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The role of opportunity perception, entrepreneurial skills, and bricolage in strategic organization: linking institutional theory and innovation

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Abstract

According to the founding editors, the primary motivation for the creation of *SO!* was 'to reduce the separation that characterizes the study of strategic and organizational phenomena' (Baum et al., 2003: 5). Over the last five years, significant progress has been made towards this goal. However, many opportunities remain for developing the field by connecting complementary areas of strategy and organization, and there is still much work to be done if the domain of strategic organization is to achieve its full potential.

Two areas of study that we believe have significant potential to be connected in strategic organization are entrepreneurship and institutional theory. Clearly, entrepreneurship is fundamental to strategic organization and this has been recognized by several key contributions in *SO!* (e.g. Augier and Sarasvathy, 2004; Xu and Ruef, 2004). Institutional theory is also an important intellectual perspective increasingly drawn upon by *SO!* authors for understanding strategic organizational behaviours (e.g. Boxenbaum and Battilana, 2005; Lounsbury and Leblebici, 2004). Yet the linkages between the two bodies of scholarship have yet to be adequately explored.

While we think that both literatures would benefit from this connection, it is arguably institutional theory that has most to gain. The concept of institutional entrepreneurship – 'the activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or to transform existing ones' (Maguire et al., 2004: 657) – has become prominent in institutional theory in recent years, but, despite the shared terminology and overlapping empirical foci, institutional theorists have largely ignored insights from entrepreneurship. This is surprising, given that entrepreneurship is now an established discipline in its own right with a significant body of scholarship that could be drawn upon. Institutional theorists could build on this scholarship to develop their own theorizing, and avoid some of the theoretical cul-de-sacs that entrepreneurship scholars have already discovered.

This does not, of course, mean that entrepreneurship scholars could not benefit greatly from integrating insights from institutional theory into their work. Most notably, entrepreneurship could gain a more sophisticated and nuanced understanding of institutions and of the complex cultural context within which entrepreneurial activity occurs. However, given the limitations of space, we will concentrate largely on the potential contribution of entrepreneurship to institutional theory.

In exploring this overlap, we make three contributions. First, we highlight how bringing together ideas from the entrepreneurship and institutional theory literatures results in a set of insights that sit squarely within the field of strategic organization. Second, we discuss three concepts from the entrepreneurship literature that we believe have particular relevance for developing our understanding of institutional entrepreneurship: opportunity recognition, entrepreneurial capabilities and bricolage. By providing examples of possible connections between institutional theory and the entrepreneurship literature, we show concretely how strategic organization can be enriched through the adoption of a broader perspective. Finally, we discuss the connection between institutional entrepreneurship and strategic organization, and highlight the importance of institutional entrepreneurship in strategic organization.

Entrepreneurship and institutional theory as strategic organization

In this section, we discuss three areas of the entrepreneurship literature that intersect in a particularly interesting way with the literature on institutional theory. We are not arguing that these are the only, or even the best, connections. Our goal is simply to show that there are important synergies between the two literatures that can contribute to our understanding of strategic organization.

Opportunity recognition

Entrepreneurial opportunity recognition is the ability to identify 'situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends, or means-ends relationships' (Eckhardt and Shane, 2003: 336). In one of the most important papers to date on this topic, Ardichvili et al. (2003: 106) argue that 'identifying and selecting the right opportunities for new businesses are among the most important abilities of a successful entrepreneur'. As such, it is a central concept in entrepreneurship research. For example, scholars have argued that there are distinctive cognitive processes that underpin opportunity recognition (Sigrist, 1999), that social networks play a key role in the identification of opportunities (de Koning, 1999) and that entrepreneurs rely upon their previous knowledge and experience during the recognition process (Shane, 1999). More generally, Shane and Venkataraman (2000) argue that

the discovery and evaluation of opportunities should be the fundamental focus of scholarly activity in entrepreneurship research.

Interestingly, Ardichvili et al. (2003) posit that the term opportunity recognition may be misleading; it implies that opportunities are 'out there' waiting to be found. They suggest that in actuality opportunities require creativity on the part of the entrepreneur, not only so that they can be identified but also so they can be developed and evaluated. In other words, opportunities 'are enacted, on the basis of the entrepreneur's perception, interpretation, and understanding of environmental forces' (Dutta and Crossan, 2005: 426).

It is our view that opportunity recognition is also fundamental to institutional entrepreneurship. Moreover, as in entrepreneurship of all kinds, opportunity recognition in institutional entrepreneurship is liable to require creativity, social networks and relevant prior knowledge and experience. Yet the idea that institutional entrepreneurs are opportunity seekers has largely been ignored by institutional theorists, some of whom appear (somewhat ironically given their ontological preferences) to take the position that opportunities exist 'out there' independently in the environment in which institutional entrepreneurs operate. Integrating the notion of opportunity recognition into research on institutional entrepreneurship would add an important dimension to the institutional theory literature and provide a useful and interesting way of explaining the role of actors involved in institutional change at different levels of analysis. For example, the entrepreneurship literature has looked at opportunity identification not only in the context of individuals but also of teams and organizations. An especially interesting question, we suggest, is the extent to which the skills that underpin institutional opportunity recognition are similar and/or different from commercial opportunity recognition (i.e. cognition/creativity, social networks and prior knowledge/experience), and the extent to which their importance differs in mature and emerging fields.

Entrepreneurial capabilities

In the entrepreneurship literature the notion of entrepreneurial capabilities – 'the ability to identify a new opportunity and develop the resource base needed to pursue the opportunity' (Arthurs and Busenitz, 2006: 199) – has become an increasingly important concept that has been used to explain the resources and skills required for effective entrepreneurial activity (see, for example, Alvarez and Busenitz, 2001; Chell and Allman, 2003). While often used in the context of individual entrepreneurs, it is also applicable to entrepreneurial teams as well as to organizations acting as corporate entrepreneurs.

Despite its prominence in the entrepreneurship literature, the concept of capabilities has not been applied systematically to institutional theory, which has tended to focus more on effects and outcomes. Early research in entrepreneurship was also strongly oriented towards these concerns, as well as notions such as entrepreneurial traits and 'the entrepreneurial personality'. The recent focus on entrepreneurial capabilities in entrepreneurship research has proved an important step forward because it has allowed researchers to specify the abilities and resources required for effective entrepreneurial activity to take place, and has therefore provided a deeper understanding of the entrepreneurial process. We believe that the concept of entrepreneurial capabilities is also very relevant for institutional entrepreneurship. Indeed, while they do not specifically use the term, a number of key articles imply that institutional entrepreneurs require a distinct set of capabilities in both mature and emerging fields.

For example, Greenwood et al. (2002) argue that in order to break down the inertia that characterizes mature fields, and to deliberately engender institutional change, institutional entrepreneurs are required to simplify and distil the causes and consequences of dominant norms and practices, and to question their utility. In the context of emerging fields, Maguire et al. (2004) argue that institutional entrepreneurs tend to have: (1) identities and roles that allow them to build legitimacy and access resources among diverse stakeholders; (2) the ability to develop lines of argument that appeal to diverse stakeholders; and (3) the ability to make connections between existing organizational practices and the new practices, and align the new practices with the values of key stakeholders.

The notion of entrepreneurial capabilities therefore provides a very useful theoretical frame through which institutional theorists can articulate their observations about the resources and abilities required for institutional entrepreneurship in different settings. It may also help students of institutional entrepreneurship to avoid the kinds of mistakes that entrepreneurship scholars made when first seeking to conceptualize entrepreneurial activity.

More generally, we believe that the concept of entrepreneurial capabilities provides a powerful conceptual tool through which agency and deliberate institutional change can be theorized, especially in the light of recent efforts to marry institutional theory's traditional focus on structure, conformity and isomorphism with neoinstitutional theory's concern with change and the role of individual and organizational actors in engendering change. Specifically, the fact that entrepreneurial capabilities imply a dynamic relationship between actors and their environments (Alvarez and Busenitz, 2001) makes the concept especially useful for the study of institutional entrepreneurship.

Bricolage

The idea of bricolage, originally introduced by Lévi-Strauss (1967) and subsequently applied in a range of different disciplines and to a variety of phenomena, is another concept that has become increasingly prominent in entrepreneurship research. In their recent and highly influential article, Baker and Nelson (2005:333) define bricolage as 'making do by applying combinations of the resources at hand to new problems and opportunities'. They use the concept to refer to the activities of entrepreneurs who seemingly create new ventures out of nothing and in so doing, defy conventional assumptions

about the role of the environment in determining the success or failure of organizations. The notion of bricolage has also been used by Garud and Karnoe (2003) to describe the activities of engineers and entrepreneurs in the Danish wind turbine industry, and by Baker et al. (2003) in their study of improvisation in knowledge-intensive entrepreneurial activity.

Baker and Nelson (2005), in what is the most developed view of entrepreneurial bricolage, further expand upon the three key parts of their definition. The first part, making do, refers to a refusal to enact limitations that can lead to innovative solutions; for the bricoleur the environment does not determine the future, but rather needs to be actively engaged in order to create opportunities. The second part, creating combinations of resources for new purposes, refers to the use or reuse of resources in ways other than those for which they were intended. In other words, entrepreneurs do not start from scratch, but rather apply the resources they already have in new ways. Finally, entrepreneurial bricoleurs collect together 'bits and pieces' that may come in handy at some future point. They also seek out resources that can be acquired freely or very cheaply (often because those that possess them believe that they have little value). Baker and Nelson (2005: 336) argue convincingly that bricolage highlights the 'socially constructed nature of idiosyncratic firm resource environments' and explains why some entrepreneurs are able to create 'something from nothing'.

The usefulness of this concept for understanding institutional entrepreneurship as a process of symbolic bricolage is clear, and there have been recent calls for more work to be done exploring bricolage from an institutional perspective. For example, Rao et al. (2005: 987) argue that 'although neo-institutionalists agree that culture is a tool kit and that actors engage in bricolage, there is little research on how actors creatively tinker with techniques from rival categories infused with competing logics'. The more developed idea of bricolage in the entrepreneurship literature, and related work on entrepreneurial narratives (e.g. Martens et al., 2006) and storytelling (e.g. Hjorth and Steyaert, 2004), provides a helpful framework for further developing our understanding of institutional entrepreneurship. Conversely, the notion of the symbolic environment that features prominent in institutional theory can help to expand the concept of bricolage in entrepreneurship so that it includes the cultural context of entrepreneurial action.

Conclusions

The preceding discussion raises questions about the nature of the relationship between entrepreneurship and institutional entrepreneurship. On the one hand, it seems clear that at least some of the activities that entrepreneurs engage in involve significant institutional change (e.g. Peredo and Chrisman, 2006) and

could be construed as forms of institutional entrepreneurship. On the other hand, it is also the case that some of the activities of institutional entrepreneurs involve the creation of new products or ventures (e.g. Garud et al., 2002) and could be considered instances of 'conventional' entrepreneurship. So how should we reconcile this complex relationship in order to develop our understanding of institutional entrepreneurship?

From a strategic organization perspective, viewing institutional entrepreneurship as a subset of entrepreneurship broadly defined allows researchers interested in strategic action and institutions to build on an extensive body of theorizing and empirical evidence about how entrepreneurship actually works. This existing work provides important insights into how the entrepreneurial process unfolds as well as the nature of entrepreneurs. For institutional theorists, this literature is potentially a rich source of insight, methods and frameworks that may be useful for exploring institutional entrepreneurship.

A possible limitation of this approach is that the entrepreneurship literature is dominated by one type of entrepreneurship, namely commercial new venture formation. This form of entrepreneurship overshadows other forms of entrepreneurship such as corporate venturing and social enterprise, leading to an unbalanced view of entrepreneurship even by the field's own definitions. The challenge facing scholars studying institutional entrepreneurship is to differentiate between concepts and ideas that are common to entrepreneurship of all kinds and those that are particular to commercial new venture creation. Ideas that apply to entrepreneurship broadly defined are likely to have significant value in understanding institutional entrepreneurship.

It is our hope that this essay will galvanize researchers interested in institutional entrepreneurship to explore the entrepreneurship literature and to begin to work with entrepreneurship researchers to examine common interests and share ideas. Similarly, we hope that our essay will create interest among entrepreneurship researchers interested in institutional theory. Despite recognition by entrepreneurship scholars that the institutional context is critical for entrepreneurial activity, their conception of the nature and dynamics of institutions tends to be rudimentary and somewhat outdated. Furthermore, the fact that entrepreneurs can act as institutional entrepreneurs and deliberately manipulate their institutional context has rarely been considered by entrepreneurship researchers and in some quarters is an unacceptable deviation from orthodoxy. Thus entrepreneurship research could also gain much from some form of rapprochement with institutional theory.

In sum, we suggest that institutional entrepreneurship is fundamentally a form of entrepreneurship broadly defined. Conversely, entrepreneurship may have important institutional consequences. Thus it is not simply a happy coincidence of terminology that they are both termed entrepreneurship, but rather a reflection of an underlying similarity that has not yet been adequately explored. We have also argued that institutional theorists have an opportunity to draw upon existing scholarship from the entrepreneurship literature, and pointed to three concepts from this literature that we think are of particular value in the study of institutional entrepreneurship. We believe that connecting institutional theory to these and other ideas from entrepreneurship will make an important contribution to the rapidly developing field of strategic organization.

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