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The Coevolution of Institutional Entrepreneurship: A Tale of Two Theories

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This article provides a review and analysis of institutional entrepreneurship research with a focus on the emergence of this literature within two largely divergent streams: sociology-based institutional theory and economics-based institutional economics. The authors completed a review of 141 articles from these concurrent, but unlinked, research streams to understand how their integration might contribute to the further understanding of institutional entrepreneurship. Each stream is reviewed on its respective approaches to the following topics: the nature of the institutional entrepreneur, the types of institutions addressed, the determinants of institutional entrepreneurship, the mechanisms used in the process, and the empirical focus of each stream. The article recommends greater assimilation of the two streams and discusses specific opportunities for conceptual integration. Finally, the article offers an agenda for incorporating entrepreneurship research into the study of institutional entrepreneurship. Findings from this review suggest that while institutional economics focuses mostly on the antecedents and outcomes of institutional entrepreneurship, the institutional theory perspective is more concerned

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with the process and mechanisms that drive such change. The authors also suggest that entrepreneurship theory can greatly advance our understanding of institutional entrepreneurship by informing whether and how opportunities for institutional change are recognized, discovered, and created, as well as by providing insights on the antecedents and mechanisms of such activity. Most important, integrating the unique perspectives and domains of institutional theory, institutional economics, and entrepreneurship research in the study of institutional entrepreneurship provides substantial opportunity for expanding our understanding of the concept and its implications.

Keywords: *institutional entrepreneurship; institutional theory; institutional economics; entrepreneurship*

Building on the work of Eisenstadt (1980), DiMaggio (1988) expanded the realm of institutional theory by introducing the "institutional entrepreneur" as an agent who mobilizes resources to transform or create institutions that favor his or her interests. In a parallel stream of research, institutional economists have introduced a variety of terms such as "institutional entrepreneur" (Anderson & Hill, 2004) and "property rights entrepreneur" (Anderson & Hill, 2002) to conceptualize the self-interested agent that sponsors institutional change to capture economic benefits. Research in institutional entrepreneurship has since evolved in two concurrent but separate streams, one driven by institutional theory, the other by institutional economics.

While institutional theory has historically focused on the effects of institutionalization on the homogeneous and isomorphic behavior of organizations (DiMaggio & Powell, 1983b; Meyer & Rowan, 1977), there has been a recent shift in this literature toward the endogenous transformation of institutional environments (e.g., DiMaggio, 1988; Fligstein, 1997). This shift has spawned a compelling and diverse literature on institutional entrepreneurship, which focuses on the self-interested agent who commands and mobilizes resources to alter or create institutional structures (Battilana, Leca, & Boxenbaum, 2009; Beckert, 1999; DiMaggio, 1988; Greenwood & Suddaby, 2006; Kraatz & Moore, 2002; Leblebici, Salancik, Copay, & King, 1991; Maguire, Hardy, & Lawrence, 2004; Sherer & Lee, 2002).

Institutional economists have also considered the role of self-interested agents in driving institutional change (Coase, 1974; Demsetz, 1967; Greif, 1998; North & Thomas, 1970). In a recent characterization, Anderson and Hill (2004) use the term "institutional entrepreneur" to describe those individuals who put effort into establishing and reorganizing property rights and other institutional structures to exploit economic opportunities that are not feasible within the institutional status quo. In their words, "Traditionally we think of entrepreneurs as the people who create value by introducing new goods and new methods of production. . . . To this list . . . we add the devising of new institutional arrangements" (p. 18). Within this approach, institutional entrepreneurs influence the transformation of institutions to capture economic value (Dean & McMullen, 2007; North, 1990; North & Thomas, 1970).

While the introduction of rationality and self-interest into the sociological study of institutional entrepreneurship brings institutional theory conceptually closer to institutional economics, the introduction of cultural and social issues into the economic study of institutional entrepreneurship brings institutional economics closer to institutional theory. Yet the economic and sociological approaches to institutional entrepreneurship have remained isolated and have largely failed to inform one another. In addition, neither stream has extensively embraced the rich conceptualizations and understandings of entrepreneurship research (Battilana et al., 2009; Phillips & Tracey, 2007; Shane & Venkataraman, 2000; Venkataraman, 1997).

In this review, we examine the concept of institutional entrepreneurship through the lenses of institutional theory and institutional economics, contrast these perspectives, and provide suggestions for future research that integrates these literatures with each other and with entrepreneurship theory. While extant research reviews some aspects of the institutional entrepreneurship literature (Battilana et al., 2009; Rutherford, 2001), there has yet to be a review dedicated to understanding the relation and potential integration of the institutional theory and institutional economics perspectives on institutional entrepreneurship. Nor has there been broad analysis of the potential for integrating entrepreneurship topics into the understanding of institutional entrepreneurship (for some exceptions, see Battilana et al., 2009; Phillips & Tracey, 2007).

The primary contributions of this review article are to (a) inform researchers of the parallel and complementary streams of thought by providing a summary of the institutional theory and institutional economics approaches to institutional entrepreneurship, (b) provide further insight on the phenomenon by comparing and contrasting these two perspectives, and (c) advance the research agenda on institutional entrepreneurship by offering new suggestions on the integration of these two streams with each other as well as with broader entrepreneurship theory and research.

Our review begins by explaining the method utilized to identify and review the literature on institutional entrepreneurship. We then present the institutional theory and institutional economics perspectives on institutional entrepreneurship and contrast the two streams by examining each stream's perspective on the nature of the entrepreneur, the types of institutions studied, the determinants of institutional entrepreneurship, the mechanisms for institutional change, and the empirical focus of research. Finally, we provide suggestions for future research that integrates these literatures with each other and that adopts some fundamental aspects of entrepreneurship theory.

Method and Overview

Our review and analysis of the literature on institutional entrepreneurship began with the identification of a set of articles on the study of agents who act to transform or create institutions to favor their interests. Due to the purpose of understanding the two primary theoretical streams in the literature on institutional entrepreneurship, we constrained our review to articles within the institutional theory and institutional economics literatures. In addition, it was beyond the scope of our review to examine the entirety of the institutional theory and institutional economics literatures; hence, we focused on the subset of these literatures that directly addresses institutional entrepreneurship. Throughout the process, we reviewed each article to ensure that it addressed the topic in a manner adequate to be included in the review. This was particularly important within the institutional economics literature, as that literature uses less specific terminology in referring to institutional entrepreneurship (see the Nature of the Institutional Entrepreneur section for a list of the terms utilized).

To ensure comprehensiveness in our search, we used a two-stage approach to identify relevant articles. The first phase of our review involved a search for key terms such as *institutional entrepreneur, institutional entrepreneurship,* and *property rights entrepreneurs*. We searched leading management, entrepreneurship, sociology, and economics journals. These journals included the *Academy of Management Review, Academy of Management Journal, Administrative Science Quarterly, Journal of Management Studies, Journal of International Business Studies, Organization Science, Organization Studies, Strategic Management Journal, American Sociological Review, American Journal of Sociology*, *Entrepreneurship: Theory and Practice*, *Journal of Business Venturing,* and *Strategic Entrepreneurship Journa1*.[1] In addition, we searched all economic journals available on JSTOR. We then supplemented these journals with several impactful books and chapters that have become widely cited in the institutional entrepreneurship literature (i.e., DiMaggio, 1988). This search yielded a total of 91 articles.

The second phase of our search utilized NVivo content analysis software to conduct a word frequency analysis of the initial set of articles. This analysis yielded a set of key terms that we then used to expand our search (see the appendix). The expanded search yielded a large set of articles, which were then screened to ensure their fit with extant definitions of institutional entrepreneurship. This phase yielded an additional 21 articles in the institutional theory stream and 29 articles in the institutional economics stream, for a final total of 141 articles, which formed the basis of our review.

Of the mainstream management journals (with a total of 65 articles, most utilizing institutional theory), *Organization Studies* has driven much of the institutional entrepreneurship conversation, publishing a special issue on the topic in 2007 and publishing 16 total articles from 1994 to 2008. The *Academy of Management Review* and *Academy of Management Journal* have also published heavily on institutional entrepreneurship, with 10 and 13 articles, respectively, since 1994. On the institutional economics side (with a total of 41 articles), the *Journal of Economic History* has published the most work in this stream. Entrepreneurship journals (with a total of 12 articles) are increasingly publishing work in the institutional theory stream, with the *Journal of Business Venturing* and *Strategic Entrepreneurship Journal* publishing 5 articles apiece in 2007 and 2008.

Our analysis supported the contention that these streams have evolved in two concurrent, yet separate, paths. For instance, we searched articles in the institutional theory stream for citations of key economic journals. While 19 of the articles (19%) did cite economics journals, only 2 of these articles cited works that were included in our review of the institutional economics stream (both cited North, 1991). Similarly, we found no citations of management, sociology, or entrepreneurship journals in the articles from the institutional economics stream.

A Tale of Two Theories

Both the institutional theory and the institutional economics approaches to institutional entrepreneurship acknowledge that individuals have the agency to drive the transformation of institutions in the pursuance of self-interest. In addition, both institutional economics and the institutional theory perspectives on institutional entrepreneurship depart from their disciplines' mainstream assumptions on the behavior of individuals in relation to institutions. While studies of institutional entrepreneurship in institutional theory deviate substantially from the traditional focus on isomorphism and the taken-for-granted character of institutions, the institutional economics approach was born out of discontent with neoclassical economics and its inability to address human action. Hence, the emergence of both of these perspectives highlights the need to put human action and agency in the center of economic and social systems.

Institutional theory treats institutions as socially constructed rule systems or norms that produce routine-like behavior (Jepersson, 1991). Recently, institutional theorists have called for an increased emphasis on the role of agency and purposive action in the formation and destruction of institutions (DiMaggio, 1988; Fligstein, 1997; Oliver, 1992). This approach assumes that individuals act in self-interest to transform their institutional environment by aligning it with their particular goals. It introduces the concept of the institutional entrepreneur as an agent who commands and mobilizes resources to alter or create institutional structures (DiMaggio, 1988).

Institutional economics focuses on the effects of economic, political, and social institutions on economic behavior and the functioning of markets. Institutions are "the humanly devised constraints that shape human interaction" (North, 1990, p. 3). They are argued to "structure incentives in human exchange, whether political, social, or economic" (North, 1990, p. 3) and therefore serve as the central driver of economic activity and development (Bromley, 1989; Furubotn & Pejovich, 1972). They are, in essence, the rules of the game by which economic actors play. Institutional economists assert that institutions are in a continual state of evolution and change. The latter can be motivated by proactive and self-interested human action (Anderson & Hill, 2002, 2004; North & Thomas, 1970).

In order to help clarify the similarities and differences between the institutional theory and institutional economics views of institutional entrepreneurship, we performed a word frequency analysis using NVivo. This analysis supported our view that the institutional theory and institutional economics streams have dealt with similar phenomena while using different language. Table 1 shows the results of this analysis, once pronouns and other such terms were excluded. The first column shows the 10 words that were most common across the two literature streams. What is evident is the similarity between the two streams with respect to the basic language of the topic, including the terms *institutions, change, economic, social,* and *political.* Columns 2 and 3 show the top 10 words in each of the individual streams (after eliminating the common terms). In these columns, the conceptual divergence between institutional theory and institutional economics approaches becomes obvious. The key terms in institutional theory take a more sociological approach, focusing on the *organizational field* and how *actors* engage in *entrepreneurship* in a quest for *legitimacy.* In contrast, the institutional economics stream is more focused on the enforcement of *property rights,* through the creation of *law* and *policy*. The tension between *private* and *state* efforts in the evolution of institutions is a key focus, and these scholars have often viewed institutional change as a trade-off between *costs* and benefits.

In the following section we summarize the literature on institutional entrepreneurship from the perspective of institutional theory and institutional economics by explaining the *nature of the institutional entrepreneur* and the *types of institutions* addressed. Consistent

Table 1
Word Count Analysis and Search Terms for Institutional Theory (IT) and Institutional Entrepreneurship (IE)

Top Overlapping Terms (ranked in order of frequency)	Top IT terms	Top IE Terms
1. Institutional	1. Organizational	1. Land
2. Economic	2. Organizations	2. Law
3. New	3. Management	3. Rights
4. Social	4. Field	4. Property
5. Change	5. Actors	5. Economics
6. Political	6. Entrepreneurship	6. State
7. Institutions	7. Business	7. Costs
8. Firms	8. Legitimacy	8. Private
9. First	9. Action	9. Tenant
10. Time	10. Process	10. Policy

with Battilana et al. (2009), we then examine the *determinants of institutional entrepreneurship,* the *mechanisms* used in the process of institutional entrepreneurship, and the *empirical focus* of extant research in this area. Table 2 presents the key similarities and differences between these streams of literature across the dimensions used in the literature review.

Nature of the Institutional Entrepreneur

Institutional Theory

Within the institutional theory perspective, institutional entrepreneurs recognize the obsolescence of institutions, design new institutional arrangements, and engage in a variety of strategies (e.g., garner resources, mobilize constituents, frame issues to their advantage) to implement institutional change (DiMaggio, 1988). Hence, institutional entrepreneurs reflect on the institutional status quo and are able to (a) challenge existing rules and practices and (b) institutionalize the alternative rules and practices they are championing (Garud & Karnøe, 2003).

The institutional theory perspective of institutional entrepreneurship characterizes the entrepreneur as an institutional innovator or agent of institutional change—driven by a wide range of motivations (Dacin, Goodstein, & Scott, 2002; Oliver, 1992) and operating in a variety of contexts. These entrepreneurs may be motivated by functional or economic pressures but also by political or social forces that may deem existing institutions obsolete (Oliver, 1992). In pursuing their motives, institutional entrepreneurs may find opportunities for institutional restructuring within their organizations, organizational fields, or more macro settings. This inclusive characterization of the institutional entrepreneur has driven broad applications of the concept that range, for example, from sponsors of new practices within their organizations (e.g., Kraatz & Moore, 2002) to geographically dispersed actors in the global policy arena (Wijen & Ansari, 2007).

Institutional economics. Within the field of institutional economics, the entrepreneur is argued to play an important role in driving institutional change. Indeed, recognition of the institutional entrepreneur goes at least as far back as North and Thomas (1970), who viewed

Table 2
Comparison Across Institutional Theory and Institutional Economics-Based Institutional Entrepreneurship

		Differences	
Dimension	Similarities	Institutional Theory	Institutional Economics
Nature of the entrepreneur	• Entrepreneur as innovator and a change agent	• Institutional entrepreneur is broadly defined as a change agent	• Institutional entrepreneur is a change agent driven by economic motivation (profit-seeker; exploiter of economic opportunity)
Types of institutions	• Study formation of governance institutions: organizing for coordination problems (e.g., private agreements, self-enforcement, contracts, standards, etc.)	• Focus on informal and socially embedded institutions: ○ Institutionalized practices, belief systems	• Focus on formal institutions: ○ Property rights, government policy • Codependence between informal and formal institutions and the transition from one type to the other
Determinants of institutional entrepreneurship	• Self-interest seeking • Functional pressures • Role of ideology and culture	• Political and social pressures • Legitimacy and power • Structure of the organizational field • Individual-level characteristics	• Focus on functional and economic pressures: ○ Market conditions and transaction costs ○ Technological change
Mechanisms for institutional change	• Political process of change • Role of interest groups and collective action	• Focus on: ○ Theorization ○ Framing • Emphasis on collective action	• Focus on contractual and self-enforcement strategies
Empirical focus	• Emphasis on qualitative studies	• Organizational field as the level of analysis • Focus on the *process* of institutionalization and strategies employed	• Emphasis on the *outcome* of institutionalization • Attention to unintended and negative consequences

merchants and entrepreneurs as self-interested motivators of institutional innovations. Yet the entrepreneur of institutional economics is often in disguise, hidden by terms that *imply* the entrepreneur's presence and function while remaining unnamed (Cheung, 1973; Coase, 1974; Greif & Laitin, 2004). Moreover, when explicitly acknowledging the entrepreneur, institutional economists have used a variety of terms, including "institutional entrepreneurs" (Anderson & Hill, 2004), "property rights entrepreneurs" (Anderson & Hill, 2002), "public entrepreneurship" (Schneider, Teske, & Mintrom, 1995; Schnellenbach, 2007), "endogenous institutional change" (Escobal, Agreda, & Reardon, 2000; Greif & Laitin, 2004), "political entrepreneur" (Olson, 1982; Ruttan & Hayami, 1984), "institutional innovation" (North & Thomas, 1970), and "institutional design" (Ruttan, 2006) to characterize his or her presence.[2]

Regardless of the language, what is common throughout this work is endogenous institutional change wherein the boundedly rational individual acts in pursuit of economic self-interest to change the rules that determine economic behavior and reward (Anderson & Hill, 2002; Coase, 1974; Goldberg, 1974; Greif & Laitin, 2004; La Croix & Roumasset, 1990; North & Thomas, 1970). Because of its terminology and integration with entrepreneurship theory, the most advanced theoretical investigations into the nature of institutional entrepreneurship in institutional economics are probably those of Anderson and his colleagues (Anderson & Hill, 1975, 2002). In contrast to institutional theory, the entrepreneur is more than an institutional innovator: He or she is an individual that is *alert* to the potential for capturing economic value from new institutional arrangements (Anderson & Hill, 1975, 2002). Hence, differences in institutional entrepreneurship activity are determined by differences in the *alertness* of individuals toward *profit opportunities* that may arise from institutional change. This perspective is aligned with the discovery view in the entrepreneurship literature and its suggestion that entrepreneurial activity is driven by alertness to economic opportunities and the perception of a "means–ends" framework by which economic allocation is to occur (Anderson & Hill, 2000; Kirzner, 1973).

Comparison

Both the institutional theory and institutional economics perspectives conceptualize institutional entrepreneurs as *innovators* or *agents of change* who promote new institutional arrangements. However, the institutional theory perspective provides a much broader and diverse characterization of institutional entrepreneurs because definitions do not appear to require economic self-interest. Rather, the institutional entrepreneur within the institutional theory literature might be sufficiently conceptualized as institutional innovator. In contrast, the institutional economics literature has a greater tendency to restrict the entrepreneur to a self-interested actor with economic purpose in the pursuit of institutional change. Hence, the institutional economics approach typically provides a more narrow characterization of institutional entrepreneurs by considering only those actions driven by the pursuit of economic opportunity. It may be argued that this approach is more consistent with entrepreneurship theory that focuses on economic opportunity as a fundamental determinant of entrepreneurial action (Shane & Venkataraman, 2000; Venkataraman, 1997).

Types of Institutions

Institutional Theory

Studies of institutional entrepreneurship in the institutional theory literature have addressed a wide variety of institutions. For example, researchers have examined private arrangements and conventions (Leblebici et al., 1991), changes in professionalized practices (Greenwood, Suddaby, & Hinings, 2002), and the sponsorship of common technological standards (Garud, Jain, & Kumaraswamy, 2002). While this wide range eludes a comprehensive taxonomy, the majority of institutional types addressed by this literature can be broadly categorized as

(a) practices, (b) standards, and (c) policies. As institutional forms move from individual-, firm-, or industry-level practices to state-level policy, they evolve from microvariations to macroregulations.

Practices. Because practices can vary within firms, and even within work groups, they can be conceptualized as the first and most approachable level for institutional change. In the area of practices, scholars have looked at how variations in standard practices have led to change in the area of accounting (Greenwood & Suddaby, 2006), mutual funds (Lounsbury & Crumley, 2007), and corporate social responsibility (Dejean, Gond, & Leca, 2004). For instance, Lawrence and his colleagues found that over multiple variations in practice through ongoing collaborations, organizations can evolve into more formalized institutions over time (Lawrence, Hardy, & Phillips, 2002).

Standards. Standards represent the organization of practices into voluntary sets of rules that can direct the evolution of industries. The creation and adoption of standards has been shown to influence the development of the high-tech industry (Garud et al., 2002), Norwegian fisheries (Holm, 1995), and the American automobile industry (Rao, 1994). Standards can be affected through industry-level trade associations (A. King & Lenox, 2000) or through the actions of outside stakeholders such as activists (B. G. King & Soule, 2007) or industry watchdog groups (Rao, 1998). Recent work has shown that efforts to incorporate industry standards can have unintended consequences and be utilized to conceal larger problems (Khan, Munir, & Willmott, 2007).

Policies. Finally, perhaps the least examined type of institution addressed by the institutional theory perspective is the study of government policy. More recent work has focused on institutional entrepreneurs at the corporate firm or trade association level, where they may seek to influence state-level policies. Ingram and Rao (2004) detailed the efforts of chain store owners to influence the legal environment and legitimize the chain store model. Social movements can have a powerful impact on regulatory policy as well. Hiatt and his coauthors (Hiatt, Sine, & Tolbert, in press) found that regulatory prohibitions brought about largely through the efforts of anti-alcohol activists not only increased the failure of breweries but also increased the founding of soft drink producers. Through the efforts of dispersed individuals collaborating, institutional entrepreneurship has been foundational to influencing country-level (Child, Lu, & Tsai, 2007) and global environmental policy (Wijen & Ansari, 2007).

Institutional Economics

While institutional economists generally agree that institutions comprise both formal written rules (such as constitutions, laws, and property rights) and informal constraints (such as conventions and codes of conduct; North, 1990), there is no common structure utilized to categorize these institutions. Williamson (2000), however, usefully categorizes them into four types, three of which have been addressed by institutional economists. The categorization is based on level of social analysis and ranges from underlying norms, traditions, and customs at the highest level to organizational governance structures at the lowest level (Williamson, 2000).

These levels include (a) social embeddedness, (b) institutional environment, and (c) governance, and this structure is employed below to aid in the presentation of the array of institutions discussed in the literature.

Social embeddedness. At the highest level, social embeddedness consists of informal institutions such as norms, cultural factors, customs, codes of conduct, and traditions. These institutions are highly inertial and tend to change only over long time frames (DiMaggio & Powell, 1983a; Williamson, 2000). Institutional economics scholars are increasingly studying the role of institutions such as ideology, culture, cooperation, and the emergence of group norms (Ogilvie, 2007; Tan, 2005; Zerbe & Anderson, 2001). There is also a growing interest in game theory research on the emergence of group or social norms, such as cooperation (Greif, 1998; Schotter, 1981; Sugden, 1986; Young, 1993). This research explores the characteristics of a social group and its environment (e.g., size, frequency of interactions, resource constraints, and reputational effects, among others) that are conducive to cooperative norms of behavior.

Institutional environment. At the intermediate level, the institutional environment consists of formal rules such as property rights and government functions, including policy (Williamson, 2000). The institutional environment is arguably the historic focus of institutional economics and is particularly evident in institutional economics–based institutional entrepreneurship research. Foremost in these discussions is the role of formal property rights—which define the privileges, obligations, and duties of individuals with respect to an asset (Libecap, 1989). Property rights are theorized to generate expectations in society that are necessary for the existence and functioning of markets (Barzel, 1997; Bromley, 1989). For instance, the market for land is subject to the expectation that owners are able to exclude others from the land, use the land, and transfer its ownership.

A host of studies that assess the endogenous formation of property rights has appeared in the institutional economics literature since the 1970s. Specifically, this research addresses the incentives that drive individuals to foster new arrangements (Alston, Libecap, & Mueller, 1999; Anderson & Hill, 1975; Demsetz, 1967; Guinnane & Miller, 1996; La Croix & Roumasset, 1990; Libecap, 1978), the governance mechanisms that are used for their inception (Anderson & Hill, 2002; Casari, 2007; Smith, 2002), and the economic outcome of various property rights assignments (Alston, Libecap, & Schneider, 1996). Libecap (1978), for example, provides evidence of how the timing and emergence of Western mineral rights in the United States was a consequence of the profit opportunities that individuals found in new private markets. In addition to property rights, studies in institutional economics at the institutional environment level address the emergence of government policies. Research in this area is typically focused on the determinants, the process of change, and the outcomes derived from government legislation (Binswanger & Deininger, 1997; Grantham, 1980; Harris, 1997; Schnellenbach, 2007). For example, Harris (1997) examines the determinants of the repeal of the Bubble Act, which prohibited the formation of joint stock companies in England. His analysis considers the role of interest groups in influencing policy outcomes.

Governance. The last level in the hierarchy of institutions is governance, that is, how institutions are organized and enforced (Eggertsson, 1996; Williamson, 2000). Metaphorically, the first two levels of institutions refer to the informal and formal rules of the game, while governance relates to how the game is played (Williamson, 2000). Here, the researcher holds the institutional structure at higher levels constant and studies how individuals and organizations design contracts to organize transactions and reduce their costs (Eggertsson, 1996). Hence, the mechanisms and contracts that institutional entrepreneurs devise to implement certain institutions and reshape incentives are the focus areas for these studies. For example, Escobal and his colleagues (2000) studied the endogenous formation of new types of contracts in agrarian industries in Peru. The authors suggest that new types of contracts were internally devised by agroindustrial firms and farmers as a response to new demands for quality standards and timely deliveries. These new types of contracting brought consequences for employment and the income of certain types of industry participants.

In a related area, research in self-governance has been gaining more traction in the area of economic institutions. The concept of institutional design for communal governance (Ostrom, 2000) is particularly relevant to the subject of institutional entrepreneurship. Scholars in this area often study how individuals or groups design communal norms and enforcement mechanisms (e.g., financial penalties, social retribution) to govern a common pool of resources (e.g., Acheson, 1987; Casari, 2007; Casari & Plott, 2003; Ellickson, 1991; Huybers & Bennett, 2003; Oses-Eraso & Viladrich-Grau, 2007; Ostrom, 1990).

In summary, the institutional entrepreneurship perspective of institutional economics addresses institutional change in three hierarchical levels of institutions: informal or socially embedded (codes of conduct), formal (property rights and government policies), and governance institutions (e.g., contracts, enforcement mechanisms)—with a greater focus on the latter two. While these distinct types of institutions are sometimes discussed in isolation, there are clear and important interdependencies among them (Greif, 1998; North, 1996). The dependencies and coevolution across different institutional levels or types have been addressed in a variety of studies. Alston and Mueller (2005), for example, suggest that macrolevel institutions (political, economic) drive the incentives for political actors to alter property rights and determine which interest groups are able to drive institutional change by resisting political forces and whether such change would take place through conflict or cooperation. In a separate study, Casari (2007) examines how the users of common pastures in the Italian Alps fostered the transition from informal to more formalized institutions of governance. Informal arrangements between users (mutual restraint) were replaced by private enforcement in the form of charters that increased resource efficiency.

Comparison

With regard to the types of institutions examined, empirical studies in the institutional theory perspective of institutional entrepreneurship tend to be more focused on informal and socially embedded institutions—belonging to Level 1 in Williamson's (2000) hierarchy of institutions. On the other hand, institutional economics research concentrates more on formalized and macrolevel institutions such as government-sponsored policies and property rights assignments (i.e., Level 2 of the hierarchy of institutions). Yet despite such divergence at higher levels of institutional analysis, these perspectives seem to meet at lower levels. This is particularly the case when addressing aspects of institutional governance. Both approaches to institutional entrepreneurship address situations in which order and organization are endogenously designed to solve coordination problems. The institutional theory literature has done so by emphasizing the role of private agreements and conventions (e.g., Holm, 1995; Leblebici et al., 1991) and the use standards (e.g., Garud et al., 2002), while institutional economics research concentrates mostly on issues of contracting and self-governance (Anderson & Hill, 2002; Arruñada, 2003; Casari, 2007).

Determinants of Institutional Entrepreneurship

Institutional Theory

Empirical and theoretical research in the institutional theory stream acknowledges the importance of the variety of motives and conditions that drive institutional entrepreneurship initiatives. Specifically, the extant literature is concerned with (a) the types of external pressures that influence the inception of institutional change (Oliver, 1992), (b) the power and legitimacy mechanisms that drive institutional action (Beckert, 1999; Garud et al., 2002; Zucker, 1988), (c) the effects of the structure (e.g., maturity, interdependencies) of the organizational field in promoting change (Greenwood & Hinings, 1996; Greenwood & Suddaby, 2006), and (d) the characteristics that institutional entrepreneurs must possess to transform institutions (Kraatz & Moore, 2002; Maguire et al., 2004).

External pressures. Institutional entrepreneurs may act in response to functional, political, or social pressures that challenge existing institutional structures (Oliver, 1992). Functional pressures arise when individuals perceive issues associated with the performance or utility derived from existing institutions. These pressures may be related to environmental changes, such as competition and demand characteristics. On the other hand, political pressures originating from changes in power and interests may also prompt individuals to question the legitimacy of the institutional status quo (Oliver, 1992). In this case, the source of change may be political in nature. For example, entrepreneurs may force change in a direction that portrays them (or their organizations) as more competent or better aligned with public preferences. In contrast to functional purposes, these political forces do not seek change toward greater efficiency (Beckert, 1999). In addition, institutional change can be induced from social pressures arising from changes in social norms and expectations and from social conflict. For instance, when individuals interact in a group with diverse beliefs, experiences, and assumptions, they are more likely to question the validity of institutional arrangements (Oliver, 1992). This divergence in social expectations creates an atmosphere of discussion and debate, which may diminish intergroup agreement, and fosters institutional change (Zilber, 2002).

Power and legitimacy. The concept of organizational legitimacy, which has been formulated to explain an organization's adherence to socially appropriate or desirable practices (Dowling & Pfeffer, 1975; Suchman, 1995), is central to institutional theory. Congruent with the strategic tradition of organizational legitimacy, the institutional entrepreneurship literature recognizes the instrumental use of legitimacy based on the manipulation of symbols or particular frames to obtain societal support (Dowling & Pfeffer, 1975). Legitimacy is depicted as an organizational resource that organizations acquire from their environments and that is subsequently used to meet established goals (Ashforth & Gibbs, 1990; DiMaggio, 1988; Durand & McGuire, 2005). For instance, the creation of new organizational forms—new products or services, authority relations, technology, served markets, and so forth (DiMaggio, 1988; Rao, 1994)—often entails institutionalization projects that legitimize the form by justifying its public theory (DiMaggio, 1988). A new organizational form may become legitimate when institutional entrepreneurs are successful in convincing their constituents of the form's necessity, validity, and usefulness (Snow & Benford, 1992). Thus, such success may be dependent upon the legitimacy that the institutional entrepreneur enjoys and his or her efforts of portraying the new institutional form as legitimate (Suchman, 1995).

In the process of legitimation, entrepreneurs engage in battles that originate from conflicting perspectives between existing and proposed institutional fields. Garud and his colleagues (2002) show how legitimacy tensions arise between interdependent organizations in a technological field as alternative technological trajectories compete to become the "dominant design." These dynamics also reflect the importance of power in influencing the character of institutions (Lawrence, Mauws, Dyck, & Kleysen, 2005). Those agents in possession of superior resources, knowledge, or strategic social network positions are better able to use their political power to shape institutions in their favor (Beckert, 1999). In this manner, power is simultaneously a stabilizing force for institutionalization and a driver of institutional change, as powerful actors can shape the institutional environment in either direction depending on their particular interests (Lawrence, 1999).

Structure of the organizational field. The extent to which institutions within an organizational field can be proactively transformed is dependent on the structure of that field (e.g., maturity, concentration) and the position of the entrepreneurial organizations within the field (Greenwood & Hinings, 1996; Greenwood & Suddaby, 2006; Maguire et al., 2004; Zucker, 1988). An organizational field evolves through recurring social interactions across members, which produce mutual understandings and common practices that characterize the institutional environment of that field. Thus, mature fields represent relatively stable structures under which behavior patterns (e.g., conflict or cooperation) are well defined. On the other hand, emerging fields lack coordination structures and host uncertain environments that are more vulnerable to institutional changes (Maguire et al., 2004). This implies that institutional entrepreneurs are more likely to succeed at promoting radical change in premature fields, where institutional order is not completely developed and resistance to change is not as concerning as in established fields (Greenwood & Hinings, 1996).

The position of players in an organizational field can also determine if they will attempt to alter their institutional environment (Greenwood & Suddaby, 2006; Leblebici et al., 1991). Central members are integrated and socialized into the institutions of the field, which prevents them from recognizing alternative practices or norms. In contrast, organizations that operate in the periphery of the field are less familiarized with institutionalized practices and expectations. They are more likely to question the viability of certain institutions and to promote change (Greenwood & Suddaby, 2006). For example, Kraatz and Moore (2002) showed that when an organization's leader migrates from an organization at the periphery of the field, he or she is more likely to introduce institutional change in the new environment.

Characteristics of the institutional entrepreneur. Research shows that the background, experience, and social capital of individuals can influence whether they will engage in acts of institutional entrepreneurship (Dorado, 2005; Seo & Creed, 2002). For example, a leader who migrates from an organization that has implemented a particular practice will be more likely to implement that practice in his or her new organization because that individual possesses the appropriate expertise and the cognitive reasoning to deem that practice as appropriate (Kraatz & Moore, 2002). In a study of the emerging field of HIV advocacy in Canada, Maguire and his coauthors (2004) propose that institutional entrepreneurs in emerging fields tend to be those actors whose position provides them with legitimacy and allows them to bridge stakeholders to gain access to resources from a variety of sources.

Institutional Economics

Institutional economics scholars are centrally concerned with the economic motivation behind institutional entrepreneurship. Their approach assumes that institutional entrepreneurs are calculative agents who will alter institutions when it is economically desirable to do so. Thus, profit-seeking behavior provides the engine for institutional change (La Croix & Roumasset, 1990). New institutions arise when the benefits that entrepreneurs can accrue from these arrangements exceed the costs of their implementation and enforcement (Alston et al., 1999; Anderson & Hill, 1975; Demsetz, 1967; North & Thomas, 1970). Perhaps most important, the recognition of the trade-off between the costs and benefits of institutional development focuses institutional economics researchers on the factors that alter this trade-off and swing the balance of incentives toward new institutional development and institutional entrepreneurship. Central factors in this dynamic include exogenous shocks such as changes in demand, supply, technology, and culture (Alston, Libecap, & Schneider, 1996; Anderson & Hill, 1975; Bromley, 1989; Finbow, 1993; Ogilvie, 2007; Ruttan, 2006; Tan, 2005; Zerbe & Anderson, 2001). Institutional economists have also discussed the potential of transaction cost reductions as a fundamental motivator of institutional change (e.g., North & Thomas, 1970).

Changes in demand and supply. Institutional economists recognize the importance of changes in demand and supply that create incentives for entrepreneurs to engage in institutional development (Alston et al., 1999; Alston, Libecap, & Schneider, 1996; Anderson & Hill, 1975; Bromley, 1989; Ruttan, 2006). For instance, as demand rises and resources become scarcer, individuals find stronger incentives to delineate and enforce property rights over constrained resources (Alston et al., 1999; Alston, Libecap, & Schneider, 1996; Anderson & Hill, 1975; Demsetz, 1967; Libecap, 1978). Demsetz (1967), for example, illustrates this with a description of how property rights to land evolved among Canadian Indians in the 17th century. Prior to the emergence of fur trade, hunting was primarily for purposes of food and the furs required for the hunter's families. At this stage, land was a public good and Indians had unrestricted access to hunting. As demand for fur began to increase, the property right structures of land began to shift toward private hunting territories

(Demsetz, 1967). Similarly, in a historic analysis of the American West, Anderson and Hill (1975) show that as the value of land (and therefore, the demand) increased so did the extent to which property rights institutions were defined.

Technological change. Technological change can also drive entrepreneurs to establish new institutional regimes. For example, Ruttan (2006) suggests that technological change in the form of double-cropping and high-yielding rice varieties during the 1950s in the Philippines eventually led to the replacement of the institution of shared tenancy contracts with subtenancy arrangements. The author suggests that the emergence of the subtenancy institution restored the equilibrium of market conditions. The latter involved the rise of collective understandings between cultivators, tenants, and laborers. Furthermore, Anderson and Hill (1975) describe how the development of barbed wire allowed for lower cost enforcement of property rights in the American West and motivated ranchers to promote the legal institutions necessary to define and secure those rights.

Cultural aspects. The institutional economics literature has been more recently concerned with how ideology and cultural factors serve as drivers for institutional change (Finbow, 1993; Ogilvie, 2007; Tan, 2005; Zerbe & Anderson, 2001). Specifically, when certain cultural resources are available, institutional entrepreneurship actions may be less costly and, therefore, more likely to take place (Ruttan, 2006). For example, in Japan the conventional moral obligation to cooperate in communal infrastructure made the implementation of rural development programs less costly and, therefore, more likely to succeed (Ruttan, 2006). In a similar vein, Tan (2005) suggests that ideology—defined as "a set of prevailing 'meta rules' which frame the social consensus on acceptable, expected and just behavior" (p. 176)—influence the direction of institutional change and determine the likelihood that interest groups will succeed in their efforts.

Transaction costs. Transaction costs also play a central role in the entrepreneurial motivation for institutional change (Eggertsson, 1990; North, 1990). Transaction costs represent the costs associated with the transfer, capture, and protection of property rights (Barzel, 1997, p. 4) and can dissuade or inhibit economic activity. Transaction costs are also argued to be a function of the nature of economic institutions (Bromley, 1989). As such, institutional economists contend that a central motivating factor in institutional development is the reduction of transaction costs in order to allow market exchange. Institutional economists have examined a variety of contexts wherein the potential reduction of transaction costs motivates entrepreneurs to alter or develop institutional arrangements (Coase, 1974; North & Thomas, 1970).

Comparison

When examining the determinants of institutional entrepreneurship, the institutional economics literature is greatly focused on economic motivation, while the institutional theory literature accepts a broader set of functional and social drivers toward the design of new institutional arrangements. Yet, it is important to observe that, although to a lesser extent, the institutional theory perspective acknowledges the role of economic factors and the conditions of markets (e.g., maturity) in influencing institutional entrepreneurship action. This is indeed reflected in the relatively high appearance of the word *economic* in studies in this area (see Table 1). Furthermore, the institutional economics literature has begun to place more attention on the role of ideology and culture in driving institutional change (e.g., Finbow, 1993; Tan, 2005; Zerbe & Anderson, 2001). While the role of economic forces still dominates the institutional economics discussion, these interesting developments bring the institutional theory and institutional economics perspectives closer.

Mechanisms for Institutional Entrepreneurship

Institutional Theory

The institutional theory literature discusses multiple mechanisms through which entrepreneurs devise and effectuate institutional change. Collective action through shared goals and group tensions (Fligstein, 1997; Garud et al., 2002; Zucker, 1988), political tactics (Fligstein, 1997; Lawrence, 1999; Maguire et al., 2004), framing (Rao, 1998; Zilber, 2002, 2007), and professionalization and theorization (Greenwood et al., 2002; Lounsbury, 2002) have all been identified as tactics and strategies (Perkmann & Spicer, 2007) utilized by institutional entrepreneurs.

Cooperation and collective action. Studies of institutional entrepreneurship in the institutional theory stream bring attention to the role of cooperation and collective action in framing new institutional structures (Fligstein, 1997; B. G. King & Soule, 2007; Lawrence et al., 2002; Zucker, 1988). Indeed, institutional entrepreneurs have been alternatively defined as "actors with social skills," where social skills refer to "the ability to motivate cooperation of other actors by providing them with common meanings and identities" (Fligstein, 1997, p. 397). Under this perspective, institutional entrepreneurs are responsible for sustaining a collective identity and finding ways to bring together the interests of different groups (Fligstein, 1997). They are active arbitrageurs that intervene to find common solutions to collective problems. They also work in collaboration with other actors, taking advantage of convergent interests and relying on collective action to influence macrolevel institutions (Zucker, 1988).

In this light, Lawrence and colleagues (2002) demonstrate how institutional entrepreneurs promote collaboration, such that strong ties with other organizations help to change the nature of legitimate practices in a field. Furthermore, Garud and his coauthors (2002) show the built-in tensions that arise when competitive firms undertake cooperation strategies as they collectively devise common technological standards. They conclude that firms with divergent interests may achieve partial agreement, yet be challenged by the inconsistencies associated with the activities necessary to mobilize the group and those necessary to maintain it.

More recently, theorists have begun to address collective action dilemmas (Olson, 1965) such as free riding and the provision of public goods. For instance, Wijen and Ansari (2007) combine insights from institutional and regime theories to develop a theoretical framework to explain "collective institutional entrepreneurship." Collective institutional entrepreneurship is defined as the process of overcoming collective action dilemmas and achieving collaboration among dispersed actors to create or transform institutions. In the course of theorizing about this question, they join the chorus of those who call for an expansion of institutional entrepreneurship beyond "'hero' imagery" and to encompass a wider range of actors and activities (Lounsbury & Crumley, 2007).

Political tactics. Political tactics, such as coalition building and incentivizing behaviors, have been the focus of several empirical studies concerning the creation of new fields (Leblebici et al., 1991). For example, Levy and Scully (2007) characterize institutional entrepreneurship as a strategic act, utilizing Machiavelli's conception of power. As a "Modern Prince," the institutional entrepreneur acts as an organizer and expression of a collective group and is the spark that moves that group toward action. In doing so, they alter and shape the material, organizational, and discursive forces that make up the politically contested field in which they operate. In this way, institutional entrepreneurs can be interpreted to be agents of collective action, but in a more disaggregated and discursive manner than the leaders of social movements.

Framing. In the course of their political activities, institutional entrepreneurs will often engage in *framing* in which they seek to depict their preferred institutional arrangement as appealing to the widest possible audience. Rao (1998) found that framing had a powerful legitimizing effect in the establishment of consumer watchdog associations. Similarly, the U.S. chemical industry sought to align the creation of self-regulatory institutions with ideas of environmental protection and improved efficiency (King & Lenox, 2000; Lenox, 2006). Such framing tactics tie back to the goal of creating legitimacy for new forms and practices by closely integrating new ideas and processes with commonly accepted narratives. The use of discourse (Lawrence & Phillips, 2004) and, specifically, stories has been found to be pervasive in the efforts of institutional entrepreneurs to better their positions through imparting institutional change (Zilber, 2002, 2007).

Theorization and professionalization. Theorization, the practice of developing abstract categories into chains of cause and effect (Greenwood et al., 2002), is another tactic commonly identified as useful to institutional entrepreneurs. Greenwood and his colleagues found the use of theorization to be predominating in the professionalization of Canadian accounting firms. Maguire and his colleagues (2004) found evidence that HIV/AIDS treatment advocates engaged in theorization to create stable coalitions of diverse stakeholders and to appeal to as wide of an array as possible. Markowitz (2007) described the use of framing by socially responsible investment funds to draw causal relationships between investing and social benefit.

Institutional Economics

Likely because of their focus on the economic system level, institutional economists generally concentrate on the determinants and outcomes of institutional change. Such focus has a led to less emphasis on the mechanisms employed by the institutional entrepreneur—particularly when compared to the attention this issue receives in institutional theory. Recently, the mechanisms of institutional entrepreneurship have become increasingly important in this literature stream (Anderson & Hill, 2002, 2004; Eggertsson, 1996; North, 1996). Research in this realm may be divided into two focal areas: the role of collective action and interest groups, and the resources and strategies employed for institutional change.

Collective action and interest groups. The origins of the study of institutional economics brought with it a greater concern for collective—rather than individual—forces in determining economic action (Commons, 1934). Commons intended to revive the emphasis on collective action in noticing that "the problem now is not to create a different economics—'institutional' economics—divorced from preceding schools, but how to give to collective action, in all its varieties, its due place throughout economic theory" (p. 5). This interest for collective organization has been subsequently explored in the economics literature (e.g., Goldberg, 1974; Hardin, 1982; Olson, 1965; Tan, 2005) and specifically in institutional economics, although it is not considered a *central* concern.

The study of collective action as applied to institutional economics illustrates the importance of interest groups in influencing the direction of institutional change, generally to their favor. Because interest groups work to convince others of the value of their claims, they tend to be active in the development of formal institutions—Level 2 in Williamson's (2000) hierarchy of institutions, for example, policies and formal property rights. For instance, researchers in institutional economics point to the relevance of interest groups in shaping the direction of government policies and the economic effects of these actions (e.g., Binswanger & Deininger, 1997; Goldberg, 1974; Harris, 1997; Higgs, 1996; Krueger, 1996; Ruttan, 2006; Tan, 2005).

While interest groups generally push policies to their benefit, some studies suggest that models of complete rationality are not always able to explain the unintended consequences that arise from the complexities of policy issues. This is reflected in Krueger's (1996) examination of the U.S. sugar program between 1934 and 1987, where she assessed the role of interest groups such as sugar producers, sugar users, and foreign lobbyists in driving the outcome of the program. Krueger introduces a variety of puzzles regarding the rationality of the behavior of interest groups. For example, it was not clear why existing growers would fight for the expansion of the program from which they would not benefit directly or why some groups would align themselves with others who had clear divergent interests. She partly attributes the complexity of the policy issues to the outcomes obtained. Also dealing with the consequences of interest group action and collective beliefs, Higgs (1996) studied the technological regression of salmon fisheries in Washington. He suggests that as the poor and disadvantaged fishermen outnumbered the concentrated "businesslike" fishermen, the highly productive technology of the latter was substituted by more labor-intensive, but less productive, techniques. In this case, the more concentrated interest group did not prevail. Instead, social beliefs coupled with the size of the aggrieved group influenced the direction of the institutions that guided the fishing practices (Higgs, 1996).

Resources and strategies. Some scholars in institutional economics have examined the role that resources can play in shaping institutional change. Goldberg (1974) speaks to the importance of the resource endowments of firms in helping them to alter the rules of the game. He is mostly concerned, however, with the marginal contribution of resources that an individual firm should invest in a particular institutional initiative, given the associated free-rider problems that may arise (Olson, 1965). In addition, although the relationship between resources and power has been historically neglected by institutional economics, there appears to be a growing recognition that these factors are important in the determination of institutional change. In supporting this, Eggertsson (1996) suggests that there is an inherent relationship between the study of property rights (i.e., a resource) and power, since the distribution of such rights determines the relative power that some individuals have over others.

In examining the strategies that institutional entrepreneurs undertake, the institutional economics literature is mostly focused on how individuals organize various governance mechanisms (e.g., contractual forms) to carry out economic activity (e.g., Acheson, 1987; Anderson & Hill, 2002, 2004; Ellickson, 1991; Hardin, 1982; Johnson & Libecap, 1982; Ostrom, 1990; Smith, 2002). For example, Acheson (1987) and Johnson and Libecap (1982) discuss the distribution and enforcement of informal property rights that takes place in the Maine lobster fisheries. Expanding upon this, Anderson and Hill (2002) distinguish between informal coalitions that monitor and enforce property rights agreements internally ("specific contracting") and more general contracts that introduce third-party controls to exclude others from their claims. This characterization is related to the game theoretical perspective, which suggests that the introduction of a centralized party to establish and enforce certain institutions (which could itself be brought by institutional entrepreneurs) becomes more necessary with the rise of monitoring costs, the geographical distance between individuals, and the size of the group, among other factors (Axelrod, 1984; Hardin, 1982).

Comparison

The mechanism of institutional change is depicted as a primarily "political" process in the institutional theory and institutional economics literatures (as shown in Table 1, the term *political* is highly present in both literatures). Indeed, both perspectives recognize the importance of interest groups and contestation in shaping the direction of institutional change. In explaining the mechanisms of such change, however, the institutional theory approach is more concerned with the role of collective action and communal participation—evident in the more recent integration with social movement theory (e.g., Hargrave & Van de Ven, 2006; Rao, 1998). While economists recognize the importance of collective action (Hardin, 1982; Olson, 1965), much focus has been placed on the characteristics that lead to collective participation (group size, contribution of resources, absence of free riders) as opposed to the strategies used by such groups to develop new institutional arrangements (some exceptions include Casari, 2007; Ostrom, 1990).

Empirical Focus

Institutional Theory

In general, empirical research in institutional theory–based institutional entrepreneurship has focused on describing the determinants and the *process* of institutional change as opposed to its outcomes (with some recent exceptions; Khan, Munir, & Willmott, 2007). The nature of this approach has brought emphasis on qualitative studies that describe the antecedents and the mechanisms involved in the transformation of institutions (Maguire et al., 2004). Furthermore, research in this area employs the organizational field—a recognized area of life that is composed of particular sets of institutions (e.g., norms, routines) and networks of organizations (DiMaggio & Powell, 1983b)—as the unit of analysis. This has driven empirical research into a rich variety of organizational fields that range from the commercial music field (Anand & Watson, 2004) to the business education field (Durand & McGuire, 2005) and to studies in a wide selection of industries including accounting (Greenwood & Suddaby, 2006), U.S. radio broadcasting (Leblebici et al., 1991), high technology (Garud et al., 2002), and fishing (Holm, 1995).

Institutional Economics

Institutional economics tends to take a long-term perspective and analyzes institutional change over historic periods within a given society or group (North, 1991, 1990). As noted by North and Thomas (1970), "Economic institutions, and specifically property rights, are generally considered by economists as parameters; but for the study of long-term economic growth they are clearly variables, historically subject to fundamental change" (p. 5). As a result, empirical research in institutional economics—and its perspective on institutional entrepreneurship—is mostly dominated by detailed historical narratives on the evolution of institutions over relatively long periods of time. This is evident in the frequency to which this work appears in the *Journal of Economic History* and the *Economic History Review*. This research typically focuses on institutional change across time within a particular context (e.g., Casari, 2007; Escobal et al., 2000; Harris, 1997; La Croix & Roumasset, 1990) or a comparison of the evolution of institutions across different contexts (e.g., countries, political systems, etc.; Grantham, 1980; North, 1990; North & Thomas, 1970). To a lesser extent, quantitative studies can also be found in this literature (e.g., Alston, Libecap, & Schneider, 1996; Libecap, 1978; Maurer & Sharma, 2001). These typically focus on comparing the relationships between the determinants of institutional change and the outcome (e.g., resource allocation, market value, etc.) of such.

Comparison

It is interesting to note that both streams focus more on the qualitative, historical interpretation of cases than on the quantitative analysis that dominates much of the research in management, sociology, and economics scholarship. However, more recent work in the institutional theory realm has sought to utilize large databases and statistical analysis to test long-held theories in the area of institutional entrepreneurship. For example, Sine and Lee (2009) studied the relationship between social movements and entrepreneurship to provide evidence that social movements have influence beyond their direct targets. However, because institutional entrepreneurship research traditionally deals with the actions of individuals to foster institutional change, which usually gauges over a long period of time, research is likely to continue to be largely based on in-depth case studies. In the following section, we examine opportunities for research that may have repercussions on the methods employed in this area.

New Directions and Future Research

Opportunities for Research that Integrates Institutional Economics into Institutional Theory Perspectives

Research in institutional theory–based–institutional entrepreneurship mostly designates the organizational field (or a particular industry) as the level of analysis. In continuing to address these contexts, this stream would benefit greatly from introducing aspects from the institutional economics realm. We suggest that such integration could begin by (a) expanding the types of institutions that are typically studied in this area, (b) assessing the evolution of institutions, (c) addressing the role of markets and competition in the likelihood and character of institutional entrepreneurship initiatives, and (d) examining different types of institutional entrepreneurship outcomes—intended or unintended, collective or private. Column 1 in Table 3 presents a summary of these opportunities for future research.

First, the institutional theory perspective in institutional entrepreneurship can benefit from examining the types of institutions that are often studied by institutional economists. Opportunities are particularly evident in the study of endogenous cooperative norms and property rights (Acheson, 1987; Casari, 2007; Casari & Plott, 2003; Ostrom, 1990). These institutions are quite relevant to the growing phenomena of industry self-regulation (e.g., M. Khanna, 2001), which suggests that industry members devise governance institutions to address collective challenges in a manner that improves the group's reputation, performance, and other related outcomes.

Second, we believe that the distinction that institutional economics makes between formal (centrally enforced institutions such as policies and property rights) and informal (self-enforced institutions such as social understandings and private agreements) institutions could serve to explore the conditions under which institutional entrepreneurs favor the promotion of one type over the other. Central questions that could be examined include the following: Under what conditions (e.g., extent of reputational and other social control mechanisms) are institutional entrepreneurs more likely to advocate informal institutions? What kinds of environmental changes prompt them to promote formalized institutions? What drives institutional entrepreneurs to sponsor the transition of informal institutions into formalized institutional arrangements that require more centralized governance? How do the codependencies between formal and informal institutions affect the success of institutional entrepreneurship initiatives? Answers to these questions could prove to be valuable in understanding the role of institutional entrepreneurs in the evolution and changing character of institutions.

Third, in integrating the institutional economics approach, institutional theory–based institutional entrepreneurship can further develop the relationship between markets and institutional design (e.g., Bromley, 1989; North, 1996). For example, future research can examine how markets encourage or inhibit institutional activity (e.g., Bromley, 1989;

Table 3
Opportunities for Future Research that Integrates Institutional Entrepreneurship Concepts from Institutional Theory and Institutional Economics

Opportunities to Integrate Institutional Economics into Institutional Theory–Based Research	Opportunities to Integrate Institutional Theory into Institutional Economics–Based Research
Types of institutions: • What role do institutional entrepreneurs play in the establishment of property rights? What strategies are used in such efforts? What are the implications (e.g., power dynamics) for the organizational field? • How do institutional entrepreneurs sponsor and establish endogenous (self-enforced) cooperative norms? What mechanisms are used for their enforcement?	Power relationships: • What role do power and legitimacy play in driving institutional change? • What types of property rights arrangements are more conducive to power imbalances? How do these influence institutional entrepreneurship and the economic system? • How is the direction of economic development influenced by the resource commitments of powerful individuals?
Evolution of institutions: • Under what conditions do institutional entrepreneurs choose to establish informal as opposed to formal institutions? • What role do institutional entrepreneurs play in the transition between informal and formal institutions? What triggers this evolution?	Social legitimacy of institutional entrepreneurship: • How is institutional entrepreneurship promoted or inhibited by social institutions and social pressures (cultural expectations of roles or identities, social values)? • How do social norms interrelate with formal (government-sponsored) institutions to influence institutional change and economic development?
Market and competitive conditions: • How do supply and demand changes affect the intervention of institutional entrepreneurs in sponsoring institutions that support new markets? • How does the structure of industries (e.g., concentration) affect the likelihood of institutional entrepreneurship within those industries? What types of institutional entrepreneurs are more successful across different industry structures?	Mechanisms for institutional entrepreneurship: • How does the activism of social movements affect economic development by driving or inhibiting institutional change? • When do opposing social forces paralyze economic development? What political and economic environments are more susceptible to these forces?
Types of institutional entrepreneurship outcomes: • What are the unintended consequences of institutional entrepreneurship initiatives? How do institutional entrepreneurs address uncertainty regarding the outcome of their initiatives? • What are the individual versus collective benefits of institutional entrepreneurship efforts? Who benefits from the externalities associated with institutional entrepreneurship? • Are there advantages associated with the timing of institutional entrepreneurship initiatives? For example, do first movers in the process of institutionalization accrue advantages over late movers?	Cognitive framing: • How do overarching cognitive frames and logics influence the nature and likelihood of institutional entrepreneurship across different countries or regions? What are the economic implications of such? • How do macrolevel patterns of thinking affect the character of institutional entrepreneurship tactics (e.g., framing of problems) and their effect on institutional and economic development?

North, 1996). Specifically, future studies could assess how changes in demand and supply influence the incidence of institutional entrepreneurship activity and the counter movements that arise from organizations whose resource commitments are not aligned with such changes.

In addition, future studies can assess how the competitive conditions of an industry and its markets influence the presence of institutional contestation and the dynamics that unfold from competitive rivalry. This line of inquiry could also explore how different organizational forms (e.g., modes of diversification) affect the ability of firms to sponsor new institutions (e.g., Encarnation, 1989; T. Khanna & Palepu, 2000).

Finally, we suggest that institutional theory could benefit from further exploration of the outcomes and consequences of institutional change—an area of most interest in institutional economics. Specifically, management studies in institutional theory could investigate the distinction between the collective and individual outcomes that arise from institutional entrepreneurship efforts. For instance, future research could examine the performance and survival implications of those organizations or individuals who champion institutional change. This could be extended by distinguishing between the individual benefits that institutional entrepreneurs accrue from their initiatives and the collective benefits that the organizational field enjoys from such actions. This research could provide valuable insights into whether and how the "timing" of institutional entrepreneurship action offers an advantage to institutional entrepreneurs over their competitors. Furthermore, in adopting the institutional economics perspective, institutional theory research could further explore the *unintended* consequences as well as the socially detrimental effects of institutional design. That is, despite the intentions and planning efforts of institutional entrepreneurs, the social and cognitive complexity of institutional environments may drive institutional change in unpredictable and unintended directions (Greif & Laitin, 2004; Khan et al., 2007; Krueger, 1996). Future research could examine the conditions in the institutional environment that influence the predictability of institutional outcomes and, therefore, assist in identifying those situations in which institutional entrepreneurs are more likely to shape the direction of institutional change.

Opportunities for Research that Integrates Institutional Theory into Institutional Economics Perspectives

Institutional economists aim at predicting the institutional conditions that enable or inhibit market and economic development. We suggest that while continuing the focus on this level of analysis, institutional theory could inform institutional economics in the study of institutional entrepreneurship. Such opportunities are particularly ripe in understanding how economic development is influenced by (a) power relationships—and their association with resource ownership and commitments—that are at play among institutional entrepreneurs, (b) the social legitimacy of institutional entrepreneurship, (c) mechanisms for institutional change such as the mobilization of social forces, and (d) the presence of overarching cognitive frames and logics that influence the nature and tactics of institutional entrepreneurship initiatives. Column 2 in Table 3 provides a list of questions for future research that are associated with these opportunities.

First, in integrating the institutional theory perspective, studies of institutional economics can adopt a deeper examination of how power—and its relationship to property rights—determines the direction of institutional change. For example, what types of property rights arrangements are more conducive to power imbalances, and how do these influence institutional entrepreneurship action and its subsequent repercussions on the economic system?

Does the direction of institutional change favor the resource commitments of those individuals with greater power? How does the political environment of a country affect the latter? Second, future studies could explore how institutional entrepreneurship is in itself promoted or inhibited by the social institutions that influence the likelihood of endogenous institutional change. For example, at the country or regional level, what kinds of social norms and cultural expectations stimulate or inhibit institutional entrepreneurship? Specifically, do social norms of nonconformity or collaboration influence the likelihood of institutional entrepreneurship? How do these interrelate with more formalized institutions (e.g., government-sponsored programs or initiatives) to promote or inhibit institutional entrepreneurship? How do these influence economic development?

Third, studies in institutional economics can expand their assessment of the mechanisms through which institutional change takes place. Future research could examine how the collective mobilization and the resource allocations of interest groups affect the evolution of institutions. For instance, research could investigate how the activism of social movements affects economic development by influencing the institutions that drive certain markets, when it is that strong and opposing social forces paralyze economic development, and what political and economic environments are more susceptible to these forces.

Finally, institutional entrepreneurship studies in institutional economics can also benefit from examining the role that macrolevel cognitive frames and logics have on the likelihood and nature of institutional entrepreneurship and the economic repercussions of such. For example, future research could investigate whether some countries or regions are more subject to certain cognitive frames that influence the likelihood and tactics of institutional entrepreneurship. Such research would inquire about the existence of dominant patterns of thinking or problem framing that may result in similarities in the institutional entrepreneurship process within countries or regions. In addition, it would consider whether these patterns affect the tactics (e.g., framing and presentation of issues; types of informational campaigns undertaken) that are employed in the institutional entrepreneurship process and their effect on the direction of institutional change and the subsequent economic development of a country.

Integrating Entrepreneurship Theory into Institutional Entrepreneurship Research

Both institutional theory and institutional economics theories of institutional entrepreneurship have mostly overlooked entrepreneurship research. While the institutional theory literature has adopted the entrepreneurship moniker, there is little reference to either classic or contemporary entrepreneurship theories in this research (Battilana et al., 2009; Phillips & Tracey, 2007). As discussed above, there is also limited discussion of economic motivation per se and, perhaps most important, scant referral to the larger economic system within which the institutional entrepreneur operates. Furthermore, although the institutional economics literature focuses on economic motivations for institutional change, it rarely integrates entrepreneurship concepts (the work of Anderson and colleagues is clearly an exception; Anderson & Hill, 2002, 2004). Given this, we maintain that it would be useful for institutional entrepreneurship research to take into account mainstream entrepreneurship theories.

Table 4
Opportunities for Future Research in Institutional Entrepreneurship that Integrates Entrepreneurship Theories

Dimensions	Research Questions
The nature of entrepreneurial opportunities	• What characteristics (e.g., stage of the process, types of institutions, nature of the problem, resources involved) determine whether institutional entrepreneurs *recognize, discover,* or *create* opportunities? How does this affect the process and outcomes of institutional entrepreneurship initiatives?
Determinants and sources of entrepreneurial action	• Individual: Is the likelihood of institutional entrepreneurship influenced by prior experiences and knowledge? To what extent are institutional entrepreneurs more likely to possess experience on political action, collective organization, and other processes for change? How do the regulatory focus and the locus of control of individuals and the context in which they operate influence the recognition of institutional entrepreneurship opportunities? • Sociological: How do cultural values and beliefs (e.g., across countries) affect engagement in institutional entrepreneurship? What types of social barriers must institutional entrepreneurs overcome to promote institutional change? How do social networks influence the likelihood and character of institutional entrepreneurship? • Economic: How do underdeveloped institutions influence institutional entrepreneurship activity? When is such action motivated by opportunities for the creation of new markets or the enhancement of market functions?
Mechanisms of entrepreneurial action	• Entrepreneurial alertness: How does the notion of entrepreneurial alertness translate into institutional entrepreneurship? • Bricolage: How do institutional entrepreneurs combine extant institutions to obtain support for their goals? How do they “make do” by applying existing institutions to new uses? • Effectuation: To what extent do institutional entrepreneurs follow an effectual logic? How does this affect the flow and the outcomes of institutional change? • Exaptation: What are the differential roles of adaptation and exaptation in institutional change and institutional design? How do micromechanisms such as bricolage, effectuation, and exaptation work with macroaspects of equilibrium/disequilibrium and environmental selection forces?

Contemporary conceptions of entrepreneurship research focus on the discovery (Kirzner, 1973; Shane & Venkataraman, 2000), creation (Aldrich & Kenworthy, 1999; Alvarez & Barney, 2007; Chiles, Bluedorn, & Gupta, 2007; Gartner, 1985; Sarason, Dean, & Dillard, 2006; Sarasvathy, 2001), evaluation, and exploitation of entrepreneurial opportunities (Shane & Venkataraman, 2000). The emphasis that entrepreneurship researchers place on the role of the individual and the opportunity may be invaluable to understanding the relationship between agency and institutional structure, as well as the motivation for and the processes observed in institutional design. Consistent with our organizing framework, we describe how the nature of entrepreneurial opportunities as well as the determinants and mechanisms for entrepreneurial action as described by the entrepreneurship literature can be employed in institutional entrepreneurship research. Table 4 presents a brief outline of opportunities for future research at the intersection of these two overlapping streams.

The Nature of Entrepreneurial Opportunities

Research in entrepreneurship emphasizes the nexus of the individual entrepreneur and the opportunity. Broadly defined, entrepreneurial opportunities consist of a set of ideas, beliefs, and actions that enable the creation of future goods and services in the absence of current markets for them (Sarasvathy, Dew, Velamuri, & Venkataraman, 2005; Venkataraman, 1997). Research on the nature of entrepreneurial opportunities may be usefully categorized into three distinctive views: opportunity recognition, discovery, and creation. Each of these cohere with economic theories that conceptualize the market as an allocative, discovery, and creative process, respectively (Sarasvathy et al., 2005). Following Hayek (1945), the recognition view addresses opportunities for which both supply and demand are known, and the process is one of matching the two. For example, arbitrage or franchises are recognition-based opportunities. Arguably, these are the most prevalent types of opportunities in the realm of entrepreneurship. The opening of a new restaurant, laundry, or shop in an underserved market represents recognition opportunities. Applying a recognition view to institutional entrepreneurship could help to delineate relatively mundane institutional change, such as placing a stoplight at a busy intersection or creating an online process for driver's license renewal, thereby taxonomizing these differently from the more rare and highly contested institutional change traditionally examined in institutional entrepreneurship research.

The discovery view argues that opportunities are present within extant economic systems and discovered and exploited by alert entrepreneurs (Dean & Meyer, 1996; Kirzner, 1973, 1997; Shane & Venkataraman, 2000). It suggests that entrepreneurial opportunities are objective realities that await discovery by entrepreneurs. Unlike the recognition view, the entrepreneur engaged in the discovery of opportunity does not possess knowledge of both the demand *and* supply for a new product or service. One side of the demand–supply equation is unknown and must be "discovered." One relevant example is the cure for diseases (whereby demand exists, but cures must be discovered; Sarasvathy et al., 2005). As such, this perspective largely adopts a positivist ontology wherein opportunities are discovered through an element of "surprise" that arises from new and superior knowledge regarding market conditions (Alvarez & Barney, 2007; Hayek, 1945; Kirzner, 1973; Sarason, Dillard, & Dean, 2008; Sarason et al., 2006). These surprises are not searched through a deliberate process but, rather, result from changes in the allocation of knowledge (Kirzner, 1973).

Integrating the discovery view of entrepreneurship into the study of institutional entrepreneurship would imply that discovery opportunities for institutional change are more likely driven by exogenous shocks (e.g., technological change, changes in resource configurations, etc.) that alter the distribution of knowledge in society and the likelihood of finding new valuable institutional arrangements. Such integration may also suggest that as institutions become more embedded in routines and the fabric of everyday life, discovery mechanisms may be less likely to occur. Specifically, because discovery implies that individuals recognize and notice "exceptions," institutional entrepreneurs may be less likely to *discover* such opportunities in highly routinized and deeply rooted institutions (e.g., conventions) as opposed to institutions with a lower degree of embeddedness (e.g., government policy). On the other hand, the persistence of highly embedded institutions may create tension between those institutions and exogenous changes in ways that may enable the discovery of new institutional entrepreneurship opportunities.

More recently, entrepreneurship theory has begun examining the *creation* of entrepreneurial opportunities. Some scholars embracing the creation view argue that opportunities do not always preexist as objective phenomena until created by the actions and perceptions of the entrepreneur (Aldrich & Kenworthy, 1999; Alvarez & Barney, 2007; Chiles, Bluedorn, & Gupta, 2007; Gartner, 1985; Sarason et al., 2006; Sarasvathy, 2001; Sarasvathy et al., 2005). Rather than being recognized or discovered, opportunities emerge or are "instantiated" through a process of recursive interaction with the physical and social environments (Sarason et al., 2006; Sarason et al., 2008; Sarasvathy et al., 2005). As such, creation theories embrace entrepreneurial agency and the endogenous emergence of opportunities. They focus on a strong form of entrepreneurship that often requires breaking the social or economic barriers to the exploitation of opportunities. This central attention to human agency evokes the character of opportunities described in institutional entrepreneurship research, pointing to possibilities for fruitful comers between the two streams. Specifically, future studies could explore the conditions under which institutional entrepreneurs create new means and ends that go beyond preestablished institutional arrangements. Such is the case, for example, with the unprecedented rules around carbon offsets that enable the existence of regional and global carbon markets.

To summarize, we believe that institutional entrepreneurship research could benefit from developing a taxonomy of institutional opportunities, for such a taxonomy could lead to a clearer understanding of both the antecedents to and consequences of different types of mechanisms of institutional change.

Determinants and Sources of Entrepreneurial Action

Research in entrepreneurship is greatly concerned with questions such as, Why do some people and not others exploit particular entrepreneurial opportunities? (Shane & Venkataraman, 2000). Consistent with Phillips and Tracey (2007), we suggest that entrepreneurship research can also be applied to explain individual differences in the recognition, discovery, and creation of opportunities for institutional change. Specifically, why do some people and not others become institutional entrepreneurs? Because both entrepreneurs and institutional entrepreneurs are change agents driven by self-interest, they share similar motivations and goals. This is particularly the case when institutional entrepreneurs seek to derive economic profit from the introduction of new institutional arrangements—and perhaps it is even more salient when the entrepreneur as defined in mainstream entrepreneurship research becomes the institutional entrepreneur (Pacheco, Dean, & Payne, in press). This means that we can employ insights and findings from entrepreneurship research to conceptualize which individual, social, and economic aspects may serve as important antecedents in processes involving institutional entrepreneurship opportunities.

While entrepreneurship research has identified a wide variety of individual-level characteristics that explain the likelihood of engaging in entrepreneurial action (Baron, 2004; Shane, 2000), we concentrate on those that may be more applicable to institutional entrepreneurship. As a first step, we suggest that prior knowledge, locus of control, and the regulatory focus of individuals may offer promising avenues for predicting engagement in institutional entrepreneurship. First, entrepreneurship research has long contended that the discovery of entrepreneurial opportunities is dependent upon the distribution of knowledge in society (Dew, Sarasvathy, & Venkataraman, 2004; Hayek, 1945; Shane & Venkataraman, 2000). Because knowledge is localized, dispersed, and private (idiosyncratic), some individuals are better at recognizing entrepreneurial opportunities than other individuals are. Namely, opportunities are only obvious to those in possession of the relevant knowledge. Individuals with specific knowledge, acquired through either work experience or education, are more likely to respond to opportunities in similar applications (Shane, 2000). Further empirical research in this area can assist in understanding whether the likelihood of institutional entrepreneurship is influenced by prior experiences and knowledge in the fields in which institutional entrepreneurs intervene (Phillips & Tracey, 2007). For example, to what extent are institutional entrepreneurs more likely to possess prior knowledge or experience in political action, collective organization, or other mechanisms used in the process of institutional change?

Another fertile possibility for future studies of institutional entrepreneurship is the study of entrepreneurial cognition. For example, *regulatory focus* theory explains how individuals engage in self-regulation—the process of aligning oneself with one's standards and goals (Higgins, 1998). Within such a process, individuals may adopt one of two different perspectives: promotion focus or prevention focus (Higgins, 1998). Individuals who engage in a promotion focus are driven by achievement and advancement needs in an effort to bring themselves closer to their ideal selves. In contrast, individuals in a prevention focus are driven by a concern for safety and attempt to be closer to their ought-selves. Research in entrepreneurship suggests that successful entrepreneurship may be based on a mixed pattern of both promotion and prevention focus (Baron, 2004). Furthermore, scholars have found that individuals in a promotion focus are more prone to generate more alternatives and recognize opportunities than those in prevention focus (Brockner, Higgins, & Low, 2004; Crowe & Higgins, 1997). These findings could be extended to examine whether the recognition of institutional entrepreneurship opportunities is dependent upon the regulatory focus of the individuals who sponsor them and whether and how such relationships are dependent upon the context in which these individuals operate.

Furthermore, in understanding why some individuals may be more likely to become institutional entrepreneurs, research could also explore how individual characteristics such as *locus of control* influence institutional entrepreneurship behavior. Studies in entrepreneurship have found that locus of control—the extent to which individuals believe that their actions can influence outcomes—is related to entrepreneurial behavior. Individuals with an internal locus of control believe that their actions can directly influence outcomes, while individuals with an external locus of control believe that they cannot control the outcomes of events (Rotter, 1966). Research in this area has concluded that firm founders have greater internal locus of control than do individuals in other professions (Bowen & Hisrich, 1986; Shapero, 1977). These findings could have very important implications for the study of institutional entrepreneurship. Indeed, the very nature of institutional entrepreneurship requires that individuals believe in their abilities to influence their greater institutional environments. Hence, institutional entrepreneurs may be even more likely to have an internal as opposed to an external locus of control.

Research in entrepreneurship has also explored how cultural values and beliefs may affect the likelihood that individuals will form new ventures (Davidsson, 1995; Davidsson & Wiklund, 1997; Giannetti & Simonov, 2004) and the differences and similarities between entrepreneurs across countries (McGrath & MacMillan, 1992). These studies mostly suggest that cultural aspects in an environment will influence the likelihood of participation in entrepreneurial activity. The latter is likely dependent upon how cultural values influence the social legitimation of entrepreneurship and the supportive environment for such endeavors (Davidsson & Wiklund, 1997). This type of research could be extended to examine whether and how institutional entrepreneurship is rooted in cultural aspects (e.g., country level) that explain its prevalence and implications. It would also assist in understanding the extent to which institutional entrepreneurship is itself a legitimate action and the social barriers that individuals must overcome to accomplish institutional change.

Social networks represent another socioeconomic aspect that is of particular importance to entrepreneurship. Interestingly, it is not the networks themselves that seem to matter, but particular combinations of networks with other variables and/or particular types of networks such as reputational versus technology networks (Lechner & Dowling, 2003). For example, Djankov, Qian, Roland, and Zhuravskaya (2006) found that social networks, along with certain unobserved variables, drove career choices of entrepreneurs in China. Building upon this logic, future studies of institutional entrepreneurship may investigate how different combinations or types of social networks may influence the likelihood of individuals engaging in institutional entrepreneurship projects and the character of the institutions that they seek to transform.

From an economics perspective, entrepreneurship researchers have argued that the presence of market gaps or imperfections (e.g., misalignment between the supply and demand of markets) creates opportunities for entrepreneurial intervention in re-equilibrating the market system (Kirzner, 1973). Specifically, a misalignment of supply and demand conditions could represent an opportunity to entrepreneurs who may capture economic value by altering demand conditions with modified product or service offerings or by integrating new sources or means of supply (Kirzner, 1973, 1997). Furthermore, these market imperfections represent opportunities for entrepreneurial profit because some barrier to the widespread exploitation of the opportunity exists (Dean & McMullen, 2007; Eckhardt & Shane, 2003). This logic can be applied to the study of institutional entrepreneurship (Dean & McMullen, 2007). Namely, because institutions provide the incentive structure within an economy and drive the direction of economic activity, they are responsible for the efficient functioning of markets (Coase, 1974; North, 1990, 1991). To the extent that institutional underdevelopment prevents the immediate dissipation of market gaps, those gaps represent opportunities for institutional entrepreneurs (Dean & McMullen, 2007). Hence, individuals may be more likely to participate in institutional entrepreneurship initiatives when they possess superior institutional knowledge and can uniquely overcome the institutional barriers to exploitation. In such cases, underdeveloped institutions may serve directly as a source or antecedent of entrepreneurial opportunity and profitable exploitation. Applying this framework to the study of institutional entrepreneurship can bring valuable insights into the design of new institutions and their repercussions on the exploitation of market opportunities.

Mechanisms for Entrepreneurial Action

A major source of recent contributions to entrepreneurship theory consists in the variety of mechanisms that drive the process of entrepreneurship. Whether it is entrepreneurial alertness, effectuation, bricolage, or exaptation, these mechanisms may be particularly relevant to the study of institutional entrepreneurship. The Austrian economic notion of alertness may especially be of interest to scholars who seek to understand not merely why certain individuals engage in institutional entrepreneurship but how they do so (Kirzner, 1997). For example, the Kirznerian entrepreneur is alert to the possibility of economic gain ensuing from disequilibria. This entrepreneur uses his or her alertness—"an attitude of receptiveness to available (but hitherto overlooked) opportunities" (Kirzner, 1997, p. 72)—to find opportunities for above-normal profits. What would a Kirznerian *institutional* entrepreneur look like? Is the concept of alertness necessary or unnecessary to institutional entrepreneurship? Why or why not?

Whereas the Austrian notion of alertness is a more theoretical construct than an empirical one, recent examinations of how entrepreneurs actually act have led to the identification of practical techniques and heuristics such as improvisation and bricolage (Baker & Nelson, 2005) and effectuation (Sarasvathy, 2001, 2008). Entrepreneurs who employ an effectual logic begin with the means at hand and focus on selecting between possible effects that can be created with that set of means (rather than using causal logic to specify the ends and subsequently gather means to reach those ends; Sarasvathy, 2001, 2008). These entrepreneurs undertake a nonlinear and participatory approach where uncertainty is perceived as an opportunity. The study of these effectual processes in institutional entrepreneurship could provide valuable insights on the evolution of institutional design projects. The latter would challenge the commonly held assumption that these initiatives follow a linear and intended path to a predetermined institutional goal.

The logic of bricolage may also serve to explain the use of resources in institutional entrepreneurship initiatives. The bricoleur combines readily available means at hand to create innovations, just as expert entrepreneurs use the bird-in-hand principle in effectuation. Baker and Nelson (2005), for example, found that resource-constrained firms were able to construct unique services by "making do with what is at hand"—or bricolage as defined by Lévi-Strauss (1967). Resource recombination to produce novelty and find new uses for old capital is a recurrent theme—from the theoretical conceptualizations of Schumpeter and Lachmann in the first half of the 20th century to the heuristics identified by Sarasvathy (1998) and Baker and Nelson (2005). This, along with the other four principles of effectual logic evidenced by Wiltbank, Read, Dew, and Sarasvathy (2009) and Read, Song, and Smit (2009), may also be relevant to developing the microfoundations of institutional entrepreneurship. In this connection it may also be interesting to note that whereas both institutional theory and institutional economics have an overall "adaptive" flavor at the macrolevel of environmental selection, ideas such as bricolage and effectuation point to a more "exaptive" view *ex-ante*. Exaptation is the idea that features once well adapted for a particular purpose or currently remaining idle or dormant may be co-opted or "ex-apted" for new uses (Gould & Vrba, 1982). Dew et al. (2004) show that "exaptation is a missing but central concept linking the evolution of technology with the entrepreneurial creation of new markets" (p. 69).

Considering that markets constitute one of the most powerful forms of institutions that dominate modern societies, it is not surprising that entrepreneurship scholars of both sociological and economic persuasions are honing in on the creation of new markets (Santos & Eisenhardt, 2009; Sarasvathy & Dew, 2005). It stands to reason then that institutional entrepreneurship and entrepreneurship in general ought to find common ground in future scholarship.

Concluding Comments

Both institutional theory and institutional economics have brought human agency into the study of institutional change. These perspectives suggest that while some institutional structures are taken as given, others are more subject to the entrepreneur's will or defiance. This approach calls for an understanding of the very nature of how individuals interpret their institutional environment and assess its alignment with their interests and values. In addressing this, institutional theory focuses on the process through which institutional entrepreneurs craft their strategies, while institutional economics is more concerned with what drives such action and what it implies to the economic system. Integrating these perspectives with each other and with the study of entrepreneurship requires an understanding of (a) the individual institutional entrepreneur; (b) the social and economic environment that surrounds the entrepreneur; (c) the nature of the opportunity and the market conditions that define it; (d) the strategies that the entrepreneur uses to manipulate the institutional environment; (e) the outcomes—intended or unintended, collective or individual—of such actions; and (f) the evolution of the institutions that the entrepreneur sets out to establish.

Both institutional theory and institutional economics offer fascinating perspectives and strategies that us help understand the circumstances under which entrepreneurs choose to reshape and remake their institutional environment. In applying and integrating these perspectives, we need to keep in mind what Herbert Simon (1996) urged in *Sciences of the Artificial:* Natural laws constrain but do not determine our designs. Similarly, institutions may constrain or enable entrepreneurial action, but they do not *determine* them. There is still room for design—both in designing institutions as a matter of social welfare and in individual entrepreneurs and their stakeholders designing institutions as a matter of *self-interested* entrepreneurial action.

Appendix
Final Search Terms for Comprehensive Search

institutions and entrepreneurship	endogenous institutional change
institutional entrepreneurship	institutional change and endogenous
institutional entrepreneur(s)	institutional change and agency
property rights entrepreneur(s)	institutional change and entrepreneurship
policy entrepreneur(s)	institutional change and entrepreneur(s)
policy entrepreneurship	institutions and private interest(s)
political entrepreneur(s)	institutions and interest group(s)
political entrepreneurship	institutions and collective action
public entrepreneur(s)	institutions and informal norms
public entrepreneurship	institutions and group norm(s)
institutional design	institutions and endogenous
institutional innovation	

Notes

1. In addition to these journals, our review of the institutional theory stream also included articles from *American Behavioral Scientist, Human Relations, Industrial and Corporate Change, Information and Organization, International Studies of Management and Organization, Journal of Business Research, Journal of Management Inquiry, Journal of Organizational Behavior, Journal of Organizational Change Management, Organization, Research in Organizational Behavior, Sociological Perspectives, Sociological Quarterly, Sociological Theory,* and *Strategic Organization*.

2. Given the range of terms in institutional economics that alludes to the concept of institutional entrepreneurship, this research uses the term *institutional entrepreneur* to refer to all of these different characterizations. We also use the term *institutional entrepreneurship* in describing the research in institutional economics that refers to this type of action without providing a particular terminology for it.

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