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# VIVE LA RÉSISTANCE: COMPETING LOGICS AND THE CONSOLIDATION OF U.S. COMMUNITY BANKING

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**We investigate how competing logics facilitate resistance to institutional change, focusing on banking professionals' resistance to large, national banks' acquisitions of smaller, local banks. Acquisitions led to new bank foundings, particularly when out-of-town banks were the acquirers and a community's local population of bank professionals was large. We argue that the national banks' efforts to introduce a banking logic emphasizing efficiencies of geographic diversification triggered new forms of professional entrepreneurialism intended to preserve a community logic of banking. Contributions to a synthesis of ecological and institutional perspectives and to research on entrepreneurship and resistance to institutional change are discussed.**

Over the past few years, institutionalists have shifted attention away from the study of isomorphic diffusion to develop more nuanced approaches to the study of organizational variation and change (e.g., Kraatz & Moore, 2002; Leblebici, Salancik, Copay, & King, 1991; Lounsbury, 2001; Maguire, Hardy, & Lawrence, 2004; Marquis, Glynn, & Davis, 2007). Despite this redirection of scholarly effort, little attention has been paid to how and under what conditions organizations, professionals, and other actors resist broader-scale institutional changes, such as those catalyzed by the passage of regulatory acts (Schneiberg & Bartley, 2001). Oliver (1991) argued that resistance is a key but little understood strategic response to institutional pressures and that more research is needed on the processes and mechanisms by which institutional change is contested. Such a focus on resistance is important because it can help to revise the more passive conceptualizations of organizational action that have dominated institutional theorizing (Hirsch & Lounsbury, 1997) by highlighting the active role of organizations and other actors in negotiating and shaping their environments. In addition, since resistance hinders isomorphism, a focus on resistance will help develop greater insight into how organizational variety emerges and is sustained in organizational fields (Aldrich & Ruef, 2006; Davis & Marquis, 2005). In this article, we seek to expand understanding of institutional and competitive dynamics by exploring the sources of actor resistance to change.

Recent work has shown that as fields change, aggrieved actors may be activated to countermobilize to protect their jurisdictions and established routines (Davis, McAdam, Scott, & Zald, 2005; Wade, Swaminathan, & Saxon, 1998). Abbott (1988), for instance, showed how the status and scope of professions could be understood by focusing on ongoing interprofessional conflicts and resistance over jurisdictional boundaries. In the context of markets, firms may compete for jurisdictional control by constructing barriers to entry and forging monopolistic and oligopolistic advantage in a particular product-market or geographically delineated space (Scherer, 1980). And recently, several scholars in economic sociology and organizational theory have employed institutional analysis to reveal how the social organization of industries and fields, including the demographic mix of kinds of organizations, is fundamentally shaped by such jurisdictional struggles (e.g., Fligstein, 1996, 2001; Haveman & Rao, 1997; Lounsbury, Ventresca, & Hirsch, 2003; Scott, Reuf, Mendel, & Caronna, 2000; Thornton & Ocasio, 1999).

A core idea emerging in this literature is the concept of *logic,* which generally refers to broad cultural beliefs and rules that structure cognition and fundamentally shape decision making and action in a field (e.g., see Thornton, 2002, 2004). As Scott and his coauthors (2000) demonstrated in the

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context of U.S. health care, changes in logics over time go hand-in-hand with changes in field governance arrangements. In a similar vein, Thornton and Ocasio (1999) showed how a shift from a professional to a market logic in higher education publishing led to corollary changes in corporate governance practices.

Some scholars have begun to extend this work by drawing on the competing logic imagery of Friedland and Alford (1991) to shed light on how multiple kinds of historically rooted belief systems provide the foundation for ongoing conflict and change (e.g., Fiss & Zajac, 2004; Lounsbury, 2007; Reay & Hinings, 2005; Stryker, 1994). For instance, Fiss and Zajac (2004) examined how different orientations toward corporate governance—corporatist and shareholder value—led to dramatic shifts in German corporations' use of United States–style governance. Lounsbury (2007) extended this approach by demonstrating how contending logics fundamentally shape variation in the practices and behavior of distinct groups of actors; mutual funds in Boston resisted the efforts of New York funds to push aggressive growth money management strategies by maintaining a focus on conservative, long-term investing. Despite this new emphasis on competing logics and conflict, there has been no examination of resistance per se.

In this article, we build on this notion that logics can be rooted in geographical differences (Lounsbury, 2007; Marquis et al., 2007), highlighting how competing logics can provide a foundation for resistance. In doing so, we aim to redirect the study of resistance away from a more narrow focus on strategic action (e.g., Oliver, 1991) to examination of how broader belief systems can shape such dynamics. In particular, we focus on how community-level actors may operate with a "community" logic of governance intended to protect local autonomy in the face of efforts by nationally oriented outsiders to impose a "national" logic of governance that focuses more on efficiencies gained by standardization over multiple geographic regions. For example, many communities have mobilized resources and energy to prevent mass-market firms such as Wal-Mart or Starbucks from opening stores that might threaten long-standing local establishments. Such political protest to prevent entry by national chains into individual communities demonstrates a particularly vivid type of resistance, yet resistance can also come in less dramatic forms (Hirschman, 1970). Organizational researchers, for instance, have highlighted how consumers' expression of preferences and actions in the marketplace can constitute resistance (Carroll & Swaminathan, 2000), as can the actions of local professionals whose high level of human and relational capital (e.g., Hitt, Bierman, Uhlenbruck, & Shimizu, 2006) enables mobility or the ability to create organizational alternatives (Haveman & Cohen, 1994; Schneiberg, 2007).

This tension between community and national actors and logics has been particularly important in the banking industry, dating to the founding of the United States and the debate between Thomas Jefferson and Alexander Hamilton over the benefits and drawbacks of a national financial system. Other notable historical episodes of jurisdictional struggle in this sector include the "bank wars" of the 1830s over Andrew Jackson's revocation of the charter of the Second Bank of the United States (Hammond, 1957) and the branch banking debate that pervaded the U.S. states and the nation for much of the 20th century. In the 1990s, the passage of a series of federal regulatory changes designed to remove all prior geographic restrictions on bank expansion led national banks to prey on community banks as acquisition targets. The rhetoric surrounding this national shift emphasized the efficiency gains that would result from combining the operations of existing banks into a smaller number of large banks and threatened the community orientation of many local banking infrastructures.

Economic work on banking suggests that community stakeholders (e.g., borrowers) are hostile to out-of-town banks (Seelig & Critchfield, 2002), yet the resistance of local actors to these changes has not been systematically explored. Communities organized substantial resistance via community nonprofits and groups such as the California Reinvestment Committee, which, for instance, protested Citigroup's expansion into California in 2002. The invading out-of-town banks were portrayed as "siphoning banks away" (Prial, 2000), and local ads counseled consumers not to "give your money to strangers" (Allen & Pae, 1991). Although there were a variety of such dramatic examples of political protest, press and banking trade journals also suggested that these acquisitions laid the groundwork for resistance by creating pools of bank executives who could found new banks (e.g., Epstein, 1996; Gillam, 1998; Murray, 1998; Zellner, 1998). We argue that these new banks represented not only a new form of economic competition for consolidating banks, but also a kind of countermovement (McAdam, McCarthy, & Zald, 1996) whose agents aimed to resist the imposition of a national logic of governance upon the local banking infrastructure.

We specifically examine how the acquisition-driven consolidation efforts of national banks facilitated a form of resistance, namely, the creation of

competing community banks by professional bankers, many of whom had left consolidating banks. By focusing on the relationship between organizational dynamics and professionals, our research addresses a key link between interorganizational processes and more individual-level "human capital" (e.g., Hitt et al., 2006). In this tradition, Haveman and Cohen (1994) highlighted the importance of studying how mergers among California savings and loans facilitated the mobility of bank executives, although it indirectly led to a decrease in mobility as "vacancy chains" were closed. Conversely, Stuart and Sorenson (2003) studied how biotech entrepreneurs emerged following "liquidity events" such as acquisitions that weakened financial bonds between technologists and their organizations.

We extend this research by examining how some types of acquisitions, conditioned by institutional logics, may systematically open up entrepreneurial opportunities for professionals (McGrath & MacMillan, 2000). We show that consolidation of local banking markets by community actors does not trigger the creation of new community banks by local professionals but that consolidation promulgated by large national banks does. This finding suggests that it is not competitive processes in a generic sense that enable entrepreneurial action, but particular forms of competitive dynamics related to the clash between community and national logics. Thus, sensing "entrepreneurial opportunities" (Sarasvathy, 2001) is not a neutral, objective occurrence but one perhaps embedded in broader institutional dynamics involving competing logics.

By concentrating on the heterogeneous processes by which professionals' new community bank creation counters consolidation pressures, our approach takes on an ecological flavor. Existing work in this area (e.g., Carroll & Swaminathan, 2000) focuses on long-term industry transitions, but our focus on a shorter time frame of dramatic consolidation (cf. Stearns & Allan, 1996) and our fine-grained, community-level data allowed us to uncover the possibility that institutional logics rooted in geographical difference (Lounsbury, 2007; Marquis, 2003; Marquis, Glynn, & Davis, 2007) underlie some market activities and shape the ecological mix of organizations. Our paper contributes to the understanding of resistance by highlighting the institutional contingency of community resistance to regulation-driven consolidation. Given such resistance, consolidation processes can yield organizational variation as opposed to homogeneity, which has been the trope of institutional theorists for far too long.

In the next section, we provide an overview of the historically rooted tension between community and national logics in U.S. banking and how the national banks' acquisition movement deepened this long-standing schism, precipitating entrepreneurial action by local banking professionals. We develop several hypotheses that we tested in data on a population of U.S. banking communities from 1994 to 2002. We then discuss the implications of this research for the study of resistance, entrepreneurship, and the merging of institutional and ecological perspectives.

## NATIONAL AND COMMUNITY LOGICS IN U.S. BANKING

Whether banks should be controlled by local community or national organizations is one of the most enduring debates of U.S. history. Its roots can be traced to the core philosophical positions of the two major political parties present at the founding of this republic. The Republicans, led by Thomas Jefferson, preferred decentralized political and economic systems under community control. The major opposing party, the Federalists, led by Alexander Hamilton, favored centralized political and economic systems and established early national banks in the United States. Although those on the centralization side of this debate were able to establish a few early national banks, the country's earliest experience of national banking ended in 1836, when Andrew Jackson, expressing wariness of consolidated financial power, vetoed the charter renewal of the Second Bank of the United States. Stated Jackson, "It is easy to conceive that great evils to our country and its institutions might flow from such a concentration of power of a few men irresponsible to the people" (quoted in Roe, 1994: 58).

This tension has remained vivid throughout U.S. banking history and has become embedded in counterposing institutional logics that have informed and shaped policy debates to this day. At the turn of the 20th century, those who advocated local control were in positions of power. But many of the larger banks, seeing the advantage of expanding beyond their headquarters communities, advocated for a relaxation of the laws prohibiting branching (Collis, 1926; Fischer, 1968). This group argued that banks with branches were safer because they were able to spread credit risk geographically. Organized opposition to branching came from small and medium-sized banks. Echoing Jackson, they capitalized on public fear of consolidated capital, arguing that branching would sever an important link between local bankers and community borrowers. Opposition was mounted through the

agency of trade associations (Ingram & Rao, 2004) organized with the explicit goal of lobbying units of government. For example, in 1923, the Kansas, Missouri, and Pennsylvania bankers' associations all declared themselves opposed to branch banking and actively worked to prevent the passage of pro-branching legislation (White, 1985), and in 1930, leaders of single-unit banks established the Independent Bankers Association (Calomiris, 1993), which came to be the primary national trade organization for community and independent banks.

Although the single-unit banks controlled only a small percentage of overall industry assets, the public and legislators often supported their view because of their success in framing the debate as a conflict between community banking and consolidated capital. It was believed that communities, individuals, and small businesses would suffer if banks were managed by an "agent acting at a distance under delegated authority" (Charles Dawes, comptroller of the currency in 1902, quoted in Fischer, 1968: 28) and that banking dominated by large banks would break the link between depositors and bank directors (Chapman & Westerfield, 1942; Fischer, 1968). There was strong agreement among community-oriented banking professionals. A mid-1930s survey found 90 percent of Nebraska single-unit bank executives to be opposed to branching (Kuhn, 1968).

Whereas the institutional logic of community banking focused on local control and avoidance of consolidated financial power, banking professionals from larger banks, who were focused on expanding branch networks, emphasized a national logic of economic efficiency centered on the assumption that geographic diversification would lead to a more secure banking system. William B. Ridgley, the comptroller of the currency in 1903, opined as follows: "I believe in branch banking. Theoretically, it is the best system, as it is more economical, more efficient, will serve its customers better, and the organization can be such as to secure in most respects better management" (quoted in Fischer, 1968: 29). As the 20th century unfolded, this logic began gaining more widespread support. By the late 1980s, a majority of U.S. states permitted out-of-state banks to operate within their borders. The federal government essentially ended state restrictions on banking with the passage in 1994 of the Riegle-Neal Interstate Banking and Branching Efficiency Act, which opened the door to a national interstate branching network.[1] As the word "efficiency" in the name of the Riegle-Neal act suggests, the explicit goal was to eliminate geographic barriers perceived to impede scale in banking. This deregulatory period witnessed many mergers and acquisitions and the rise of a new form of organization, the superregional bank.

Despite the growing power of national banks, adherents of the community logic remained active in contesting deregulation and its effects. Banking professionals and community groups protested many acquisitions of local firms. As noted, the rhetoric was heated, and invading out-of-town banks were portrayed as establishing foreign "colonies" (Finkelstein, 2002) and as having "lost the idea of serving the community" (Tripp, 1999). Although some lobbied government officials to prevent these changes, more often the resistance took the form of consumers supporting firms they felt more authentically tapped their personal values (Tripp, 1999; cf. Carroll & Swaminathan, 2000). This support enabled an explosion of new community bank foundings at the same time that massive national consolidation was occurring. Some economics-based commentators have described these parallel events as a "paradox" (Moore & Skelton, 1998). However, examining consolidation as a process that brought to the fore longstanding tensions rooted in community versus national logics may enable insights into the sources of community resistance to the nationalization of banking via the creation of new community banks.

## THEORY AND HYPOTHESES

Our theoretical focus is on the mechanisms whereby professional bankers founded new community-oriented commercial banks amidst regulation-triggered efforts to consolidate their industry. Given the importance of this phenomenon, it is no surprise that financial economists and other banking scholars have posited explanations. After using this existing literature to present a hypothesis that has been dominant in the literature on banking, we develop a set of theoretically informed hypotheses grounded in the growing corpus of work on insti-

[1] Large banks heavily lobbied for the 1994 act. Nations Bank CEO Hugh McColl theorized that expansion-minded bank-holding companies that owned large banks headquartered in major cities surrounded by rural areas were particularly successful lobbyists because the geographic diversity of these heartland banks made it easier for them to accumulate congressional votes (Kane, 1996). The unsuccessful countermovement originated with smaller banks represented by the Independent Bankers Association of America (the national trade organization for community and independent banks), the Conference of State Bank Supervisors, and other unions of smaller banks.

tutional ecology (e.g., Carroll & Swaminathan, 2000; Wade, 1998). This work emphasizes both competitive processes and the role of broader institutional processes related to legitimation (e.g., Baum & Powell, 1995) as well as shifts in logics (e.g., Haveman & Rao, 1997). We extend this literature by examining how competing institutional logics shape ecological dynamics. In addition, by focusing on the role of organization-based professionals, we highlight how the human capital of firms can provide a basis for resistance to change.

## Bank Acquisitions and Foundings: The Extant Banking Literature

A number of scholars have suggested that routine competitive processes might account for a link between mergers and acquisitions and the founding of new organizations in a given market. For instance, existing research on banking suggests that acquisitions create opportunities for smaller, newer organizations that target niches at the periphery of a market. The basic argument is that acquisitions effect changes in the product offerings of merged firms that facilitate start-ups, especially in product-markets that larger firms tend to be less efficient at serving. A presumably larger and more organizationally complex merged bank might, for example, be expected to deemphasize consumer and small business loans and services inasmuch as these niches are not as amenable to scale economies as corporate lending and fee-based services such as investment banking (Davis & Mizruchi, 1999).

Supporting this view, Berger, Kashyap, and Scalise (1995) found that larger banks devoted less of their assets to small business lending, and they suggested that large banks likely reduce small business lending because it is less efficient. Keeton (1995) found that front-line loan officers in larger organizations have less discretion, which often delays lending decisions for smaller customers. The disruption to customers occasioned by consolidation affords new banks an opportunity to steal customers who perceive a reduction in service (Berger, Bonime, Goldberg, & White, 1999). The bottom line of these economically oriented studies is that the primary causal mechanism behind bank founding is perceived market needs. New banks are founded to serve newly attractive and underserved market niches left in the wake of mergers.

*Hypothesis 1. The more local banks are acquired in a community, the greater the founding rate of new banks in that community.*

## An Institutional Ecology Approach

In contradistinction to the existing literature on bank dynamics, an institutionally based ecological approach is sensitive to how both competitive and institutional processes influence outcomes of interest via a focus on the actions and behaviors of different kinds of actors and organizational forms. For example, resource partitioning theorists propose a relationship between the consolidation of markets and a proliferation of specialist organizations. They argue that as a market consolidates into larger competitors, the target markets of those that fail or are acquired become free, which opens up peripheral resource niches. New specialist organizations then fill these emergent resource spaces. The statistical association between generalist consolidation and specialist proliferation has been documented in a number of industries, including newspapers (Carroll, 1985), beer brewing (Carroll & Swaminathan, 2000), and winemaking (Swaminathan, 1995).

Carroll, Dobrev, and Swaminathan (2002) offered three different explanations for why resource partitioning occurs: customization, conspicuous status consumption, and anti–mass production cultural sentiment. Customization has been studied in the context of audit firms (Boone, Broecheler, & Carroll, 2000) and it is generally argued that specialist organizations are able to provide greater personalization and customization of products. Also, Carroll, Dobrev and Swaminathan (2002) wrote that sometimes product status and conspicuous consumption lead to the rise of specialists who can better fill a niche—for example, the sustained success of small boutique auto producers, such as Porsche and Ferrari.

Closer to the issues of our study on banking consolidation and resistance is the mechanism of cultural sentiment opposing mass production—a rejection of powerful mainstream producers in favor of craft and specialty products. This mechanism has been most prolifically explored in the context of the microbrewing industry, where, Carroll and Swaminathan (2000) argued, beer consumers prefer products from smaller, independent brewers and look to an organization's identity when making purchasing decisions. This preference enabled the proliferation of microbreweries, which took on a social movement–like quality. Supported by extensive qualitative analyses of interviews and industry reports, they showed that following the dramatic consolidation of the postwar brewing industry to only 43 firms in 1983, consumer pressures for alternative products led to an explosion in new brewery foundings and the creation of almost 1,500 spe-

cialist firms by the turn of the 21st century. Thus, increased concentration in a local market may trigger a resource partitioning process that enables new specialist community banks to be created. Hence,

*Hypothesis 2. The greater the market concentration of a local community, the greater the founding rate of new banks in that community.*

In contrast to the standard resource partitioning approach, according to which greater concentration will leave underserved niches, some ecologists have drawn on the old industrial organization economics literature (e.g., Scherer, 1980) to argue that large incumbents may use market power to discourage entry (Bain, 1956). A number of studies of banking have tested this phenomenon, finding that markets with fewer larger competitors have higher prices, which suggests that the large incumbent firms can exercise market power (see Berger et al. [1999] for a summary). For instance, Prager and Hannan (1998) found that prices for deposit accounts increased following merger-driven growth. And Hanweck (1971) showed that new bank formation in 230 cities was negatively related to increased market control by large players.

This focus on the negative influences of market control on foundings provides an interesting counterpoint to the resource partitioning arguments posited above. Even though these could be seen as classic competing hypotheses, since industrial organization economists have typically operationalized market power with concentration ratios, the organizational ecology literature suggests a different operationalization that emphasizes the existence of multiple generalist organizations (e.g., Carroll & Swaminathan, 2000). This conceptualization of market power is more of a complement to resource partitioning and is actually in line with Carroll's (1985) original statement, which suggested that having multiple strong generalist organizations in a market discourages entry, because differentiation among generalists leads them to focus on "a variety of domains simultaneously" (Carroll, 1985: 1266). This is particularly apropos in banking, since large national banks establish themselves on the basis of their ability to leverage power and expertise over distinct domains.

In our case, generalist banks with achieved market power in commercial and real estate businesses (the primary types of banking other than retail) would be able to leverage their greater market reach and profits to discourage retail-oriented start-ups (see also Carroll & Swaminathan [2000] for a similar approach). Thus, our definition of a generalist is a bank engaged in substantial efforts in the major banking businesses of retail, commercial, and real estate. Such banks of broad scope are almost always nationally oriented, since the infrastructures required to support extensive products and services, particularly those serving larger firms, are not economically practical unless they can be leveraged over multiple markets. Banks with a more community orientation are typically much smaller and focused on single market segments. Keeton (2000) suggested that banks with commitments and activities that span a broader array of product offerings will dissuade banking entrepreneurs from starting smaller banks for fear of being driven out of business. So in addition to any effect of market concentration resulting from resource partitioning, we may observe a negative relationship between large generalist banks and start-ups. Hence:

*Hypothesis 3. The greater the presence of generalist banks in a community, the lower the rate of founding of new banks in that community.*

Although organizational demographers have gone far in specifying the rise of specialist organizations in consolidating markets, as well as the effects of powerful generalist organizations, an important question remains: Who are the entrepreneurs that generate new specialist organizations? Some organizational demographers have begun to examine this question (e.g., Haveman & Cohen, 1994; Stuart & Sorensen, 2003), but more effort is required to link organizational processes to the more individual-level processes of entrepreneurs who create organizations. In the context of professional service firms such as banks, professionals themselves can often provide key motors for change and resistance because they have significant levels of human capital, often backed by specialized education, credentialing, and experiential knowledge (Becker, 1976).

The importance of human capital is evident over a wide range of professional services. For instance, the human capital of lawyers enables law firms to provide services related to intangible forms of knowledge and information (e.g., Hitt, Bierman, Shimizu, & Kochhar, 2001; Hitt et al., 2006). In a similar way, banking professionals design and sell products that package intangible qualities of monetary flows such as risk (Bernstein, 1996). Such human capital provides a crucial resource that enables a firm to attain higher levels of performance and sustainable competitive advantage (Alvarez & Barney, 2004; Barney, 1991). Further, banking professionals have significant "relational capital" (Uzzi, 1999), a resource that is developed over time and is embedded in social relationships (Uzzi, 1997). As in the legal profession (Hitt et al., 2006;

Spar, 1997), this capital is portable, as it frequently resides in the relationships that individual banking professionals have with their clients.

In other cases, professionals might become an important resource for new organizations (e.g., Aldrich & Ruef, 2006; Meyer, 1994; Ruef, 2000). Meyer (1994) described this supply-side process whereby certain types of actors, particularly in the sciences and professions, occupy institutional roles that enable and encourage them to devise and promote new kinds of organizations (Burton, Sorenson, & Beckman, 2002; Freeman, 1986). For example, a number of highly skilled engineers, who as employees of Fairchild Semiconductor in the late 1950s and 1960s had access to unique knowledge about semiconductor innovation and process, exited to found competing firms such as Intel, Advanced Micro Devices, and LSI Logic (Saxenian, 1994).

These effects may be expected to be particularly pronounced in banking; professionalism, as Collins (1979) argued, is essential in financial industries that rely on credentials to gain and hold the public trust. Banking executives, an elite subset of banking professionals who are the key actors creating new banks, are also bound by an extensive body of industry and location-specific regulatory knowledge (Haveman, 1995). Evidence of a profession of banker includes professional associations (Lounsbury, 2002) and the *American Banker*, a daily periodical that has been published since the 1830s, as well as popular books such as Martin Mayer's (1997) *The Bankers*. Thus, a greater number of bank foundings is likely in communities in which there is a strong professional presence.

*Hypothesis 4. The greater the number of bank professionals in a community, the greater the founding rate of new banks in that community.*

However, the actions of entrepreneurs who create new organizations do not occur in an institutional vacuum (Scott, 2001) and, as we have argued earlier, competing institutional logics have importantly shaped the behavior of actors in the U.S. banking field over a long period of time. In particular, we argue that the geographic locus of actors tied to community and national banking logics may be important. Thus, although extant explanations of bank foundings have tended to focus on aggregate rates of acquisition, it may be helpful to distinguish between acquisitions that are made by peer firms within a community, where the result is maintenance of community-based financial services and a community logic, and those undertaken by national firms, which lead to the aforementioned siphoning away of banking assets and the introduction of a national logic. Substantial survey-based and anecdotal data suggest that acquisitions by national firms generate greater resistance because such banks have fewer ties to local stakeholders and make decisions about resource allocation remotely, often without adequate consideration of the impact on a local economy.

Researchers in economics have suggested, for example, that local borrowers are hostile to out-of-market banks (Seelig & Critchfield, 2002), a feeling that should be reflected in consumers' reacting negatively to having larger, increasingly nonlocal banks invade their communities. Even if outright hostility is not observed, there is overwhelming evidence that people like to bank with local firms, the tradition of local banking being much ingrained in the U.S. population. For instance, national surveys conducted in 1989 (Elliehausen & Wolken, 1992) and 1995 (Kwast, Starr-McCluer, & Wolken, 1997) showed that households overwhelmingly choose local depository institutions, especially local commercial banks, when given a choice between local and national banks. As countless press accounts following bank mergers have suggested, consumers want a "place where you are known by name and your financial record does not have to be spelled out to a new bank officer every time you want a transaction" (Nadler, 2001: 38). In general, acquisitions by outsiders can create considerable uncertainty by introducing a new national logic into a community, opening up opportunities for new firm creation (e.g., McGrath & Macmillan, 2000). Thus, we also expect the effects of out-of-town acquisitions on community bank foundings to be greater than that of within-community acquisitions. Hence,

*Hypothesis 5. The greater the number of acquisitions by out-of-town banks in a community, the greater the founding rate of new banks in that community.*

*Hypothesis 6. Acquisitions by out-of-town banks in a community will have a greater effect on the founding rate of new banks in that community than acquisitions by local banks.*

To more powerfully demonstrate the effects of competing institutional logics, however, it is important to show how they differentially shape behavior (see Lounsbury, 2007). This goal can be usefully approached by assessing interactions between carriers of logics (e.g., national banks) and actors driving change processes of interest (e.g., professionals creating community banks), focusing on how such actions are institutionally contingent (e.g., Schneiberg & Bartley, 2001; Schneiberg &

Clemens, 2006). In this case, we expect the effect of professionals to be strongest when community banks are acquisition targets of out-of-town, national banks. Put another way, we expect that acquisitions made by out-of-town banks will be a positive moderator of the effect of the number of banking professionals on new bank foundings. As we theorized above, it is these outsider banks that generate substantial resistance in communities by introducing a national logic. To wit, we expect that the existence of a pool of local bank professionals in concert with acquisitions by outsider banks will more likely catalyze resistance in the form of new community bank foundings.

This focus on the relationship between professionals and competing logics is particularly illuminating in the context of banking. To the extent that a local banking market is subject to acquisitions by national banks, often headquartered far from the target banks, professional autonomy is threatened. In smaller, local banks, major decisions are made locally, not at a geographically distant headquarters. As institutional theorists have documented, professional identity is a significant driver of action, especially when autonomy is challenged, whether within organizations (e.g., Powell, 1985) or over an entire field or industry (e.g., Scott et al., 2000). Many studies document how professionals under threat mobilize to create new or transform existing organizations (e.g., Brint & Karabel, 1991; DiMaggio, 1991; Kraatz & Zajac, 1996). Brint and Karabel (1991), for instance, explained how early presidents of junior colleges, realizing that they were becoming increasingly locked into lower status in the academic hierarchy, despite resistance from consumers and business, developed an alternative strategy: to transition from transfer-oriented institutions to institutions providing terminal vocational education.

Further, although the justification for acquisitions and mergers is often staff reduction and reorganization (Birch, 1987; Unger, 1986; Walsh, 1988), acquisitions undertaken by outsiders tend to be more hostile, creating greater dislocation and dissatisfaction (Newton, 1988). In addition, executive turnover in an acquisition target is more likely when target and acquirer are dissimilar (Hambrick & Cannella, 1993). Focusing more on individuals' financial resources created by "liquidity events," Stuart and Sorenson (2003) also argued that events that break leaders' ties to their organization may lead to entrepreneurial action. In the wake of mergers, some banking professionals might be forced to leave, and others may exit voluntarily to seek autonomy via the creation of new banks (see Buono & Bowditch, 1989). Numerous articles in the business press and banking trade journals offer anecdotal support for the idea that acquisitions of local banks by outsiders lead to a population of bank executives who become activists in reshaping the mix of their communities' banking institutions (e.g., Epstein, 1996; Gillam, 1998; Murray, 1998; Zellner, 1998).

As noted above, these professionals can tap into the historic antipathy toward the logic promulgated by national banks by appealing to consumers and small businesses that prefer doing business with community-focused firms. Thus, Moore and Skelton's (1998) "paradoxical" finding that bank mergers beget bank foundings might be driven by the unexplored process whereby acquisitions by out-of-town banks precipitate efforts by professional bankers to create new, community-oriented banks. As press accounts and banking research suggest, efforts to maintain or regain local and professional identities as well as to resist efforts of national banks to dominate a community's banking infrastructure motivate these creations. Thus, the significant dynamic may not be the mere presence of individual professionals, or even mere acquisitions by out-of-town firms, but the interaction between these two forces. Hence,

*Hypothesis 7. The greater the interaction between local bank professionals and acquisitions by out-of-town banks in a community, the greater the founding rate of new banks in that community.*

## METHODS AND ANALYSES

### Sample and Units of Analysis

We examined our hypotheses at the community level of analysis in data from 1994 to 2002. We took this approach for two interrelated reasons. First, entrepreneurship is theorized to be a community-level phenomenon, yet little empirical work exists on the topic (Romanelli & Schoonhoven, 2001). An additional important reason, one that differentiates banking from other industries, is that geographic community is traditionally seen as defining the main market for banking services. The years studied, 1994 to 2002, are significant because they encapsulate the period of full nationalization of U.S. banking triggered by the 1994 Riegle-Neil act and following the banking crisis of the late 1980s and early 1990s (Federal Deposit Insurance Corporation, 1997).

We defined community in terms of the metropolitan statistical areas (MSAs) established by the Office of Management and Budget as of June 6, 2003. We included not only units officially designated

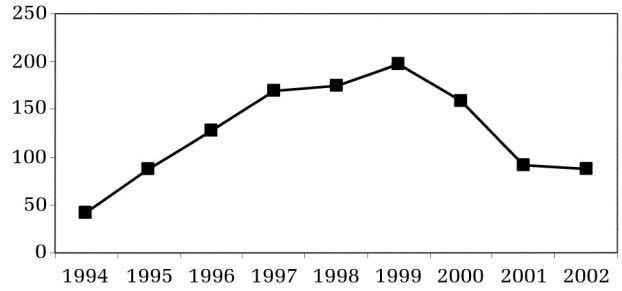
MSAs, but also metropolitan divisions of MSAs (these are similar to the earlier PMSAs; for example, the Philadelphia MSA has metropolitan divisions of both Philadelphia proper and Wilmington, Delaware). As of the date noted above, there were 379 of these geographical areas. Examining these 379 communities from 1994 to 2002 gave us 3,411 community-year observations. As noted, the time period is opportune for this analysis because it begins with a change in regulation that might have had an effect on bank foundings and mergers.

The main source of community market data, the Federal Deposit Insurance Corporation's (FDIC) Summary of Deposits, which began online coverage in 1994 (http://www2.fdic.gov/sdi/main.asp), provides annual branch-level data on all banking branches in the United States, an average of more than 80,000 observations per year. We constructed a branch-level database that contains 751,581 observations for the entire nine-year period. To construct our community measures, we aggregated these data to the MSA level.

***Dependent variable: Local founding rate.*** Most organizational analysis of the creation of new firms models founding as an event count (Carroll & Hannan, 2000); we specifically followed Stuart and Sorensen (2003) in focusing on the number of foundings per community-year.[2] Figure 1 plots the distribution of the 1,136 new banks founded during this period in the communities we studied.[3]

One can see from the figure that there were fewer than 50 foundings in 1994, the year Reigle-Neal was passed. In 1999, there were more than 200 and, despite a decrease after 1999, approximately 100 new banks were founded in both 2001 and 2002.

**FIGURE 1**
**Number of Bank Foundings**




***Independent variables.*** We created measures of recent bank acquisition activity in the communities we studied. Specifically, we counted the number of *acquisitions in MSA* and divided the total into counts of *acquisitions in MSA by local firms,* firms that would likely adhere to the same community logic as the firms they were acquiring, and *acquisitions by out-of-town firms*—firms that represent a more national logic of geographic diversification.[4] Following the economic work on banking, we measured these variables as the sum of the numbers of acquisitions in the prior two years (Keeton, 2000). Use of this time period is corroborated by press accounts indicating that two years represents the lag between acquisitions and foundings (Epstein, 1996). Of 1,939 acquisitions of smaller local banks during the period 1994–2002, 1,195 were acquisitions by out-of-town firms, and 744 were acquisitions by other local firms.[5] Figure 2 graphically depicts these acquisition trends.

In line with standard resource partitioning measurement (e.g., Carroll & Swaminathan, 2000), we measured market concentration as the *four-firm concentration ratio*. This is a measure of the percentage of bank deposits in each MSA held by the four largest firms in the MSA. To measure the local

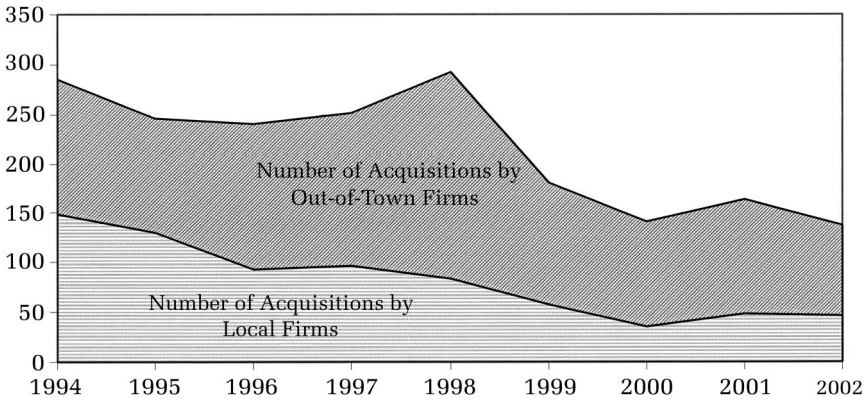
[2] In its use of a count measure, this study diverges from the economic literature on bank founding, which focuses on dichotomous entry (Berger et al., 1999) or total initial assets (Keeton, 2000). Because our theory and hypotheses predict founding rates, not just where foundings will occur, a count was better than an indicator variable. Also, total initial assets was not an appropriate measure for our study, as it describes initial bank success, not bank professionals' motivation to found banks.

[3] Much of the work on entrepreneurship and new organizational founding has been criticized for its success bias (Ruef, Aldrich, & Carter, 2003), because firms and entrepreneurs are usually studied only after surviving for an undetermined period. But intense regulatory oversight of the banking industry requires that newly founded banks file with multiple state and federal agencies before opening, and these same sources track the financial performance of firms from this point forward. Thus, studying foundings in the banking industry should provide deeper insights into founding processes than studies that rely on retrospective accounts of survivors.

[4] We also measured acquisitions by out-of-state firms as one way to tap acquiring banks that may be larger and hence more likely to focus on center-of-the-market strategies, which are not as local and are more amenable to economies of scale. Results were quite consistent.

[5] Our definition of mergers and acquisitions differs from definitions in prior economic work on banking; unlike Berger et al. (1999), we excluded all mergers that occurred within the same holding company. Although a "merger" of separately chartered banks in the same company might be a source of customer disruptions that could lead to new bank foundings (Berger and colleagues' argument), our theory is based on new takeovers by out-of-town, national firms.

**FIGURE 2**
**Number of Bank Acquisitions**




presence of *generalist banks* with disproportionate market power, we drew on Carroll's definition of a generalist as an organization that "compete[s] in a variety of domains simultaneously" (1985: 1266). Our variable, conceptually in line with the economic work on banking (Berger et al., 1999; Keeton, 2000), provides an interesting contrast to the concentration index typically used to test both economic and resource partitioning theories. We created a variable that identifies banks that have developed substantial franchises in all of the major types of banking (and hence are generalists). In the Federal Reserve of Chicago Commercial Bank database, we examined banks' individual, business, and real estate loans (either to individuals or businesses) at the end of each year. We found that for a number of years, approximately 20 percent of banking firms made no loans to individuals, and to be conservative we identified all banks that were above the 25th percentile in individual loans, considering these to be firms that had at least a foothold in their local retail market. We then looked at commercial and real estate loans and, to be consistent, also created a cut-off of 25th percentile to identify organizations that had developed a substantial presence in these market segments. This approach is in line with recent ecological operationalizations of generalism, which often require context-specific knowledge to assess an organization's scope over relevant markets. For instance, to distinguish generalists and specialists in the brewing industry, Carroll and Swaminathan (2000: 736) identified whether firms were mass production, micro, pub, or contract brewers and, for firms competing in multiple segments, they created a hierarchal counting rule for firm identity (for example, a firm that had both mass production and a brew pub was considered a mass production firm). To identify a generalist bank that might be able to exercise disproportionate market power in a local retail setting of newly founded banks, we counted all organizations within a community-year that had a significant presence in all the above-listed market segments.

Since none of the banking databases we used had a measure of *number of bank professionals*, we relied on databases of public firms for this measure. We identified approximately 2,500 banks that existed during this period in the COMPUSTAT database and totaled the number headquartered in each of our communities each year. We then summed these firms' total employees to gauge the number of bank professionals in a communities' population in a given year. It would have been ideal to have employee data from all existing banks, but in the absence of such data, the extensive coverage of banks in COMPUSTAT is, we feel, a robust alternative; it may in fact offer a conservative test, as this database likely underestimates the number of local banking professionals and hence the human capital available in a community. To be consistent with our acquisitions operationalizations, here we also used data from the two years prior to a focal year. We averaged the numbers of bank professionals in banks headquartered in a given MSA over the two years.

***Control variables.*** The baseline for studies of new venture creation is how an economic environment, in particular, opportunities in a local market, creates an incentive for starting new firms. For example, Reynolds, Miller, and Maki (1995) demonstrated in all industry sectors from 1976 to 1988 that factors such as personal wealth, population growth, and overall economic base were associated with greater numbers of new venture foundings. Here, a number of control variables captured these

socioeconomic features of our communities. From the U.S. Commerce Department, we obtained for each of our community-years data on *per capita income* and *population growth* for the previous year (thus, lagged one year). From the FDIC Summary of Deposits database, we calculated the level of *local savings* (deposits in thousands), an important measure of banking market attractiveness that, along with the size of a community, influences bank founding activity (Rose, 1977; Siegfried & Evans, 1994).[6] We used FDIC data through June 30 for savings, but our dependent variable relies on data through December 31, so the savings variable is lagged half a year. Since a large number of organizations can deplete available resources and depress new foundings in a niche (Carroll & Hannan, 2000), we included a measure of local organizational density; this was the logarithm of a count, taken from the FDIC database, of the number of different *banking institutions* operating branches in a community. To control for the wave of *national mergers* (Stearns & Allan, 1996), we included the number of bank mergers that had occurred outside a focal community in the previous two years and also a linear time trend variable (*year*) to account for the time elapsed since the Riegle-Neil act.

### Statistical Models

We followed Carroll and Swaminathan (2000) and modeled our counts of foundings in each community as a zero-inflated Poisson model (Long, 1997).[7] This was the most appropriate model for a number of reasons. First, approximately 84 percent of our community-year observations did not contain a founding event, which suggests that different dynamics underlie the zero and nonzero observations. A zero-inflated model estimates an outcome with two equations, one predicting the occurrence of nonzero counts and the other, the count of foundings. In modeling the zeros, we relied on the underlying economic conditions of the communities, reflected by the variables for population growth and local savings. A Poisson model was appropriate for the counts in this situation because the overdispersion in the data resulted entirely from the zero observations. When the zero observations were excluded, the mean and standard deviation were nearly identical. And a final consideration was that not all observations were independent, as community-level data were identical for all organizations in each community. To correct for this, we used the cluster subcommand in STATA to adjust our standard errors to account for the multiple observations per community.

## RESULTS

Table 1 presents descriptive statistics and correlations, and Table 2 gives the regression equation results for the 379 communities from 1994 to 2002. In Table 2, we present a number of models for informational purposes, indicating the associated hypothesis number next to the appropriate variable. In models 1 to 8, we present models with all of the hypothesized main effects and the combined acquisition variable. Models 9 to 16 are models with acquisitions decomposed into those by banks local to an MSA and those by out-of-town banks.

Model 1 presents only the control variables, and models 2 to 5 present this base model and main effects relating to acquisitions, concentration, bank professionals, and generalist organizations. Given the close conceptual relationship between concentration and generalist organizations, we also present an informational model with those two variables (model 6). We begin interpreting our findings using model 7, the full model with all main effects. Regarding Hypothesis 1, as predicted on the basis of the standard explanations in the banking literature, the level of acquisitions in the previous two years is a strongly significant predictor of number of foundings, which suggests that mergers in a local environment establish the conditions for subsequent bank foundings. The concentration variable hypothesized to have a positive effect on foundings in Hypothesis 2 is positive and statistically significant at the 10 percent level (two-tailed test) lending support to the standard resource partitioning hypothesis. Conversely, there is also strong support for the dampening effect of powerful generalist organizations in a community on bank foundings, supporting Hypothesis 3. We consider the potential sources and implications of these contrasting findings in our Discussion (below). The effect of local bank professionals on foundings is not statistically significant; hence, Hypothesis 4 is not supported. As noted, however, because this measure underestimates the human capital in a community, it is likely a conservative test of our claims.

To better test our institutional ecology account

[6] This variable is correlated at 0.92 with local population. Including local population did not change reported results, As a further sensitivity test, we also ran analyses on the 88 cities with over one million in population and again, results are consistent.

[7] ZIP command in STATA; we also ran the models using a negative binomial specification with similar results.

**TABLE 1**
**Descriptive Statistics and Correlations[a]**

| Variables | Mean | s.d. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Number of foundings per community year | 0.29 | 0.88 | | | | | | | | | | | | | | | | | |
| 2. Acquisitions in MSA | 1.01 | 2.09 | 0.46 | | | | | | | | | | | | | | | | |
| 3. Acquisitions in MSA by local banks | 0.49 | 1.49 | 0.38 | .89 | | | | | | | | | | | | | | | |
| 4. Acquisitions in MSA by out-of-town banks | 0.54 | 1.05 | 0.39 | .76 | .40 | | | | | | | | | | | | | | |
| 5. Four-firm concentration ratio | 0.66 | 0.13 | −0.14 | −.29 | −.24 | −.24 | | | | | | | | | | | | | |
| 6. Number of bank professionals | 17.09 | 91.58 | 0.32 | .38 | .38 | .23 | −.10 | | | | | | | | | | | | |
| 7. Number of generalists | 2.05 | 4.21 | 0.31 | .65 | .64 | .40 | −.30 | .33 | | | | | | | | | | | |
| 8. Professionals × acquisitions | 89.93 | 787.91 | 0.35 | .45 | .46 | .25 | −.11 | .91 | .31 | | | | | | | | | | |
| 9. Professionals × local acquisitions | 31.19 | 268.83 | 0.36 | .39 | .29 | .39 | −.10 | .80 | .26 | .83 | | | | | | | | | |
| 10. Professionals × out-of-town acquisitions | 59.87 | 593.18 | 0.30 | .42 | .48 | .16 | −.11 | .87 | .30 | .97 | .68 | | | | | | | | |
| 11. Professionals × generalists | 162.56 | 1,323.94 | 0.26 | .38 | .40 | .19 | −.12 | .87 | .47 | .84 | .63 | .84 | | | | | | | |
| 12. Professionals × concentration | 10.14 | 50.20 | 0.31 | .36 | .35 | .23 | −.07 | .99 | .32 | .86 | .78 | .81 | .80 | | | | | | |
| 13. National mergers | 540.55 | 105.54 | 0.09 | −.01 | −.04 | .05 | .03 | .00 | .02 | −.002 | −.01 | .00 | .01 | −.01 | | | | | |
| 14. Banking institutions in MSA | 2.95 | 0.70 | 0.39 | .61 | .53 | .48 | −.65 | .40 | .61 | .33 | .30 | .30 | .34 | .40 | −.02 | | | | |
| 15. Per capita income | 26,897 | 5,413 | 0.25 | .27 | .21 | .25 | −.30 | .29 | .25 | .18 | .19 | .16 | .19 | .31 | .07 | .54 | | | |
| 16. Population growth | 0.01 | 0.01 | 0.16 | .11 | .08 | .10 | −.02 | −.01 | .11 | −.001 | .01 | −.01 | .01 | −.002 | −.07 | .07 | .01 | | |
| 17. Local savings | 9,896,821 | 2,610,000 | 0.39 | .55 | .53 | .35 | −.23 | .88 | .54 | .86 | .74 | .82 | .83 | .84 | −.02 | .59 | .38 | .00 | |
| 18. Year | 4.00 | 2.58 | 0.03 | −.08 | −.13 | .03 | .00 | .02 | −.15 | −.002 | .03 | −.012 | −.02 | .03 | .23 | .03 | .24 | −.12 | .00 |

[a] In 379 metropolitan statistical areas (MSAs), 1994–2002.

## TABLE 2
## Results of Zero-Inflated Poisson Regression Analyses for Bank Foundings[a]

| Variables and Hypotheses | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 | Model 7 | Model 8 | Model 9 | Model 10 | Model 11 | Model 12 | Model 13 | Model 14 | Model 15 | Model 16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Acquisitions in MSA—H1 | | 0.06** (3.64) | | | | | 0.07** (3.36) | 0.07** (3.37) | | | | | | | | |
| by out-of-town banks—H5 | | | | | | | | | 0.10** (5.71) | 0.09** (4.78) | 0.09** (5.84) | 0.09** (5.81) | 0.09** (4.79) | 0.09** (4.81) | 0.06* (2.48) | 0.09** (4.61) |
| by local banks | | | | | | | | | 0.04** (2.77) | 0.04* (2.27) | 0.05** (2.75) | 0.05** (3.08) | 0.05* (2.39) | 0.05* (2.35) | 0.05** (2.65) | 0.05* (2.14) |
| Four-firm concentration ratio—H2 | | | 1.42* (2.26) | | | 1.41* (2.30) | 0.98† (1.69) | 0.98† (1.68) | | 1.02† (1.68) | | | 1.06† (1.82) | 1.03† (1.75) | 0.96† (1.69) | 1.04† (1.75) |
| Number of generalists—H3 | | | | −0.02** (3.57) | | −0.02** (3.48) | −0.02** (3.82) | −0.02** (3.45) | | | −0.02** (4.05) | | −0.02** (4.08) | −0.02** (3.87) | −0.02** (3.78) | −0.02** (3.48) |
| Number of bank professionals—H4 | | | | | 0.0004 (0.72) | | 0.0004 (0.72) | 0.0003 (0.58) | | | | 0.001 (1.18) | | 0.0002 (0.31) | −0.0002 (0.29) | 0.0001 (0.25) |
| Number of bank professionals × acquisitions in MSA | | | | | | | | 5.5E-06 (0.08) | | | | | | | | |
| Number of bank professionals × out-of-town acquisitions—H7 | | | | | | | | | | | | | | | 1.45E-04* (1.98) | |
| Number of bank professionals × local acquisitions | | | | | | | | | | | | | | | | 6.3E-06 (0.14) |
| National mergers | 0.003** (6.59) | 0.003** (6.30) | 0.003** (6.39) | 0.004** (7.05) | 0.003** (6.49) | 0.003** (6.83) | 0.003** (6.63) | 0.003** (6.56) | 0.003** (6.35) | 0.003** (6.20) | 0.003** (6.79) | 0.003** (6.28) | 0.003** (6.71) | 0.003** (6.70) | 0.004** (7.06) | 0.003** (6.59) |
| Banking institutions in MSA | 0.86** (5.72) | 0.52* (2.34) | 1.04** (6.44) | 1.01** (6.98) | 0.88** (5.60) | 1.19** (8.17) | 0.83** (3.69) | 0.83** (3.77) | 0.54** (2.59) | 0.68** (2.41) | 0.70** (3.80) | 0.57** (2.87) | 0.84** (3.63) | 0.84** (3.73) | 0.83** (3.79) | 0.85** (3.83) |
| Per capita income | 5.9E-06 (0.41) | 6.7E-06 (0.55) | 1.4E-05 (0.93) | 1.5E-06 (0.10) | 4.1E-06 (0.29) | 8E-06 (0.49) | 3.5E-06 (0.26) | 3.6E-06 (0.27) | 6.7E-06 (0.54) | 8.8E-06 (0.58) | 2.4E-06 (0.19) | 5.1E-06 (0.42) | 4.8E-06 (0.33) | 4.4E-06 (0.30) | 4.8E-06 (0.35) | 4.4E-06 (0.31) |
| Population growth | 31.20** (5.46) | 30.09** (6.49) | 27.99** (4.51) | 32.97** (5.78) | 30.72** (5.97) | 30.53** (5.07) | 31.22** (7.43) | 31.19** (7.40) | 29.51** (6.78) | 28.60** (5.71) | 31.66** (7.59) | 28.60** (7.01) | 30.80** (6.63) | 30.64** (6.99) | 30.40** (7.25) | 30.60** (6.99) |
| Local savings | 0.00 (0.32) | 0.00 (0.51) | 0.00 (0.43) | 0.00 (0.50) | 0.00 (0.50) | 0.00 (0.15) | 0.00 (0.47) | 0.00 (0.45) | 0.00 (0.83) | 0.00 (0.32) | 0.00 (1.05) | 0.00 (0.64) | 0.00 (0.44) | 0.00 (0.06) | 0.00 (0.16) | 0.00 (0.09) |
| Year | 0.02 (0.90) | 0.05* (1.98) | 0.01 (0.40) | 0.01 (0.51) | 0.02 (0.91) | 0.00 (0.04) | 0.03 (1.29) | 0.03 (1.28) | 0.04 (1.56) | 0.03 (1.06) | 0.03 (1.20) | 0.04 (1.61) | 0.02 (0.78) | 0.02 (0.79) | 0.02 (0.84) | 0.02 (0.80) |
| Constant | −51.15 (1.02) | −103.24* (2.09) | −27.69 (0.56) | −30.16 (0.65) | −49.85 (1.03) | −9.93 (0.21) | −70.29 (1.44) | −70.48 (1.42) | −81.37† (1.68) | −68.09 (1.18) | −63.71 (1.32) | −82.06† (1.72) | −49.53 (0.91) | −50.77 (0.92) | −51.78 (0.97) | −50.76 (0.92) |

[a] Robust *Z*-statistics are in parentheses; Data are based on 3,411 observations in 379 MSAs over 1994–2002.

† $p < .10$

* $p < .05$

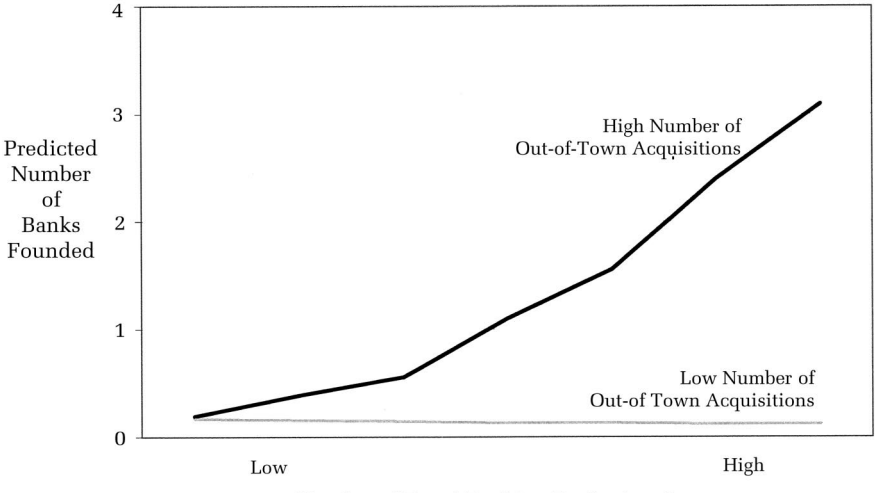
** $p < .01$

focused on competing logics, we shifted to a series of models embodying a finer-grained conceptualization of acquisitions, separating out those made by firms from outside a focal community. Models 9 through 13, which are presented only for informational purposes, show the effects of the main variables of interest when they are included with the two types of acquisitions, mirroring the models described above. In model 14, we present tests of Hypotheses 5 and 6, which focus on how out-of-town acquisitions are the most important drivers of foundings, not acquisitions more generally. The out-of-town acquisitions variable is strongly significant, providing support for Hypothesis 5. Note that local acquisitions is also significant, which suggests that some of the economics arguments underlying Hypothesis 1 may hold as well. We are heartened by the fact, however, that the coefficient for out-of-town acquisitions is actually much larger than that for local acquisitions ($\chi^2 = 24.45$, $df = 2$, $p < .00001$), which supports Hypothesis 6. Thus, although the economics explanation of this relationship in terms of market pressure may be partially true, our hypotheses and results suggest that firms from outside a community face different and more substantial pressures, likely relating to the historically rooted resistance to outsider banks we described earlier.

Model 15 presents our tests of Hypothesis 7, stating that acquisitions made by out-of-town banks are a positive moderator of the effect of the number of banking professionals on new bank foundings. As predicted, this coefficient is positive, supporting Hypothesis 7 regarding interaction between number of bank professionals and community resistance. Note the contrast between model 15 and models 8 and 16, in which we show the interactions between bank professionals and total and local acquisitions, respectively. Neither is significant, which suggests that it is not acquisitions per se that are important to understanding community resistance to national banks, but that—in keeping with our theory and many anecdotal examples—acquisitions pursued by out-of-town banks are the salient events that spur action by local professionals. To aid visualization of this effect, in Figure 3 we graph the predicted effects of the banking professional interaction with out-of-town acquisitions using a method from Stewart and Barrick (2000). In this graph, we show the effects on number of banks founded in a community for two levels of out-of-town acquisitions, low (minus one standard deviation from the mean) and high (plus one standard deviation from the mean). We then plotted the number of banking foundings regressed on different levels of local bank professionals. Figure 3 shows that the highest level of bank foundings in a community occurred when both bank professionals and out-of-town acquisitions were high. From our analyses, we conclude that out-of-town acquisitions accentuate the effect of professionals on new bank foundings in communities to a much greater degree than acquisitions by local firms.

Results of the control variables are all as would be expected on the basis of the existing banking (e.g., Berger et al., 1999) and entrepreneurship (Reynolds, Miller, & Maki, 1995) literatures. As expected, banks are founded where there is already a

**FIGURE 3**
**Effect on New Bank Foundings of the Interaction of the Numbers of Banking Professionals and Out-of-Town Acquisitions, 1994–2002**



significant banking presence and the population of banks is expanding. Further, a variable capturing the national merger wave (acquisitions from outside a focal community) was significant, further suggesting that the national consolidation spurred the new bank foundings we observed.

These results as a whole illustrate the complexity of new bank foundings in local communities and provide substantial support for our perspective on how competing institutional logics facilitate resistance to change. Although existing predictions regarding competitive processes stemming from economics in some sense set the baseline for studies of community bank foundings, our results suggest that economics does not provide the whole story. Building on the long-standing tension between national and community logics, our results highlight how this conflict persists and how the context of community banking remains highly politicized. Local banking professionals founded new banks in the wake of out-of town acquisitions and, just as strenuously, larger national banks strove to maintain their market power. We discuss implications for theories of institutional change and resistance below.

## DISCUSSION AND CONCLUSIONS

In this article, we explored how the growing dominance of nationally oriented banks has been resisted in some U.S. communities. Following legal changes that allowed and encouraged banks to extend their reaches beyond the states where their headquarters were located, acquisitions by banks seeking to expand their domains increased dramatically. In some communities, local politicians, citizens, activists, and consumers contested this process, shifting their banking to firms that were more consistent with their ideology of and interest in locally headquartered financial institutions. Empirically, we specifically explored how the growth of bank acquisitions by outsider, national firms fostered resistance in the form of new community bank creation. Focusing on the historically rooted competing logics underlying the organization of U.S. banking enabled us to provide a nuanced account that goes beyond extant explanations of this phenomenon to illuminate the conditions under which professionals in a community can resist broader consolidation efforts.

Although our evidence supports some general arguments in the banking literature that bank acquisitions can spur new bank creation in a community (e.g., Berger et al., 1999), this existing explanation does not go far enough in specifying and testing the particular mechanisms through which and conditions under which acquisitions drive bank foundings. We drew on institutional and ecological approaches to organizational analysis—especially on recent efforts to understand how competing logics create variation in the practices and behaviors of distinct groups of actors—to focus attention on the dynamics that undergird national bank expansion and the countermovement of new community bank creation. We showed that, under conditions of acquisition-driven expansion of national banks, a community's ability to spawn as a countervailing force new, local banks depended on the existence of a pool of professional bankers. We showed the effect of professionally driven local bank creation to be even greater when acquisitions in a community were specifically undertaken by out-of-town, national banks. This finding supports our contention that the creation of new banks in communities was a form of resistance to the efforts of national banks to control resource allocation decisions in those communities.

### Contributions to Institutional Ecology

Our findings are of interest to scholars forging an institutional ecology approach, especially those who focus on resource partitioning and organizational founding processes. An important point of departure from other ecological work that analyzes industry dynamics and career mobility (Haveman & Cohen, 1994; Stuart & Sorenson, 2003) is that our model focuses on the founding of new firms as an interaction between local professionals and organizational dynamics. Our work extends this stream by emphasizing how competing logics, particularly those rooted in geographic difference (Lounsbury, 2007; Marquis et al., 2007), both influence these processes and offer a more refined understanding of the relationship between acquisitions and foundings. Although Haveman and Cohen (1994) showed how mergers among California savings and loans enabled first-order mobility for bank executives, they also posited a second-order effect of blocked mobility. Even though they did not focus on new bank creation, to the extent that acquisitions facilitate foundings by professionals, mobility may be enhanced both directly and indirectly.

That is, bank creation by professionals exiting an acquired bank may provide a model for other professionals to follow and create more new banks. In addition, new bank creation further increases mobility for professionals, opening up possibilities to join more independent community-oriented banks; Haveman and Cohen (1994) actually supported this association, showing that many professionals migrate to newly founded banks after their current

banks have been acquired. Further work is needed to specify the conditions under which the indirect effect of mergers and acquisitions enhances mobility, and such work will require finer-grained data on individual professionals and their movements between organizations.

An additional distinction between the current study and the ecological literature is that we attempted to tease apart the concentration-based arguments underlying resource partitioning and the market power arguments typically made by economists (Amel & Liang, 1997; Scherer, 1980). Not typically seen as competing approaches, these two literatures in fact contain opposite predictions and findings regarding the effects of market concentration. To that end, we find that both processes exist and that some of the divergent findings may relate to measurement issues. Given our results, we deem concentration, which suggests a crowding of market niches, to be a better measure of resource partitioning, but we consider measures such as ours—measures that tap the existence of dominant generalist organizations (as distinct from concentration)—to be better operationalizations of economists' market power arguments. Our results suggest that market power can come from organizational characteristics other than size and that the presence of powerful generalists and market concentration can be distinct phenomena, despite being typically discussed as similar in both of these literatures. Future researchers may want to explore these processes in more detail.

Although the concentration results are a nice corroboration of existing resource partitioning findings, we feel our study goes beyond standard resource partitioning theory in at least a couple of important ways that we hope will aid future scholars in that area. First, focusing our analyses on a short period allowed us to uncover some of the detailed activity and mechanisms—in this case, competing logics and the human capital of professionals—underlying observed relationships that the generally long-term historical perspective of ecologists may mask. Consolidation typically occurs in a punctuated fashion (Stearns & Allan, 1996), and so looking at periods of intense consolidation is particularly valuable for testing a theory that analyses such punctuated processes. Second, we extend the cultural approach to consumption proffered by Carroll and Swaminathan (2000) to encompass the cultural ideology and motivations of entrepreneurs, particularly in situations marked by different visions of industry organization (Lounsbury, 2007). Such a direction suggests an opportunity for a more complete engagement between the institutional and ecological literatures and the scholarship on entrepreneurship (see, e.g., Aldrich & Ruef, 2006).

### Resistance and Institutional Change

Consolidation and concentration may be baseline conditions for studies of new firm creation in the U.S. banking industry, but our results suggest that understanding the opposing logics that have undergirded competition in the history of U.S. banking provides additional insight into how the structure of community banking has changed recently. When out-of-town banks, carriers of a national logic of garnering efficiencies from geographic diversification, invaded communities by acquiring local firms, some community members resisted these efforts and supported foundings of new firms that more authentically tapped their values. Thus, even though institutionalists have suggested that professionals can play a key role as institutional entrepreneurs who create and catalyze institutional change (e.g., Battilana, 2006; DiMaggio, 1991; Scott, 2001), here we emphasize that the actions of such professionals are fundamentally shaped by broader institutional logics.

In our case, we showed how professionals in a community can be an especially important source of support for opposition to larger entities when those entities espouse goals and beliefs that are antithetical to those in the community. Bankers may have a stronger professional identity than professionals in other industries, making mobilization and resistance easier for them, yet we believe these arguments may have broad generalizability. Pennings (1982), for example, found the level of engineering employment to have a positive effect on foundings of technology firms. Although he did not emphasize professional resistance, we know from other studies of technology start-up dynamics that highly skilled engineers, who tend to value independence and autonomy, are quick to exercise the exit option and join or start other organizations when their old organizations become too entrenched or bureaucratic (Saxenian, 1994; Stuart & Sorenson, 2003). Meyer's (1994) observation that such a supply-side approach to new venture creation is broadly suited to the sciences and professions suggests that the members of a broad group of occupations might respond similarly.

By focusing on new community bank creation as a form of professional resistance that is contingent on institutional logics, we explicitly move the study of organizational dynamics and foundings in a more institutional direction. Whereas much of organizational demography focuses on nationwide, population-level processes, we emphasize here the

relationship between national and community logics that highlights how organizational evolution is fundamentally shaped by broader institutional beliefs that can be rooted in geography (see also Lounsbury, 2007). And although earlier investigators of the intersection of organization and community concluded that organizations were coming to rely less on their geographic environments, more recent investigations suggest that embeddedness in communities has an enduring influence on the organizations and professional actors therein (Freeman & Audia, 2006; Marquis, 2003; Marquis et al., 2007; Sorenson & Stuart, 2001). Future investigators, building on the insights of Romanelli and Schoonhoven (2001), might examine further the importance of local contexts and logics to understanding entrepreneurial action and other aspects of organizational behavior.

Our emphasis on resistance also contributes to the study of organizational variation and change. Though the institutionalist emphasis on isomorphism has shifted toward accounting for more heterogeneous processes and outcomes (e.g., Kraatz & Moore, 2002; Leblebici et al., 1991; Maguire et al., 2004), this work has tended to ignore resistance to institutional forces (Oliver, 1991). Resistance is particularly important because it can not only arrest institutional change, but can also facilitate organizational variety. In the study of diffusion, resistance might help to explain adoption/nonadoption behavior and also the emergence of new variants of practices that are tailored to local conditions. When, for example, the Czech Republic adopted neoliberal market reforms, many of its institutions remained unchanged because of resistance from the established elite. This resistance enabled the creation of unique market institutions that were hybrids of old institutional ideas and rules and the new neoliberal templates being promoted by the World Bank and other actors (Rao & Hirsch, 2003).

A key contribution of our study to the examination of resistance to institutional change is to emphasize that, as Oliver (1991) suggested, it cannot be completely understood as a narrow strategic response, but should be viewed as potentially actuated by institutional logics. Our logic-centered perspective redirects attention away from resistance as an instrumental action of particular actors and toward an understanding of resistance as socially structured by competing logics and other kinds of fracture lines that define dimensions of conflict in organizational fields (Schneiberg, 2007). We inferred resistance from extensive historical evidence coupled with our quantitative analyses; future research should, however, seek more direct measures. In particular, it would be helpful to have qualitative studies that probe actors' accounts for various kinds of resistance, including the founding of new community-oriented organizations emphasized in our study. A key step in this direction is the examination of how and under what conditions actors can mobilize resources and relationships in a social movement–like process to create effective resistance (Davis et al., 2005), but much more needs to be done.

Such research could be usefully complemented and extended by work in entrepreneurship emphasizing the importance of human and relational capital and other individual-level processes related to the identification of, and ability to seize, opportunities by creating new ventures (e.g., Hitt et al., 2001, 2006). Our study reaffirms arguments in the entrepreneurship literature that entrepreneurial opportunities are not objectively identified but are rooted in the interpretive processes of actors (e.g., Audia, Freeman, & Reynolds, 2006; Buchanan & Vanberg, 1991; Sarasvathy, 2001; Shane, 2000; Sorenson & Audia, 2000). We extend this literature by highlighting how such interpretive processes can be shaped not only by the prior knowledge or other individual attributes of a potential entrepreneur, but also by institutional beliefs such as logics (see also Lounsbury & Glynn, 2001). Very little research on how logics shape entrepreneurship exists; in our view, such a line of research represents an important direction for future inquiry.

There may be further research opportunities as well in some of the limitations we noted earlier. First, our measure of bank professionals could be more precise and, to further explore the mechanisms underlying these relationships, future researchers might survey these entrepreneurs or track their career progression (Haveman & Cohen, 1994). New bank leadership and contact information available in the databases mentioned earlier would facilitate such data collection. We were also limited here by the absence of comprehensive data on the sizes of acquisitions in the databases we used. We would expect that such size data would further clarify our findings, as it would allow for finer measurement of the acquisitions variables. When we included the size data for the approximately 80 percent of the acquisitions for which these data existed, results were encouraging but not conclusive. Consistently with our theory, the size of nonlocal acquisitions had a positive and marginally significant effect on foundings, and the size of local acquisitions had a negative effect. Because of the high number of missing observations, we viewed it as more appropriate to present the results with the more complete count data.

In sum, the merging of institutional and ecological perspectives can be greatly enhanced by examining microlevel processes that involve entrepreneurs and other actors in detailed and engaged ways. Exploring such ground-level dynamics and actors will yield a richer appreciation of the heterogeneity of fields and the tensions that both enable and constrain institutional change. In turn, such an approach will also contribute to a better understanding of the sources of organizational variety and change, a question to which few answers exist after three decades of sustained research in organizational demography and neoinstitutionalism.

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