW and since then it gained considerable development especially in Tamil Nadu, Gujarat, Maharashtra, Rajasthan, the State of Karnataka and Andhra Pradesh. The research opens how there were innovative changes in this sphere.

As the authors claim, there were many publications on that what factors (technology, standards, financial support, etc.) have influenced the development of the sphere, however this research for the first time considered the question from a position of institutional business.

The research was conducted in four stages. At the first stage data collection from secondary sources was conducted, and also a number of events connected with policy, regulation and state programs in this sphere was fixed. At the second stage the interviewees for interview who have played the key roles in changes were selected, the data from unstructured interviews were summarized. At the same stage the conclusions received from unstructured interviews were summarized with the conclusions received from the secondary sources. At the third stage all data were summarized together that gave the development of a case to the story. Using the principles of a process analysis, forming the structure of data, theoretical factors which have influenced the industry development in India moved forward. At the last stage a case was divided into three various temporary periods (1985-1995, 1995-2003, 2003-2013) and an explanation of the development of the wind industry in India through a theoretical conception.

From 10 May, 2012 to 8 August, 2012 12 interviews with key players of the industry of wind power in India were conducted. The respondents have offered to tell in details what they did to influence changes.

An analysis of data was conducted by the summation of conclusions from the secondary data, interviews, field notes and details of comparison. The authors have used a process analysis for comparison of data. A process analysis is focused on that how there are changes and is directed on identification of the main mechanisms of observed phenomena. A process analysis uses both an inductive and deductive approach. A process analysis has “a dirty nature” and demands continuous iteration between a theoretical conception, data collection and an analysis.

After comparison of data the details between the aggregated strategy and mechanisms described in literature were revealed. As a result, the authors have pointed out two aggregated strategy which are conducted by institutional businessmen: Creation of the

Table 1: Prerequisites or conditions of institutional business emergence

External conditions	Internal conditions
The instability, crisis, uncertainty (Child et al., 2007; Greenwood et al., 2002; Holm, 1995; Fligstein, 2001)	Leadership (Chrislip and Larson, 1994; Huxham and Vangen, 2005)
The degree of heterogeneity (diversity)	Social position of the actor (Dorado, 2005; Garud et al., 2002; Rao, 2000; Levy and Egan, 2003; Battilana, 2006)
The degree of institutionalization (the transition from informal to formal relations) (Dorado, 2005)	The capacity for autonomous reflection
Profound social changes, technological gaps, conflicting trends, changes in regulation (Greenwood et al., 2002)	Finding and strengthening of collective identity. Expression of group interests.
	Social empathy. Ability to justify the need for cooperation and provide a rational basis for it (DiMaggio and Powell 1991; Fligstein 1997; Rao, 1998)
	Financial assets, social capital, the legitimacy of official power (Greenwood et al., 2002; Demil and Bensedrine 2005; Fligstein, 1997)
	Author’s position in the field (Maguire et al., 2004)

favorable technical and economic and socio-political network and creation of the radical innovative infrastructure.

For an explanation of conclusions the authors broke the process of the institutional influence on the sphere of the wind power industry in India into three stages emphasizing an institutional context of changes. At the first stage the possibilities of the wind power industry with involvement of foreign assistants were shown. At the second stage independent regulators were created for a frame of rules and depoliticization of decision-making processes. At the third stage a number of adjusting measures which expanded a role of various actors in the question of institutional changes were conducted.

4. CONCLUSIONS

Within the paper 4 priority directions of future researches on institutional business were chosen:

1. External prerequisites of institutional business: What conditions, changes in the environment can force an institutional businessman to advocate for formal institutes. The expansion of types of institutes, an assessment of evolution of institutes, a role of markets and the competition within initiatives, deliberate and inadvertent institutional business.
2. Internal prerequisites of institutional business: The factors inducing institutional businessmen to use collective approaches. Mechanisms influencing recognition, study and creation of opportunities for institutional changes.
3. Mechanisms of institutional business: Tactics of the use of noneconomic influence methods with collective institutional business. The influence of business on the process by means of which institutional changes happen.
4. The influence of institutional business: The results and consequences of institutional business as the question which is the most interesting to institutional economy.

REFERENCES

- Aldrich, H.E. (2010), Beam me up. Scott(ie): Institutional theorists struggles with the emergent nature of entrepreneurship. In: Sine, W.D., David, R.J., editors. *Institutions and Entrepreneurship*. Bingley, UK: Emerald Group Publishing Ltd. p329-364.
- Battilana, J. (2006), Agency and institutions: The enabling role of individuals' social position. *Organization*, 13, 653-676.
- Bockhaven, V., Matthyssens, W.P., Vandenbempt, K. (2015), Empowering the underdog: Soft power in the development of collective institutional entrepreneurship in business markets. *Industrial Marketing Management*, 48, 174-186.
- Child, J., Lua, Y., Terence, T. (2007), Institutional entrepreneurship in building an environmental protection system for the People's Republic of China. *Organization Studies*, 28, 1013-1034.
- Chrislip, D., Larson, S. (1994), *Collaborative Leadership: How Citizens and Civic Leaders Can Make A Difference*. San Francisco: Jossey-Bass.
- Clemens, E.S., Cook, J.M. (1999), Politics and institutionalism: Explaining durability and change. *Annual Review of Sociology*, 25, 441-466.
- Dacin, M.T., Goodstein, J., Scott, W.R. (2002), Institutional theory and institutional change: Introduction to the special research forum. *The Academy of Management Journal*, 45(1), 43-56.
- Demil, B., Bensedrine, J. (2005), Process of legitimation and pressure toward regulation. *International Studies of Management and Organization*, 35, 58-79.
- DiMaggio, P.J. (1988), Interest and agency in institutional theory. In: Zucker, L.G., editor. *Institutional Patterns and Organizations*. Cambridge, MA: Ballinger. p3-22.
- DiMaggio, P.J., Powell, W.W. (1991), The New Institutionalism in Organizational Analysis. Chicago: Chicago University Press. p1-38.
- DiMaggio, P. J., Powell, W.W. (1983), The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48(2), 147-160.
- Dorado, S. (2005), Institutional entrepreneurship, partaking, and convening. *Organization Studies*, 26, 385-414.
- Fligstein, N. (1997), Social skill and institutional theory. *American Behavioral Scientist*, 40(4), 397-405.
- Fligstein, N. (2001), Social skill and the theory of fields. *Sociological Theory*, 19(2), 105-125.
- Garud, R., Jain, S., Kumaraswamy, A. (2002), Institutional entrepreneurship in the sponsorship of common technological standards: The case of Sun Microsystems and Java. *Academy of Management Journal*, 45, 196-214.
- Greenwood, R., Suddaby, R., Hinings, C.R. (2002), Theorizing change: The role of professional associations in the trans-formation of institutionalized fields. *Academy of Management Journal*, 45, 58-80.
- Holm, P. (1995), The dynamics of institutionalization: Transformation processes in Norwegian fisheries. *Administrative Science Quarterly*, 40, 398-422.
- Huxham, C., Vangen, S. (2005), *Managing to Collaborate: The Theory and Practice of Collaborative Advantage*. London: Routledge.
- Jolly, S., Raven, R.J. (2013), Collective institutional entrepreneurship and contestations in wind energy in India. *Renewable and Sustainable Energy Reviews*, 42, 999-1011.
- Khan, A.S. (2011), *Negotiating Financial Systems and Poverty Alleviation Logics in Microfinance: Macro and Micro Level Dynamics: The Business School University of Sydney*. Available from: <http://www.hdl.handle.net/2123/8115>.
- Levy, D.L., Egan, D. (2003), A neo-gramscian approach to corporate political strategy: Conflict and accommodation in the climate change negotiations. *Journal of Management Studies*, 40, 803-829.
- Maguire, S., Hardy, C., Lawrence, T.B. (2004), Institutional entrepreneurship in emerging fields: HIV/AIDS treatment advocacy in Canada. *Academy of Management Journal*, 47(5), 657-679.
- Pacheco, D.F., York, J.G., Dean, T.J., Sarasvathy, S.D. (2010), The coevolution of institutional entrepreneurship: A tale of two theories. *Journal of Management*, 36, 974-1010.
- Rao, H. (1998), Caveat emptor: The construction of nonprofit consumer watchdog organizations. *American Journal of Sociology*, 103, 912-961.
- Rao, H., Morrill, C., Zald, M.N. (2000), Power plays: How social movements and collective action create new organizational forms. In: Staw, B.M., Sutton, R.I., editors. *Research in Organizational Behavior*. Vol. 22. Greenwich, CT: JAI Press. p237-282.
- Seo, M.G., Creed, D. (2002), Institutional contradictions, praxis, and institutional change: A dialectical perspective. *The Academy of Management Review*, 27(2), 222-247.
- Sidenko, O.A. (2012), Institutional business in English-speaking literature: Publications review. *Bulletin of VSU*, 1, 155-159.
- Wright, A.P., Zammuto, R.F. (2011), Creating opportunities for institutional entrepreneurship: The colonel and the cup in English county cricket. *Journal of Business Venturing*, 28, 51-68.